

Corporate Governance Manual

KCCDFI MUTUAL BENEFIT ASSOCIATION, INC.

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Part I. Introduction

SECTION 1. HISTORY AND INSTITUTIONAL BACKGROUND

KCCDFI (KFI Center for Community Development Foundation, Inc.), a non-stock, non-profit microfinance institution catering to the enterprising poor women in Zamboanga City, is a spin off program of the Kasanyangan-Mindanao Foundation, Incorporated microfinance program. The microfinance program was conceptualized after Mr. Rodolfo T. Quinday, Sr. – the founding President and CEO attended a savings and credit training with the Center for Agriculture and Rural Development, Inc. (CARD, Inc.) in Laguna in 2001. In the same year, the microfinance program following the modified grameen approach was started with 225 initial clients.

Aside from the savings and credit services, KCCDFI also embarked on providing microinsurance services by joining the CARD Mutual Benefit Association (CARD MBA) Build, Operate and Transfer (BOAT) program. Under this program, members of KCCDFI have access to a wide variety of insurance services – from life, loan to other health riders. After being in incubation for about one a half years, KCCDFI tapped the technical services of RIMANSI Organization for Asia and the Pacific (RIMANSI), a resource center for micro- insurance to establish their own mutual benefit association (MBA) and micro-insurance program. The MBA was registered with the Securities and Exchange Commission and licensed by the Insurance Commission in September 2009, allowing it to transact insurance business.

Specifically, KCCDFI MBA provides assistance to its members, spouse, children and parents through death benefits, sickness benefits, retirement savings and loan redemption. KCCDFI MBA, likewise, encourages active involvement of the members themselves in governance and policy implementation towards empowerment and organizational sustainability.

SECTION 2. VISION, MISSION and CORPORATE VALUES

Vision:

To be the best micro insurance institutions of choice in the Philippines serving as a pillar of strength for the marginalized sector of society.

Mission:

To help improve the quality of life by providing excellent financial and non-financial service to our marginalized clients.

To continue to sustain the welfare and professional development of our employees.

To uphold professionalism in our business relation with our partners

Corporate Values:

Professionalism

KCCDFI MBA sets an appropriate example by encouraging their people to conduct themselves in a manner that supports company-wide success

Compassion for the Poor

KCCDFI MBA recognizes the sufferings and hardships of others by crafting services that will benefit the poor and marginalized.

Commitment to Service

KCCDFI MBA provides employees a clear understanding why their jobs are important, and how they are making a difference for their customers.

Gender Sensitive

KCCDFI MBA designs services to open up communications between the sexes to bring mutual understanding and respect of each other's roles.

Sensitivity to the Environment

KCCDFI MBA offers products and services that are eco-friendly at the same time participate in different activities that promotes environmental sustainability.

