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KCCDFI Mutual Benefit Association, Inc. 2020 Annual Corporate Governance Report

	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
THE BOARD GOVERNANCE RESPONSIBILITIES			
Principle 1. The company should be headed by a competent, working board to foster the long-term success and sustainability of the corporation in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board composed of directors with collective working knowledge, experience, or expertise that is relevant to the company's industry/sector.	Compliant	The Annual Report discloses the comprehensive profiles of the Board, including their age, qualification, date of appointment and relevant experiences and if they hold directorship in any publicly listed company. It also shows that our trustees/directors have the appropriate mix of competence and expertise and that all are qualified for their respective position and collectively they fulfill their roles and responsibilities and respond to the needs of the organization. Reference/Link: KCCDFI MBA Annual Report 2020	
2. Board has an appropriate mix of competence and expertise.	Compliant		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization	Compliant		
Recommendation 1.2			
1. Board is composed of a majority of non-executive directors.	Compliant	Our BOT composes of 5 regular BOT and (2) independent Trustees. As disclosed in our 2020 Annual Report on the profiles of BOT, all of them are independent from management and holds no executive position in the company. Reference/Link: KCCDFI MBA Annual Report 2020	
Recommendation 1.3			
1. Company provides in its Board Charter or Manual on Corporate Governance a policy on the training of directors.	Non-Compliant		Our existing corporate governance manual has no existing policy on training of director's. We shall review and make necessary amendments on the CG Manual for us to be compliant with the principle and recommendation set. But the member's of the BOT has been attending relevant trainings and learning sessions as available via zoom teleconference. Trainings attended by BOT has been disclosed in the Annual Report. Reference/Link: KCCDFI MBA Annual Report 2020

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2. Company provides in its Board Charter or Manual on Corporate Governance an orientation program for first-time directors.	Compliant	<p>Orientation for first time directors/trustee will begin immediately after they are selected and before their first board meeting. New directors are given an orientation on the company's business, their roles and responsibilities as a board of trustees and other relevant information. In addition first time trustees are required to attend Governance and AMLA Workshop. The company believes that it is critical that new directors receive the training they need in order to be an effective board and help lead the organization in the right direction. The Board of Trustees are also given copies of the different manuals for their guidance and information.</p> <p>Reference/Links: KCCDFI MBA Corporate Governance Manual page. 17</p> <p>Reference/Link: KCCDFI MBA Annual Report 2020</p>	
3. Company has relevant annual continuing training for all directors	Compliant	<p>For 2020 due to restrictions brought about by the pandemic. The Board has attended several learning sessions which is conducted via virtual platforms/zoom which is disclosed in details in the Annual Report.</p> <p>Reference/Link: KCCDFI MBA Annual Report 2020</p>	
Recommendation 1.4			
1. Board has a policy on board diversity	Compliant	<p>Our policy on board diversity is defined under our CG Manual on Qualification of Trustees page 11. Trustees shall possess leadership skills and competence necessary to execute the duties of a trustee. Our Board of trustees is composed of all female trustees of different ages with knowledge and competence in various fields. We have 1 male board advisor in the person of Atty. Ibarra A. Malonzo.</p> <p>Reference or Link: KCCDFI MBA Corporate Governance Manual</p> <p>Reference or Link: KCCDFI MBA Annual Report 2020</p>	
Recommendation 1.5			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Board is assisted in its duties by a Corporate Secretary	Compliant	<p>Ms Araceli J. Amlih, is the corporate secretary of the company, whose specific powers and duties are the following:</p> <ul style="list-style-type: none"> • To give all notices required by these by-laws and keeps the minutes of all meetings of the members and of the Board of Trustees in a book keep for the purpose • To keep the seal of KCCDFI MBA, and affix such seal to any paper or instrument requiring the same. Her • To have custody of the member's register and the correspondence files of KCCDFI MBA. • To certify to such acts, countersign corporate documents or certificates, and make reports or statements as may be required or him/her by law or by government rules and regulations. Her profile is disclosed in the Annual Report. 	
		Reference/Link: KCCDFI MBA Annual Report 2020	
2. Corporate Secretary is a separate individual from the Compliance Officer	Compliant	Ms. Araceli J. Amlih is the secretary of the company. While Maria Teresa C. Gonzales is the compliance officer.	
3. Corporate Secretary is not a member of the Board of Directors.	Non-Compliant		Considering the nature of our organization, our company's corporate secretary, Ms. Araceli J. Amlih is a member of the Board of Trustees. An MBA staff with relevant background and has a degree in bachelor of laws assists her in the fulfillment of her duties as a corporate secretary.
4. Corporate Secretary attends training/s on corporate governance.	Compliant	<p>The corporate secretary has attended Training on Governance and Anti-Money Laundering Act conducted last June 5-7, 2019. Recently, a lecture series on Briefer on Revised Code of Corporate Governance for IC regulated companies and ACGR held via zoom videoconference last Aug. 10, 2020, wherein Atty. Randy B. Escolangco, Ph.D. of the Insurance Commission is the resource speaker.</p>	
		Reference/Link: KCCDFI MBA Annual Report 2020	
Recommendation 1.6			
1. Board is assisted by a Compliance Officer	Compliant	<p>Considering the size, risk profile and complexity of our organization, The General Manager Ms. Maria Teresa C. Gonzales, acts as the compliance officer of the company. As a compliance officer, she is incharge in the compliance function. She is not a member of the Board of Trustees. Her detailed profile is disclosed in the Annual Report.</p>	
2. Compliance Officer has a rank of Vice President or an equivalent position with adequate stature and authority in the corporation	Compliant		
3. Compliance Officer is not a member of the board	Compliant		
		Reference/Links: KCCDFI MBA Annual Report 2020	