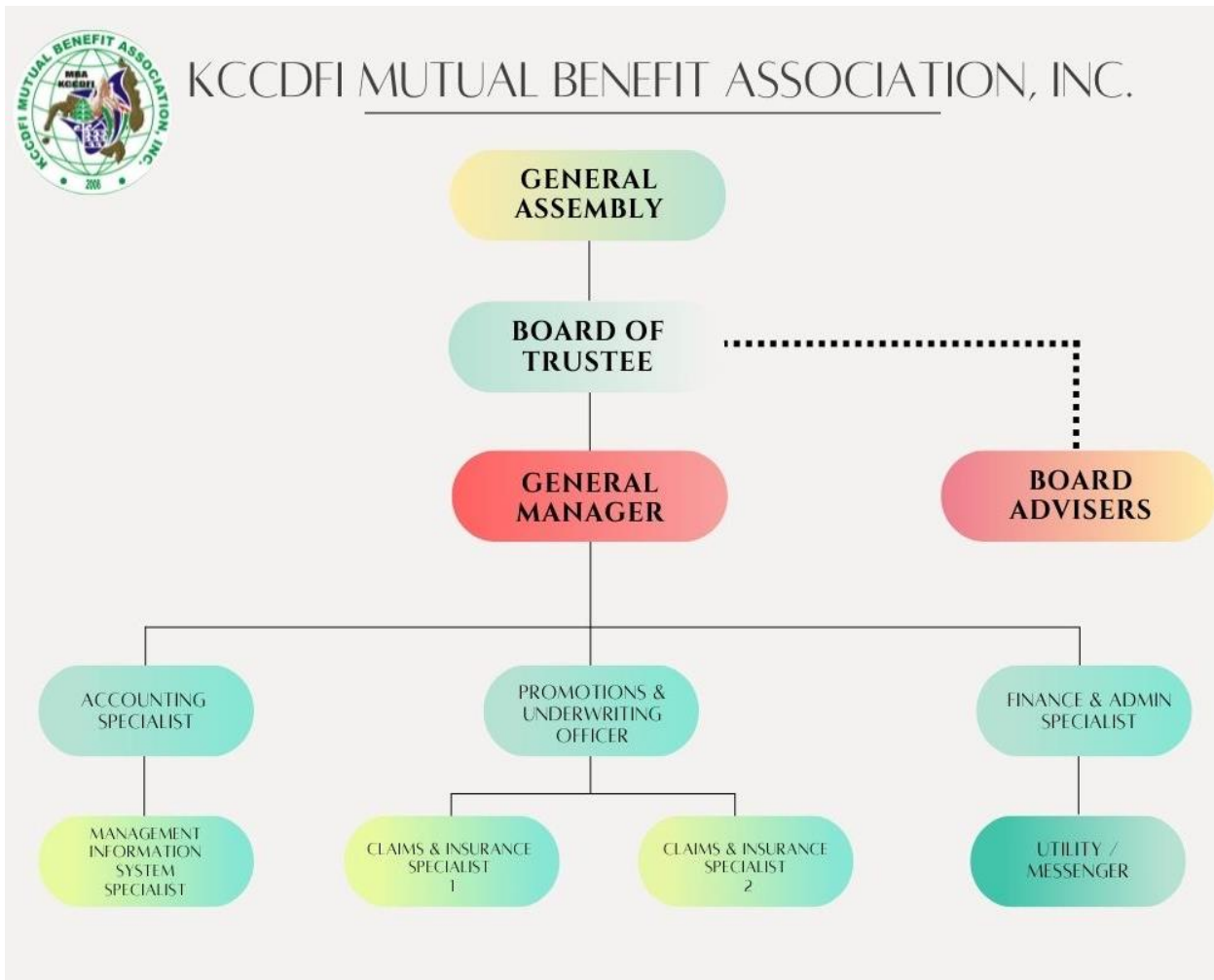
Passion for Excellence

KCCDFI MBA strives to be the best microinsurance institution with an eye to delivering quality goods and services.

Teamwork

KCCDFI MBA combines personal prominence of its employees to the efficiency of the whole institution.

SECTION 3. ORGANIZATIONAL STRUCTURE



SECTION 4. OVERVIEW OF THE PROGRAM

KCCDFI MBA offers two (2) main products, the Basic Life Insurance Plan (BLIP) and the Credit Life Insurance Plan (CLIP).

1. BASIC LIFE INSURANCE PLAN (BLIP)

It is offered to all active member-beneficiaries of KCCDMFI; personnel and staff of KCCDFI Mutual Benefit Association, Inc. and other organized groups accredited. Qualified for membership are those between ages 18-60 years old as of enrollment date. Members contribute Php 20 weekly; Php 15 as life insurance contribution and Php 5 as retirement savings.

KCCDFI MUTUAL BENEFIT ASSOCIATION INC., (KCCDFI MBA) shall pay the benefits under the Certificate of Membership to its member or his/her beneficiaries in accordance with the following provisions:

Upon death of the member, the designated beneficiary/ies will be indemnified in accordance with the Table of KCCDFI MBA Life insurance Benefits:

TABLE OF LIFE INSURANCE BENEFITS			
Length of Membership <i>(Tagal ng pagiging Kasapi)</i>	Cause of Death/Total and Permanent Disability <i>(Dahilan ng pagkamatay o Total at Permanenteng pagkakabaldado)</i>	Benefits (in PhP) <i>(Benepisyo)</i>	
		Member <i>(Kasapi)</i>	Spouse/Legal Dependent <i>(Lehitimong Kaanak)</i>
6 months or less <i>(Wala pang Isang Taon)</i>	Due to pre-existing conditions <i>(Datihang sakit bago maging Kasapi)</i>	2,000	None
	Due to Natural Death but not pre-existing condition <i>(Sakit matapos maging Kasapi)</i>	3,000	None
	Due to Accident <i>(Dahil sa Aksidente)</i>	100,000	20,000
More than 6 months up to 12 months <i>(Isang Taon)</i>	Due to Natural Death <i>(Dahil sa sakit)</i>	10,000	2,500
	Due to Accident <i>(Dahil sa Aksidente)</i>	100,000	20,000
More than 12 months <i>(Mahigit Isa taon)</i>	Due to Natural Death <i>(Dahil sa sakit)</i>	50,000	10,000
	Due to Accident <i>(Dahil sa Aksidente)</i>	100,000	10,000
Motor Vehicle Accidental Hospitalization		10, 000	

2. CREDIT LIFE INSURANCE PLAN (CLIP)

CLIP Product provides full loan protection to member-borrower. It is offered to a KCCDFI MBA partner organization which would insure their individual borrowers or debtors for an amount equal to the loan granted. Debtors shall be charged a one-time premium of **Php 15.00 per thousand of the original Loan Amount per year or Php 7.50 per 1,000 of the original loan amount for 6-month term.**

Upon the death of the Insured DEBTOR, KCCDFI MBA will pay the Loan Amount insured during the period of coverage in the following manner;

- a. The amount of death benefit should be first applied to the outstanding loan balance of the Insured DEBTOR, excluding the interest charges. This amount is payable to the **Creditor** (KCCDMFI or other partner organization accredited by KCCDFI MBA)
- b. The remaining balance after deducting from the Insured Loan Amount stated in (a) is payable to the secondary beneficiary/ies declared in the Debtors Application Form for Credit Life Insurance.

SECTION 5. COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Board of Trustees and Management (Officers and Staff) of **KCCDFI Mutual Benefit Association Inc.** hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide to the attainment of our corporate goals.

SECTION 6. OBJECTIVES OF THE MANUAL

This manual aims to institutionalize the principles of good corporate governance in the entire organization in order to enhance the accountability of the Association's Trustees, management and employees. It aims to exemplify the national policy to institute corporate governance reforms.

The board of trustees, management and employees believe that corporate governance is a necessary component of what constitutes sound strategic business management and undertake every effort necessary to create responsiveness within the organization. The regulatory responsibility to protect the interests of the members and stakeholders demands that the association have in place, good governance practices for maintenance of solvency, sound long term investment policy and assumption of underwriting risks on a prudential basis.

SECTION 7. DEFINITION OF TERMS

Corporate Governance

The system of stewardship and control to guide organizations in fulfilling their long term economic, moral, legal and social obligations towards their stakeholders.

It is a system of direction feedback and control using regulations, performance standards and ethical standards to hold the board and senior management accountable for ensuring ethical behavior- reconciling long-term customer satisfaction with shareholder value- to benefit of all stakeholders and society.

Association

An organized body of people who have an interest, activity or purpose in common; a society.

Members

Refers to the clients and at the same time the owner of the Association.

Board of Trustees

The governing body of the Association who are also members of the Association. All members of BOT are independent from the management and do not hold any executive position. A body of elected or appointed members who jointly oversee the activities of a company or organization.