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4. Compliance Officer attends training/s on corporate governance annually.	Compliant	The compliance officer has attended a lecture series on Briefer on Revised Code of Corporate Governance for IC regulated companies and ACGR held via zoom videoconference last Aug. 10, 2020, wherein Atty. Randy B. Escolangco, Ph.D. is the resource speaker. Reference/Links: KCCDFI MBA Annual Report 2020	
Principle 2. The fiduciary roles, responsibilities, and accountabilities of the Board as provided under the law, the company's articles and by-law, and other legal pronouncements and guidelines should be made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Compliant	The Board of Trustees reviews and approves major projects, policy decisions, annual budgets, major investment funding, and major restructuring of core businesses on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company. Reference/Link: Minutes of the Meeting	
Recommendation 2.2			
1. Board oversees the development, review, and approval of the company's business objectives and strategy.	Compliant	Development and review of the company strategies are included in the duties and responsibilities of the board. On a yearly basis, plan and budget is one of their main agenda at the start of the year. Reference/Link: Minutes of the Meeting	
2. Board oversees and monitors the implementation of the company's business objectives and strategy to sustain the company's long-term viability and strength.	Compliant	The Board oversees and monitors the implementation of the company objectives and strategy. Performance ratio, financial and operations highlight is presented and discussed in the meeting. Reference/Link: Minutes of the Meeting	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	Ellen M. Benitez, is the chairman of the Board of Trustees. She took over as the chairmain in October 2015 until present. Her biographical data is disclosed in the Annual Report. Reference/Link: KCCDFI MBA Annual Report 2020	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers, and management.	Non-Compliant		The Association currently have no succession planning program for key officers and management. But we shall include it as areas for compliance and develop our own succession planning program in the next two years.

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
2. Board adopts a policy on the retirement of directors and key officers.	Non-Compliant		We currently don't have a policy on retirement of trustees and key officers but we shall benchmark and develop our own retirement policy in the next 2 years.
Recommendation 2.5			
1. Board formulates and adopts a policy specifying the relationship between remuneration and performance of key officers and board members.	Compliant	As a mutual benefit association, we are a non-stock, non profit association. As a policy, the members of the board shall not receive any salary but shall be entitled to gratuity, per diem and reimbursement of all necessary expenses incurred on account of attendance in committee and board meetings provided that all entitlement benefit, emoluments received shall be subject to the approval by the majority vote of the general membership. While the key officers shall receive such salary and/or benefits as may be fixed by the Board.	
2. Board aligns the remuneration of key officers and board members with the long-term interests of the company.	Compliant	Reference/Link: KCCDFI MBA Corporate Governance Manual	
3. Directors do not participate in discussions or deliberations involving his/her remuneration.	Non-Compliant		We may have policy stipulated in the CG Manual, but it still lacks details and guidelines that would restrict director's participation or deliberation on discussions involving his/her remuneration.
Recommendation 2.6			
1.Board has a formal and transparent board nomination and election policy.	Compliant	Nomination and Election policy of the company is uploaded in the company website. Reference/Link: Nomination and Election Policy	
2.Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Non Compliant		Nomination and Election Policy is disclosed and uploaded in the company website, but it is still not included in the Corporate Governance Manual. A review and amendment of the existing CG Manual shall be done to include Nomination and Election Policy.
3.Board nomination and election policy include how the company accepts nominations from minority shareholders.	Non-Compliant		Our existing nomination and election guidelines, lacks specific details, interms of how it accepts nominations from minority shareholders, how the board reviews nominated candidates, and assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.
4. Board nomination and election policy include how the board reviews nominated candidates.	Non-Compliant		