Independent (Trustees)

A person who, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a ~~director~~ trustee;

Management

A group of executives given the authority by the Board of Trustees to implement the policies it has laid down in the conduct of the business of the corporation;

President

Also acts as Chairman of the Board. He/She is independent from the Association as he/she holds no executive position.

General Manager

A management position who has executive responsibility of day-to-day operations of a part or the whole of the organization.

Non-executive trustee

A trustee who has no executive responsibility and does not perform any work related to the operations of the corporation.

Multiple Board Seats

Policy on the number of directorships that the MBA Board members can hold in other corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

Conflict of interest

Use of position to profit or gain some benefit or advantage for himself and or his related interests. The director (trustee) is put in a position that may compromise his/her impartiality.

Material conflict of interest

A director's personal or business interest is antagonistic to that of the MBA or stand to acquire or gain financial advantage at the expense of the MBA.

Related Party Transactions (RPT)

A transfer of resources, services or obligations between a reporting company and a related party, regardless whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Arm's Length Transaction

A transaction in which the buyers and sellers of a product act independently and have no relationship to each other. The concept of an arm's length transaction is to ensure that both parties in the deal are acting in their own self-interest and are not subject to any pressure from the other party.

Stakeholders

Any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

PART II. GOVERNANCE STRUCTURE

SECTION 1. THE BOARD OF TRUSTEES

1.1. BOARD COMPOSITION

The Board of Trustees shall consist of (7) members namely the following;

- a. Four (4) trustees shall be elected from the active members of with existing loans funded by the KCCDMFI.
- b. One (1) Trustee duly appointed from KCCDMFI
- c. Two (2) Independent Trustees.

The Board of Trustees are elected during the Annual General Membership Meeting (AGMM) thru proxy voting. (ANNEX 5 Nomination and Election Process)

1.2. QUALIFICATION OF THE TRUSTEES

Except for Independent Trustees, the following are the minimum qualifications to be elected as a member of the board:

- a) Must be eighteen (18) to sixty five (65) years old;
- b) Must possess leadership skills and competence necessary to execute the duties of a Trustee;
- c) Be an active MBA Coordinator for at least one year at the time of her nomination as Board of Trustee and whose term not expiring on the date of the election;
- d) A recognized active member of KFI Center for Community Development Foundation Inc.;
- e) Has consistently performed very satisfactorily as member of KCCDFI MBA's affiliated Institutions with 100% repayment rate and at least 90% attendance rate in the center meeting for at least three (3) years;
- f) Has on-going business/es funded by loan from KCCDFI MBA's affiliates;
- g) Has no conflict of interest or is not engaged in any business or activity similar to or in competition with the business of or services offered by KCCDFI MBA or any of its affiliates.
- h) Has no pending administrative, civil or criminal case; and

- i) Willing to perform the functions of a trustee without any remuneration.

An officer or an employee of KCCDFI MBA or any of its affiliates may also be elected as a member of the Board of Trustees provided that, He/She has served the KCCDFI MBA or any of its affiliate/s as an officer or an employee for at least three (3) years, and is also willing to perform functions of a trustee without any remuneration.

1.3. DISQUALIFICATION OF TRUSTEES

No member convicted by **final judgment** of an offense punishable by imprisonment for a period **exceeding six (6) years**, or a violation of the Corporation Code of the Philippines committed **within five (5) years** prior to the date of her/his election or appointment, shall qualify as a Trustee or Officer. In addition, a member whose membership has been **terminated due to various reasons**, and/or has **resigned** from membership with the KCCDFI Mutual Benefit Association Inc. or any of its affiliates, shall also be disqualified from being a Trustee or Officer.

Those provided for under existing laws, rules and regulations shall likewise be adopted for the permanent and temporary disqualifications of the trustees in as far as they are applicable to the Association.

The following shall be the grounds for the temporary disqualification of a Trustee:

- a. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect as the refusal persists;
- b. Trustees who have been absent or who have not participated for whatever reasons in more than fifty (50%) of all meetings, both regular and special of the Board of Trustees during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding elections;
- c. Persons convicted for offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- d. Trustees and officers of closed insurance companies and insurance intermediaries pending clearance from insurance commission;
- e. Trustees disqualified for failure to observe/ discharge their duties and responsibilities prescribed under existing regulations;
- f. Trustees who failed to attend the special seminar on corporate governance. This disqualification applies until the trustee concerned had attended such seminar;

- g. Persons dismissed/ terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- h. Those under preventive suspension;
- i. Persons with derogatory records with the NBI, court and police, involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a trustee. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity;
- j. Persons who are delinquent in the payment of their obligations as defined hereunder;
 - i. Delinquency in the payment of obligations means that obligations of a person with the insurance company or its related companies where he/she is a trustee or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
 - ii. Obligations shall include all borrowings from an insurance company, or its related companies.

This disqualification should be in effect as long as the delinquency persists.

1.4. TERM OF OFFICE

Both the (5) and the two (2) Independent Trustees shall hold office for three (3) years until their successors are duly elected and qualified; Provided, that the (4) Trustees shall serve for staggered terms of office, with half or two (2) of them shall be elected at each election period and shall hold office until their successors are duly elected and qualified.

For the initial set of Trustees, two (2) of those garnering the highest number of votes shall hold office for three (3) years; while the two (2) second highest in the number of votes shall hold office for two (2) years. Except for the aforesaid initial set of Trustees, succeeding trustees shall hold office for three (3) years.

The elected members of the Board of Trustees shall serve beginning immediately following their election for a term of three (3) years until their successors shall have been elected. Provided that, no member shall serve as member of the Board of Trustees for more than two (2) consecutive terms except for the independent trustees who may serve for a maximum cumulative term of (9) years and shall be perpetually barred from any re-election.

1.5. DUTIES, FUNCTIONS AND RESPONSIBILITIES OF THE BOARD

General Responsibility

Board of Trustees shall ensure that compliance program is defined for the Association and that compliance issues are resolved expeditiously. The board-level committee, chaired by a non-executive Trustee, oversees the implementation of the compliance program.

A Trustees' office is a position of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness. Trustees are primarily responsible for establishment, approving and overseeing the implementation of the Associations' vision and mission, policies and procedures, action plans corporate governance and corporate values. They are also responsible in overseeing the performance of senior management towards attainment of the Association's short and long-term strategic objectives.

The Board is primarily responsible for approving and overseeing the implementation of the company's strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board is also responsible for monitoring and overseeing the performance of Senior Management as the latter manages the day to day affairs of the corporation.

Internal Control Responsibilities of the Board

Trustees must observe the confidentiality of non-public information acquired by reason of their position as trustees. They may not disclose said information to any other person without the authority of the Board.

1.6. DISCLOSURE OF THIRD PARTY TRANSACTIONS AND OTHER CONFLICT OF INTERESTS

The association has a policy on related party transactions where transactions with related parties are reviewed by the Board of Trustees and require prior written approval of the majority of Board of Trustees with the exclusion of the manager concerned in case the transaction involves him or his related interests. All trustees and officers are required to disclose related party transactions and include a sign-off and commitment to disclose proposed transactions that the trustee or officer or their related party will undertake with KCCDFI MBA.

1.7. MULTIPLE BOARD SEATS

A Board of Trustee 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.

1.8. BOARD DIVERSITY

To avoid groupthink and ensure that optimal decision making is achieved. The board of trustees shall be represented from the different part/areas where the association operates, where there will be a diversity in the age, ethnicity, culture, skills, competence and knowledge.

1.9. VACANCY IN THE BOARD

Any vacancy occurring in the board of trustees other than removal by the members or by expiration of the term, may be filled by the vote of at least a majority of the remaining trustees, if still constituting a quorum; otherwise, said vacancies must be filled by the members in a regular or special meeting called for that purpose. A trustee so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office.