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
5. Board nomination and election policy include an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Non-Compliant		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant	The Nomination and Election Committee, refers to the existing qualification and disqualification of trustees in evaluating the the quality of director. The qualifications and disqualification of a trustee is disclosed in the CG Manual. <u>Reference/Links: KCCDFI MBA Corporate Governance Manual</u>	
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions	Compliant	The Board has the responsibility of appointment of an RPT Committee and approving the company's RPT policy which covers guidelines and procedures for the review and approval of material RPT's to ensure that this is conducted at arm's length and consistent with the objectives of the association.	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions	Compliant	The association has a policy on related party transactions where transactions with related parties are reviewed by the Board of Trustees and require prior approval of the majority of the Board of Trustees with exclusion of the manager concerned incase the transactions involved him or his related interests. All trustees and officer are required to disclose related party transactions and include a sign-off and commitment to disclosed proposed transaction that the trustee or officer or their related party will undertake with the company.	
		<u>Reference/Link: KCCDFI MBA Corporate Governance Manual</u>	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile, and complexity of operations.	Non-Compliant		A Comprehensive RPT Policy is still to be developed to include (A.) Definition of a related parties;(B.) Coverage of RPT Policy; (C.) Guidelines in ensuring arm's length terms; (D.) Identification and prevention or management of potential or actual conflicts of interest which arise;(E.) Adoption of materiality thresholds and excluded transactions; (E.) Internal Limits for individual and aggregate exposures; (F) Whistleblowing mechanisms and (F.) Restitution of losses and other remedies for abusive RPT's.
Recommendation 2.8			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).	Compliant	The Board is primarily responsible for approving the selection and appointment of the management team at all times. In the selection process, fit and proper standards are applied on key personnel and due consideration is given to integrity, technical expertise and experience in the institution's business.	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).	Compliant	As part of the general responsibility of the Board, they are responsible in overseeing the performance of senior management towards attainment of the Association's short and long -term strategic objectives. Further, the board is also responsible for monitoring and overseeing the performance of the senior management as the latter manages the day to day affairs of the corporation.	
		<u>Reference/Link: KCCDFI MBA Corporate Governance Manual</u>	
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management, including the Chief Executive Officer performance is at par with the standards set by the Board and Senior Management.	Non-Compliant		We still don't have a performance management framework that ensures that management and personnel's performance is at par with the standards set by the Board and Senior Management. Performance management framework is still for development and approval of the Board.
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Non-Compliant		
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	Compliant	The oversight function is delegated to the Audit Committee who is incharge with the oversight of the organization's audit and control function, financial management activities and compliance with existing policies, procedures,laws and regulations.	
		<u>Reference/Links: Audit Committee Charter</u>	