1.10. BOARD SELF AND PEER ASSESSMENT

The Board of Trustees conducts an annual evaluation of its performance through self and peer assessment by the individual Trustees of their respective individual performance. [ANNEX 1]

SECTION 2. THE INDEPENDENT TRUSTEES

The Independent Trustee shall mean a person other than an officer or an employee of the Association, its subsidiaries, or any other individual having any relationship with the Association, which could interfere. He/she should be independent of management and free from any business or other relationship that could materially interfere with the exercise of his independent judgement.

An independent trustee shall refer to a person who:

1. Is not or was not a regular trustee, officer or employee of the Association, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/ appointment;
2. Is not or was not a regular director, officer and employee of the Association's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/ appointment;
3. Is not an owner of more than 2% of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the Board of trustees of the Association, or any of its related companies or its majority corporate shareholders;
4. Is not a relative by affinity or consanguinity within the (4th) degree of a director, officer, or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or any of its related companies or any of its substantial shareholders;
5. Is not acting as a nominee or representative of any director or substantial shareholder of the Association, any of its related companies or any of its substantial shareholders;
6. Is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the association, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/ appointment;
7. Is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgement.

8. was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman “Emeritus”, “Ex officio”, Regular Directors, officers or members of any Advisory Board, or otherwise appointed;
9. is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders; and
10. is not employed as an executive officer of another company where any of the covered entity’s executives serves as regular directors.

Minimum Qualifications of Independent Trustee

Independent Trustees shall be preferably be a college graduate with trainings and exposure in governance, accounting and management.

Term of Office

The Board’s independent trustees shall serve for a maximum cumulative term of nine years. After which, the independent trustees should be perpetually barred from re-election. In the instance that a company wants to retain an independent trustee who has served for nine years, the Board should provide meritorious justification/s and seek shareholders’ approval during the annual shareholders meeting.

SECTION 3. THE BOARD ADVISOR

- a. Provide “wise counsel” on issues raised by owners/directors or management
- b. Provide unbiased insights and ideas from a third-point of view
- c. Encourage and support the exploration of ideas
- d. Act as a resource of executives
- e. Provide social networking platform for trustees and the company
- f. Monitor business performance
- g. Encourage the development of a governance framework that enable sustainable growth of the company
- h. Impose challenges to the trustees and management that could improve the business.

SECTION 4. THE OFFICERS OF THE BOARD

The officers of the KCCDFI Mutual Benefit Association Inc., shall be a President, Secretary, Treasurer; they shall be elected by the Board of Trustees. The General Manager, Administrative Officer, Chief Accountant and Auditor shall be appointed by the Board of Trustees.

The Officers of KCCDFI Mutual Benefit Association Inc. may be removed from office for a cause, including nonfeasance or misfeasance of duties, violation of these By-laws, conduct detrimental to the interest of KCCDFI Mutual Benefit Association Inc incompetence and/or loss of confidence.

The General Manager, Administrative Officer, Chief Accountant and Auditor shall receive such salary and/or benefits as may be fixed by the Board. The Chairman/ President, Secretary and Treasurer shall receive no salary, but may receive allowance, in addition to per diem and other emoluments authorized for members of the Board of Trustees.

A. President and Chairman

The President and Chairman shall preside in all meetings of the members of the Association. He/She shall execute all resolutions of the Board of Trustees. He/She shall be charged with directing and overseeing the activities of KCCDFI Mutual Benefit Association, Inc. He/She shall submit to the Board as soon as possible after the close of each fiscal year, and to the members of each annual meeting, a complete report of the activities and operations of KCCDFI Mutual Benefit Association Inc., for the fiscal year under his/her term.

The roles and responsibilities of the President and Chairman include, among others, the following:

- a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;

- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by the Management;
- e. Assures the availability of proper orientation for first time directors and continuing training opportunities for all trustees; and
- f. Makes sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.

B. Vice-President

In the absence or incapacity of the President, He/she shall exercise all powers and all duties of the President.

C. Secretary

The corporate secretary is primarily responsible to the corporation and its shareholders and has among others, the following duties and responsibilities:

- a. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- b. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and Chairman on relevant issues as they arise;
- c. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- d. Advises on the establishment of board committees and their terms of reference;
- e. Informs members of the Board, in accordance with by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- f. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- g. Performs required administrative functions;
- h. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirement; and
- i. Performs such other duties and responsibilities as may be provided by the Board.

D. Treasurer

The treasurer shall have the following duties:

- i. To keep full and accurate accounts/records of the receipts, disbursements of KCCDFI Mutual Benefit Association Inc.
- ii. To take and have custody of, and be responsible for, all the funds, securities, bonds, and certificates of titles of KCCDFI Mutual Benefit Association Inc.
- iii. To deposit in the name of KCCDFI Mutual Benefit Association Inc., in such banks as may be designated from time to time by the Board of Trustees, all the money, funds, securities, bonds and similar valuables belonging

to KCCDFI Mutual Benefit Association Inc. which may from time to time require.

- iv. To prepare such financial reports, statements, certifications and other documents that may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;
- v. To pay all authorized expenses by check and effect petty cash payments in accordance with policies and procedures approved by the Board of Trustees
- vi. To assist management in retrieval of all receivables of KCCDFI Mutual Benefit Association Inc. from whoever they maybe due.
- vii. To prepare and submit to the Board of Trustees for consideration and approval the annual budget on or before its regular meeting and furnish a copy of the approved annual budget.
- viii. To ensure that all expenditures are duly authorized and are for the best interest of KCCDFI Mutual Benefit Association Inc.
- ix. To post a bond in such amount as may be required by the Board of Trustees.
- x. To suspend or withhold payments of accounts incurred not in accordance with the policies of the Board of Trustees or which are otherwise irregular or improperly authorized; and
- xi. To perform such other duties as may be assigned by the President, the General Manager, and the Board of Trustees.

SECTION 5. BOARD COMMITTEES

To support the effective performance of the Board's functions and aid of good corporate governance, specific committees is established that shall focus specific board functions to aid in the optimal performance of its roles and responsibilities.

1. AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Committee shall composed of at least three (3) appropriately qualified non-executive trustees, the majority of whom, including the chairman shall be

independent. Members of the committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The audit committee chairman should not be the chairman of the Board of Trustees. The committee shall meet quarterly or as necessary to enable it to fulfill its responsibilities.

The audit committee has the following duties and responsibilities, among others;

- a. Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of the Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well- designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- c. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- d. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- e. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - i. Any change/s in accounting policies and practices
 - ii. Areas where significant amount of judgement has been exercised
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards

- vi. Compliance with tax, legal and regulatory requirements
- f. Reviews the disposition of the recommendations in the External Auditor's management letter;
- g. Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- h. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- i. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Insurance Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
- j. Performs other tasks, as the board may from time to time designate.

2. RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee shall assist the Board in ensuring that there is an effective and integrated risk management process in place 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.

The Committee shall compose of at least three (3) members, the majority of whom should be independent directors including the chairman. At least one member of the committee must have relevant through knowledge and experience on risk and risk management issues and practices.

As appropriate, the committee shall have access to independent expert's advice, particularly in relation to proposed strategic transactions. The risk oversight committee chairman should not be the chairman of the Board of Trustees. The committee shall meet twice a year or as necessary to enable it to fulfill its responsibilities.

The risk oversight committee has the following duties and responsibilities, among others:

- a. Develops a formal enterprise risk management plan;
- b. Identifies and evaluates risk exposure of the association;
- c. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence;
- d. Develop risk management strategies for managing and controlling risks faced by the association;
- e. 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;
- f. Review and revised the enterprise risk management plan to ensure its continued relevance, comprehensiveness and effectiveness;
- g. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Association;
- h. 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;
- i. 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.