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2. The internal control system includes a mechanism for monitoring and managing potential conflicts of interest of the Management, members, and shareholders.	Non-Compliant		An internal control system, which includes a mechanism for monitoring and managing potential conflicts of interest of the Management, members, and shareholders is still to be develop and approve by the Board.
3. Board approves the Internal Audit Charter	Non-Compliant		We currently don't have an internal audit charter. We shall develop our own internal charter and present it to the Board for approval.
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess, and manage key business risks.	Non-Compliant		We are still setting up the ERM framework for the board to effectively identify, monitor, assess and manage key business risks. We shall include it as one of our areas for compliance for development, discussion and approval in our BOT Meeting in the next two years.
2. The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Non-Compliant		We cannot assess the effectiveness of the risk management strategies, because ERM framework is still not in place. A development of an ERM framework shall be given priority by the Board in the succeeding year.
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities, and accountabilities in carrying out its fiduciary duties.	Compliant	The Corporate Governance Manual serves as the Board charter, it clearly states their roles, responsibilities and accountabilities in carrying out their fiduciary duties. The Board Charter guides the director/trustees on how to discharge their functions It provides the standards for evaluating the performance of the Board. It also contains the roles and responsibilities of the Chairman/ President.	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant		
3. Board Charter is publicly available and posted on the company's website.	Compliant		
		Our CG Manual, where the board duties and responsibilities is stipulated, is available and downloadable at our company website.	
		<u>Reference/Link: KCCDFI MBA Corporate Governance Manual</u>	
Principle 3: Board committees should be set up to the extent possible to support the effective Board's actions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions, and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	The board have establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. Among the committes that was established was the following : Audit Committee, Remuneration Committee, Nomination and Election Committee, Risk Oversight Committee and RPT Commitee.	
		Reference/Links: KCCDFI MBA Annual Report 2020	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	The Board has established an Audit Committee to assist them in its oversight responsibilities and to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws and regulations. Part of their responsibilities is the selection and appointment of external auditor, subject to ratification of the general membership. The Committee also facilitates the approval / disapproval of the corresponding service fees. Moreover, they handle the performance evaluation and if necessary, the re-appointment or dismissal of the external auditors. Their specific responsibilities and functions is explicitly stipulated in the Audit Committee Charter.	
		Reference/Link: KCCDFI MBA Audit Committee Charter	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, is independent.	Non-Compliant		Our Audit Committee is composed of three (3) appropriately qualified non-executive directors but among them, only the Chairman is an independent director.
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance.	Non-Compliant		Not all of the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance. But the head/ chairman of the audit committee who is Ms. Nevilyn P. Abualas, is a CPA by profession. She owns an accounting firm.
4. The Chairman of the Audit Committee is not the Chairman of the Board or any other committee.	Compliant	Ms Nevilyn P. Abualas, is the chairman of the Audit Committee while Ms. Ellen M. Benitez is the Chairman of the Board.	
Recommendation 3.3			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Non-Compliant		The Board has not establish a Corporate Governance Committee. Considering the size, risk profile and compexity of our operation, the task/function is being done by the whole board itself.
2. Corporate Governance Committee is composed of at least three members, the majority of whom should be independent directors.	Non-Compliant		
3. Chairman of the Corporate Governance Committee is an independent director.	Non-Compliant		
Recommendation 3.4			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	Board Risk Oversight Committee shall be to assist the Board and to oversee the establishment of Enterprise Risk Management (ERM) framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the board in identifying units/business lines and enterprise-level risk exposures as well as the effectiveness of risk management strategies. The Committee shall be responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability. Reference/Link : KCCDFI MBA Board Risk Oversight Committee Charter.	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Non-Compliant		The BROC is chaired by Dezza S. Mohammad, she is the only independent director. Committe members are Ms. Ellen M. Benitez, Mary Ann R. Candoy and Mercedes G. Faustino which are all non-executive director. While Atty. Ibarra A. Malonzo, our Board Advisor joins them in the Committee.
3. The Chairman of the BROC is not the Chairman of the Board or any other committee.	Non-Compliant		The chairman of the Board Risk Oversight Committee is Ms. Dezza S. Mohammad. She is not the Chairman of the Board. But she sits as the chairman of the Nomination and Election Committee. In our existing composition of the BOT, we only have two independent trustees. So it would be impossible to have committee chair that is not also a chairman of the other committees. But we shall review existing committee composition and possibly re-align and merge those committees that may be related to the function.
4. At least one member of the BROC has relevant thorough knowledge and experience in risk and risk management.	Compliant	The Advisory Board Atty. Ibarra A. Malonzo and Mercedes G. Faustino, a member of the said committee has relevant thorough knowledge and experience in risk and risk management. Because they have attended several trainings on risk management. Their incumbent position as President/CEO and Vice President/COO, respectively, of KCCDMFI Microfinance has gained them experience in risk and risk management. This is apart from the training that they have also attended that is related to risk management. Reference/Link : KCCDFI MBA Annual Report 2020	
Recommendation 3.5			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. The Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	The company has established its RPT Committee. The Committee is responsible to assist the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapproved or reject a Related Party Transaction. KCCDFI MBA complies with legal and regulatory requirements pertaining to the approval and disclosure of the related party transactions. Reference/Link: KCCDFI MBA Annual Report 2020	
2. RPT Committee is composed of at least three non-executive directors, majority of whom should be independent, including the Chairman.	Compliant	RPT committee is chaired by Ms. Nevilyn P. Abulas, an independent director while Ms. Dezza S. Mohammad, independent director and Ms. Ellen M. Benitez, sits as member of the committee. Reference/Link: KCCDFI MBA Annual Report 2020	
Recommendation 3.6			
1. All established committees have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources, and other relevant information.	Non-Compliant		Not all established committees has its own committee charter, only the Audit Committee and the Risk oversight Committee has its own charter. But we shall develop the respective charters of the other committees established, to clearly define the roles and accountabilities of each committee to avoid any overlapping functions, which aims at having a more effective board of the company. Which can also be used as basis for the assessment of committee performance.
2. Committee Charters provide standards for evaluating the performance of the Committees.	Non-Compliant		
3. Committee Charters were fully disclosed on the company's website.	Compliant	Existing Committee Charter , the Audit Committee and the Risk Oversight Committee Charter were fully disclosed in the company's website. Reference/Links: Committee Charters	
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. The Directors attends and actively participates in all meetings of the Board, Committees and shareholders in person or through tele or videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	Attendance in all meetings of the Board, Committees and shareholders in person or through tele-videoconferencing conducted, is explicitly disclosed in the annual report. Attendance and participation in the meetings shows their full commitment to the Association. <u>Reference/Links: KCCDFI MBA Annual Report 2020</u>	
2. The director's review meeting materials for all Board and Committee meetings.	Compliant	The director's review meeting materials and seek clarification and explanations during the Board and Committee meetings <u>Reference/Link: Excerpts of the Minutes of the Meeting</u>	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant		
Recommendation 4.2			
1. Non-executive directors concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities (ICREs) and publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Compliant	As stipulated in our CG Manual.A Board of Trustees shall exercise due discretion in accepting and holding other board position other than in the Corporation, provided that, in holding such other board position, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a trustee of the Corporation is not compromised. He/she may hold up to a maximum of five (5) board positions provided he/she is a full time board of trustees. Otherwise he/she can only hold up to two (2) board positions. Profiles of the Board of Trustees shows that non of them has directorship from other publicly listed companies. Hence they all have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company. <u>Reference/Link: KCCDFI MBA Corporate Governance Manual, Page 10 (Multiple Board Seats)</u>	
		<u>Reference/Link : KCCDFI MBA Annual Report 2020</u>	
Recommendation 4.3			

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1. The directors notify the company's board where he/she is an incumbent director before accepting a directorship in another company.	Non-compliant		There has been no instances, that our existing board of trustees has accepted directorship from other companies other than KCCDFI MBA. But we shall develop a policy that in any case, an incumbent director/trustee must notify KCCDFI MBA Board of Trustees, before accepting such directorship from other company.
Principle 5: The Board should endeavor to exercise an objective and independent judgment on a corporate affairs.			
Recommendation 5.1			
1. The Board is composed of at least twenty percent (20%) independent directors	Compliant	Annual Report discloses the composition and profiles of the Board. In which out of the seven (7) Board of Trustees, two (2) are independent trustees. Reference/Link: KCCDFI MBA Annual Report 2020	
Recommendation 5.2			
1. The independent directors possess all the necessary qualifications and none of the disqualifications to hold the position.	Compliant	Our two (2) independent trustees/directors possess all the necessary qualifications. They are both not an officer or employee of the association, its parent or subsidiaries or any other individual having relationship with the association which could interfere with their exercise of independent judgement in carrying out their responsibilities. They have not been convicted by any final judgement of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation swindling and theft ; or convicted by final judgement of the court for violation of insurance laws, or have been judicially declared insolvent, spendthrift or unable to enter into contract and they have not been a director, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institutions closure as determined by the Insurance Commission. Reference/ Link: KCCDFI MBA Annual Report 2020	
Recommendation 5.3			

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<p>1. The independent directors serve for a maximum cumulative term of nine years.</p> <p>As far as Insurance Companies are concerned, the foregoing term limit shall be reckoned from 02 January 2015 while the reckoning date for the Pre-Need Companies and Health Maintenance Organizations shall be from 21 September 2016.</p> <p>For the other covered entities, all previous terms served by existing Independent Directors prior to the effectivity of this Circular shall not be included in the application of the term limit prescribed in this item.</p>	Compliant	<p>Our Annual report discloses the composition and profiles of the Board, including their date of appointment, in which none of the existing independent director, exceeds the 9 year term limit.</p> <p>Reference/Link: KCCDFI MBA Annual Report 2020</p>	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Non-compliant		The company still don't have a policy for barment of an independent director from serving in such capacity after the term limit of 9 years. But we shall develop a policy and include it in the amendments of the articles and by laws and in our CG Manual.
3. In the instance that the company retains an independent director in the same capacity after nine years, the board submits to the Insurance Commission a formal written justification and seeks shareholders approval during the annual shareholders' meeting.	Compliant	Currently, our 2 independent board have not yet exceeded the 9 year term limit. Thus the association still don't need to submit to the insurance commission a formal written justification and still don't need to seek approval from shareholders/general membership.	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals	Compliant	<p>The chairmain/president is Ms. Ellen M. Benitez while the CEO/General Manager is Maria Teresa C. Gonzales.</p> <p>Reference/Link: General Information Sheet</p>	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	<p>The specific duties and responsibilities of the Chairman/President and of the CEO/General Manager is clearly stated in the CG Manual.</p> <p>Reference/Link: KCCDFI MBA Corporate Governance Manual</p>	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director or where the roles of Chairman and CEO are being held by one person, the Board should designate a lead director among the independent directors.	Non-Compliant		Our Chairmain is not an independent director. But the roles of Chairman and the CEO/ General Manager are held by two different persons. The Chairman is Ms. Ellen M. Benitez, while the CEO/ General Manager is Maria Teresa C. Gonzales
Recommendation 5.6			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Directors with a material interest in a transaction affecting the corporation should abstain from taking part in the deliberations for the same.	Compliant	As stipulated in the Corporate Governance Manual. Conflicted board members shall not participate in discussions on transactions in which they are conflicted party and abstain from voting on such issues. The Board shall decide whether or not to approve the related party transaction involving a trustee in the absense of that trustee. In our case, there has been no material interest transaction which involved either the director/ employee.	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance, and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation.	Non-Compliant		For the year 2020. There were no separate meeting held by the non-executive directors (NEDs) with the external auditor and heads of the internal audit, without the presence of management. We shall consider it as part of our areas for improvement and compliance. Then we shall discuss it with the Board for us to be able to make neccessary actions, so that we can adhere with good corporate governance practices.
2. The meetings are chaired by the lead of the independent director.	Non-Compliant		
Principle 6: The best measure of the Board's effectiveness through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. The Board conducts an annual assessment of its performance as a whole.	Non-Compliant		We have not conducted, annual assessment of performance of the Board as a whole, performance assessment of the Chairman, performance assessment of the individual member of the board and performance assessment of the commitees for 2020. We shall conduct annual assessment in the succedding year.
2. The performance of the Chairman is assessed annually by the Board	Non-Compliant		
3. The performance of the individual member of the Board is assessed annually by the Board.	Non-Compliant		
4. The performance of each committee is assessed annually by the Board.	Non-Compliant		
5. Every three years, the assessments are supported by an external facilitator.	Non-Compliant		
Recommendation 6.2			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Board has in place a system that provides, at the minimum, criteria, and processes to determine the performance of the Board, individual directors, and committees.	Compliant	The annual performance evaluation of the Board and the Committee are being conducted to measure compliance to the governance manual. KCCDFI MBA has formulated an internal self assessment and performance evaluation system. This is a tool being used by to assess themselves, their peers and individual committees. The baseline of this is on (A) Qualities and Competence that the Board possess and manifest (B) Performance of Duties and Responsibilities. Reference/Link: KCCDFI MBA Corporate Governance Manual Page 37-38	
2. The system allows for a feedback mechanism from the shareholders	Non-Compliant		Existing system does not allow for a feedback mechanism from the shareholders. We shall review the system and make necessary amendments to comply with the recommendation set.
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provides standards for professional and ethical behavior, as well as articulates acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	Code of Ethics is provided in the Corporate Governance Manual. These codes provide standards for professional and ethical behavior. Reference/Link: KCCDFI MBA Corporate Governance Manual Annex 2 Page 39-40	
2. The Code is properly disseminated to the Board, senior management, and employees.	Compliant	The codes of ethics are properly disseminated to the Board , senior management and employees. A copy was provided to them and it is also available in our company website. Reference/Link: KCCDFI MBA Corporate Governance Manual Annex 2 Page 39-40	
3. The Code is disclosed and made available to the public through the company website.	Compliant	The Corporate Governance Manual is readily available and uploaded in our company website where part of it is Annex 2 Code of Ethics page 39-40 Reference/Link: KCCDFI MBA Corporate Governance Manual Annex 2 Page 39-40	
Recommendation 7.2			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. The Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Non-Compliant		Although a whistleblowing policy is in place, wherein employees can raise to the appropriate officials exception observed , it still lacks appropriate control mechanism to ensure proper and efficient implementation and monitoring of compliance with the Code of Ethics and company internal policies. We shall discuss it with the board and make necessary action for us to compliant with the recommendation set.
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Non-Compliant		
DISCLOSURE AND TRANSPARENCY			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. The Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable, and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results, and business operations.	Compliant	The company believes that the essence of corporate governance is transparency. It is therefore essential that all material information about the association which could adversely affect it's viability or the interest of the stakeholders should be publicly and timely disclosed. Such information should include among other's the company's financial condition, results and business operations. All the required disclosures for stakeholders is disclosed in the website. Reference/Link: KCCDFI MBA Company Website	
Recommendation 8.2			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Profiles of the individual board member, their academic qualifications, membership in other boards, other executives postions, professional experiences, expertise and relevant trainings attended are fully disclosed in the Annual Report. Reference/Link: KCCDFI MBA Annual Report 2020,Profile of the Board of Trustees	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Profiles of the management/key executives, their academic qualifications, membership in other boards, other executives postions, professional experiences, expertise and relevant trainings attended are fully disclosed in the Annual Report. Reference/Link: KCCDFI MBA Annual Report 2020,Profile of the Management	
Recommendation 8.3			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.	Compliant	Corporate Governance Manual and Articles and By Laws clearly states that the members of the Board shall not receive any salary but shall be entitled to gratuity, per diem or reimbursements of all necessary expenses incurred on account of attendance in committee and board meetings provided that all entitlement, benefit, emoluments received shall be subject to the approval of the majority vote of the general membership.	
2. Company provides a clear disclosure of its policies and procedure for setting Executive remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with the ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.	Compliant	Corporate Governance Manual and Articles and By Laws clearly states that the key officers shall receive such salary and/or benefits as may be fixed by the Board of Trustees. The association aims to provide benefits that is competitive with those paid by other companies, taking into account the association's position against peers in the industry and other market considerations. A salary standardization scheme has been adopted by the Board. Reference/Link: KCCDFI MBA Corporate Governance Manual	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Non-Compliant		As a non stock non-profit organization, the board is not entitled to remuneration. Hence no disclosure is needed. But for management and employees, a disclosure on the aggregate compensation and employees benefits received for the year 2020, has been disclosed in the Audited FS Note 17 page 33. Reference/Link: KCCDFI MBA Audited FS 2020
Recommendation 8.4			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	It is the company's policy that related party transactions are conducted at arm's length with any consideration paid or received by the Company or any of its subsidiaries in connection with any such transaction being on terms no less favorable than terms available to any unconnected third party under the same or similar circumstances. It is the responsibility of each Trustee/Manager to promptly notify the board, through the company secretary, of any proposed related-party transaction as soon as they become aware of it. It is the responsibility of a trustee or manager who is involved in a proposed related party transaction to inform the board, through the company secretary, and obtain approval prior to entering into the transaction. Conflicted board members shall not participate in discussions on transactions in which they are conflicted party and abstain from voting on such issues.	

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
		Reference/Link: KCCDFI MBA Corporate Governance Manual RPT page 27-28	
2. Company discloses material or significant RPTs in its Annual Company Report or Annual Corporate Governance Report, reviewed and approved by the Board, and submitted for confirmation by a majority vote of the stockholders in the annual stockholders' meeting during the year.	Compliant	Significant RPT's are disclosed in the Annual Report under Note 19 page 34-35 of the Audited Financial Statement.	
		Reference/Link: KCCDFI MBA Annual Report 2020	
Recommendation 8.5			
1. Company's corporate governance policies, programs, and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance Manual. It is posted in our company website under Corporate Governance Menu.	
2. The Company's MCG is posted on its company website	Compliant		
		Reference/Link: KCCDFI MBA Corporate Governance Manual	
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and effective oversight of the same to strengthen the external auditor's independence and enhance audit quality			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	The Audit Committee exercises oversight of external auditors. It is primarily responsible for the selection and appointment of these auditors, subject to ratification by the general membership. The Committee also facilitates the approval / disapproval of the corresponding service fees. Moreover, they handle the performance evaluation and if necessary, the re-appointment or dismissal of the external auditors. The related provision is stipulated in the KCCDFI MBA Audit Committee charter.	
		Reference/Link: KCCDFI MBA Audit Committee Charter	

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board, and ratified by the shareholders.	Compliant	The appointment, reappointment, removal and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the general membership during its annual general membership meeting. This is explicitly disclose in the minutes of the AGMM. <u>Reference/Link: Minutes of the 11th Annual General Membership Meeting</u>	
3. For the removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	The incumbent external auditor of the company, Quilab and Garsuta.Co is reappointed in 2020. <u>Reference/Link: Minutes of the 11th Annual General Membership Meeting. Agenda on appointment of external auditor.</u>	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on : i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	Compliant	The assessment of the integrity and independence of the external auditor and oversight, among others are part of the responsibilities of the Audit Committee. The responsibilities of the Audit Committee are explicitly specified in the Audit Committee Charter.	
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	As specified in the Audit Committee Charter, the Audit Committee has the responsibility to oversee the external auditors. <u>Reference/Link: KCCDFI MBA Audit Committee Charter</u>	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	In 2020, our external auditor Quilab and Garsuta,CPA has no non-audit services performed to the association. It is clearly stated in the 2020 Annual Report. <u>Reference/Link: KCCDFI MBA Annual Report 2020</u>	

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Non-Compliant		Since, our inception as a company, there were no non-audit fees that was rendered by the external auditor. We currently don't have a specific guidelines or policies on non-audit services. We shall discuss to the board and develop a policy on non-audit services so that if a need arises, specific guidelines on these matters is already in place and shall serve as a basis to the Audit Committee in performance of their duties.
Principle 10: The Company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social, and governance (EESG) issues of its business, which underpin sustainability.	Compliant	<p>The Board strongly believes that the essence of corporate governance is transparency. It is therefore essential that all material information about the association should be publicly and timely disclosed. The Board commits at all times to full disclosure of material information dealings. Relevant non-financial information is disclosed in the Annual Report.</p> <p><u>Reference/Link :KCCDFI MBA Corporate Governance Manual Part V. Disclosure and Transparency</u></p> <p><u>Reference/Link :KCCDFI MBA Annual Report 2020</u></p>	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-Compliant		The Company has not yet adopted any globally recognized standard/framework in reporting sustainability and non-financial issues. We shall identify what standard/framework that is applicable and can be adopted by our organization.
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision- making by investors, stakeholders, and other interested users.			
Recommendation 11.1			
1. The company should have a website to ensure a comprehensive, cost-efficient, transparent, and timely manner of disseminating relevant information to the public.	Compliant	<p>The manner of disseminating relevant information to its intended users is as important as the content of the information itself. Hence, it is essential to have a company website, wherein relevant information is disseminated to the public. Our existing website is kccdfimba.com.</p> <p><u>Reference/Link: KCCDFI MBA Company Website</u></p>	
INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK			
Principle 12: To ensure integrity, transparency, and proper governance in the conduct of its affairs, the company should control the system and enterprise risk management framework, a strong and effective internal control system, and enterprise risk management framework.			
Recommendation 12.1			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	An internal audit function is in place, wherein internal auditors are required to conduct Financial Audit, Compliance Audit, Operations Audit, Management Audit and Information System Audit. The results and findings shall be presented to the Audit Committee of the Board.	
		Reference/Link: KCCDFI MBA Corporate Governance Manual Page 23-25	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Non-compliant		We still don't have an enterprise risk management framework in the conduct of business. But initially the board has established a Risk Oversight Committee, which shall be responsible in the development of a formal enterprise risk management plan. What we currently have is a risk register, wherein we have identified key risk and identified mitigating strategies to minimize or avoid risk.
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	Independent internal audit function is in-house. It is being done by the internal audit unit of our parent institution MFI. It has been part of our Memorandum of Agreement. They provide independent and objective assurance, and consulting services designed to add value and improve company's operations.	
Recommendation 12.3			
1. The company has a qualified Chief Audit Executive (CAE) appointed by the Board	Non Compliant		Considering our company's size, risk profile and complexity of operations. We don't have a chief audit executive. The role is being assumed by the general manager. Part of her duties is to supervise and

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider.	Non Compliant		manage the business affairs and activities of the company. Hence, she shall also oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Compliant	Incase of a fully outsourced internal audit activity, the general manager is assigned and responsible for managing the fully outsourced audit activity	
Recommendation 12.4			
1. The company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	<p>The board has established a risk oversight committee tasked to identify, assess and monitor key risk exposures. They shall have the following responsibilities:</p> <ul style="list-style-type: none"> ■ Develops a formal enterprise risk management plan; ■ Identifies and evaluates risk exposure of the association; ■ Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence; ■ Develop risk management strategies for managing and controlling risks faced by the association; ■ Oversees the implementation of the enterprise risk management plan by conducting regular discussions of current risks based on the management reports and assess how to reduce the risks; ■ Review and revised the enterprise risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; ■ Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Association; <p>☐ Reports to the Board on a regular basis, or as deemed necessary, the Association's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary;</p> <p>☐ Performs other duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board.</p>	
		<u>Reference/Link: Risk Oversight Committee Charter</u>	

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Non-Compliant		Considering the size and complexity of our organization, we don't have a Chief Risk Officer, and we believe that we don't need it at this time. It is also not necessary to outsourced, it can be an internal function. In the meantime, the General Manager assumes this responsibility.
2. CRO has adequate authority, stature, resources, and support to fulfill his/her responsibilities.	Non-Compliant		
CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect, and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	The fundamental rights of the shareholder's amongst them, voting rights, power of inspection and right to information are contained in the Corporate Governance Manual. <u>Reference/Links: KCCDFI MBA Corporate Governance Manual</u>	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Compliant	The Company's Corporate Governance Manual and Articles and By Laws, where the basic shareholders' rights are disclosed and is uploaded to the website for proper disclosure. <u>Reference/Links: KCCDFI MBA Corporate Governance Manual</u>	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting.	Compliant	The Notice of the Annual General Membership Meeting was released and uploaded on the company website on September 15, 2020. It was more than 21 days before the the scheduled meeting. The details and rationale of the agenda is also included in the Notice of Meeting. <u>Reference/Links: Notice of Annual General Membership Meeting</u>	
Recommendation 13.3			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	The draft minutes of the recent Annual General Membership Meeting is publicly available the next working day in our company website. <u>Reference/Links: Minutes of the 11th Annual General Membership Meeting</u>	
2. Minutes of the Annual and Special Shareholders' Meetings are available on the company website within five business days from the end of the meeting.	Compliant	The draft of minutes of the AGMM is posted in the website on November 17, 2020. It was uploaded a day after the Annual General Membership Meeting which proves that the minutes of the AGMM was available on the company website within 5 business days from the end of meeting. <u>Reference/Links: Minutes of the 11th Annual General Membership Meeting</u>	
Recommendation 13.4			
1. Board has an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner	Non-compliant		We still don't have an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. But we shall discuss it with the board and develop our own alternative dispute mechanism for us to be compliant with the recommendation set.
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Non-compliant		We still don't have an Alternative dispute mechanism, but as soon as we are able to develop it we shall amend our CG Manual and include it in the Manual.
DUTIES TO STAKEHOLDERS			
Principle 14: The right of the stakeholders established by law, by contractual relations, and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.☐			
Recommendation 14.1			

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth, and sustainability.	Compliant	Our identified stakeholders are the following : A)Members, B.) Board of Trustees, C.)Staff, D.) Partner-agent MFI/s, E.) Regulatory Agencies, F.) Supplier's and Contractors, G.)Community of Operations, H.) Environmental Sustainability and (I) Technical Service Providers. The policies and programs is disclosed in the CG Manual and Annual Report. Reference/Links: KCCDFI MBA Annual Report 2020	
		Reference/Links: KCCDFI MBA Corporate Governance Manual	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	On the fair treatment and protection of stakeholders. The policies are in pages 28-33 of the Corporate Governance Manual. The Board and Management also ensures adherence to the company code of ethics. Reference/Links: KCCDFI MBA Corporate Governance Manual / Annex 2 Code of Ethics	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	Contact details is provided in the company website under Contacts wherein stakeholders can leave their comments and suggestions or may voice out their concern to the association. A link to our facebook account is also available wherein they can chat any concerns to the association. Ms. Ma Perla J. Medina/ Promotions Officer is the designated contact person they may contact at info.kccdfimba@gmail.com (email), 0955-579-3476/0955-579-3477 (contact nos.) Reference/Link: kccdfimba.com/contact-us/	
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs, and procedures that encourage employees to actively participate in the realization of the company's goals and its governance.	Compliant	Aside from the orientation given to new employees. Employees are given the chance to attend relevant trainings and lecture series to equipped and capacitate them with the requirements of their respective duties. Employees are also provided with a prepaid health card (Philcare) where employees can use incase of medical check-up or annual physical examination and even confinement. Reference/ Links: KCCDFI MBA Annual Report 2020	

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	Board of trustees, general manager and staff is expected to act at all times in accordance with the highest ethical standards and in the best interest of KCCDFI MBA. They shall not accept commissions, gifts, payments, loans, promises of future benefits or other items of value from anyone who has or may seek some benefit from KCCDFI Mutual Benefit Association, Inc. in return, other than occasional gifts of nominal value that are in keeping with good ethics. <u>Reference/Links: KCCDFI MBA Corporate Governance Manual Annex 2 Code of Ethics</u>	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	New employees are given orientation about the association its policies and procedures. They are also required to attend the Governance and AMLA Workshop. Any changes or updates in the policies are being cascaded to them through staff meeting.	
Recommendation 15.3			
1. Board established a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.	Compliant	A whistleblowing policy is in place and it aims to enable any concerned individual to report and provide information, anonymously if he/she wishes, and even testify on matters involving the actions or omissions of the Trustees, Officers, employees, and members-stakeholders that are illegal, unethical, violate good governance policies, neglect or abuse of clients, possible fraud and corruption, and unhealthy business practices. All violations or suspected violations may be submitted on a confidential basis by the complainant. Reports, including the identity of the whistleblower and person's complained of, shall be treated confidential and sensitive manner to the extent possible, consistent with the need to conduct an investigation. The whistleblower's identity will be kept confidential unless compelled by law or the courts to be revealed. In this policy, no trustees, officer, employee or member who in good faith reports a violation of the code shall suffer discrimination or harassment in the workplace, re-market, liquidity, operational, legal and other ri <u>Reference/Links: Whistle Blowing Policy</u>	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	Whistleblower may report to the Management or to the whistleblower compliance officer. They can report it through the following channels. (Email) kccdfi_mba@yahoo.com.ph (Postmail) 2nd Floor KCCDFI Bldg. MCCL Highway, Guiwan, Zamboanga City (Contact) 062-990-2429, 0955-579-3477/ 0955579-3476. In cases where management is involved, employees can directly report to the Audit Committee.	

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	Compliant/ Non-Compliant	Additional Information	Reference/Explanation
3. Board supervises and ensures the enforcement of the whistleblowing framework	Compliant	The Compliance officer shall immediately notify the Audit Committee of any reported incidents/complaints. The incidents/ complaints shall be acted upon to include investigation and imposition of appropriate actions if any.	
		<u>Reference/Links: Whistle Blowing Policy</u>	
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business while contributing to the advancement of the society where it operates.	Compliant	Annual Report discloses the various non-financial programs, services and community involvement initiated by the company.	
		<u>Reference/Link: KCCDFI MBA Annual Report 2020</u>	