3. RELATED PARTY TRANSACION COMMITTEE

The RPT Board committee shall assist the Board in ensuring (a) that transactions with related parties are handled in a sound and prudent manner with integrity and in compliance with applicable laws and regulations to protect the interest of its members and other stakeholders. (b) RPTs are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged.(c)A review on the proposed RPT transaction is made for the purpose of determining whether or not the transaction is on terms no less favorable to the Association than terms available to any unconnected third party under the same or similar circumstances.

The Related Party Transaction Committee shall be composed of at least three (3) non-executive trustees majority, of whom are independent, including the Chairman. The RPT committee shall meet at least twice a year or as the need arises to discuss and agree on matters to be endorsed to the Board of Trustees for approval and confirmation.

The committee functions are the following, among others:

- a. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships shall be reflected in the relevant reports to the board and regulators/supervisors.
- b. To set the materiality threshold for each type of transactions to related parties such as investment, financial assistance, contract agreements and others.
- c. Evaluates all material RPTS to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the association are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

In evaluating RPT's, the Committee shall take into account, among others, the following:

- (a) The related party's relationship to the association and interest in the transactions;
 - (b) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - (c) The benefits of the association of the proposed RPT;
 - (d) The availability of other sources of comparable products or services; and
 - (e) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The association shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. All RPTs that are considered material based on association's internal policies shall be endorsed by the RPT Committee to the board of trustees for approval.
- d. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the association's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are

inconsistent with such policies; and conflicts that could arise as a result of association's affiliation or transactions with other related parties.

- e. Reports to the board of trustees on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- f. Ensures that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- g. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

4. CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

The CG Committee shall be composed of at least three (3) non-executive trustees majority, of whom are independent, including the Chairman. The CG committee shall meet twice a year or as necessary to enable it to fulfill its responsibilities.

The Committee has the following duties and responsibilities, among others:

- a. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board and its committees as well as management, and conducts an annual self-evaluation of its performance;
- c. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

- e. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Propose and plans relevant trainings for members of the Board;
- g. Determine the nomination and election process for the company's directors/trustees and has the special duty of defining the general profile of board members that the company may need in ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors/trustee and officers that is consistent with the corporations culture and strategy as well as the business environment in which it operates.

5. NOMINATION AND ELECTION COMMITTEE

- 1. Nomination Committee shall be composed of at least three (3) members of the board of trustees, one of whom must be independent.
- 2. Shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Trustees. It should prepare a description of the roles and capabilities required of a particular appointment.
- 3. The nomination committee is hereby vested sole authority to conduct and supervise the elections for the members of the Board of Trustees and other officers and proclaim the winners. The nomination committee shall likewise be the judge of all electoral contests, including questions on the qualification of candidates and its decision shall be final unless appealed to the Board of Trustees whose decision shall be final. Further, the nomination committee may be tasked to supervise the election of KCCDFI Mutual Benefit Association Inc.
- 4. The elected members of the nomination committee shall serve immediately after their election until after the next election.
- 5. The nomination committee may deputize such personnel of the head office of the KCCDFI Mutual Benefit Association Inc., which it may deem necessary to enable it to perform its function.
- 6. The members of the nomination committee shall not be entitled to any salary but shall be entitled to per diem and reimbursement of actual expenses for attendance of official meetings equal to those received by members of the Board of Trustees.

7. No member elected as a member of the Nomination committee shall be eligible for election.

SECTION 6. THE BOARD MEETING

- a. That the initial or organizational meeting of a newly elected Board of Trustees shall be held immediately after the conclusion of the General Assembly at which they are elected while the last meeting shall be held before the beginning of the General Assembly at which the new Board of Trustees is scheduled to be elected.
- b. That the Board of Trustees shall meet regularly once a month during the first Friday of each month at the main office of KCCDFI Mutual Benefit Association Inc. unless otherwise previously agreed upon by the members of the Board of Trustees. A special or emergency meeting of the Board of Trustees may be called by the President or the Secretary upon request of a majority of the incumbent members of the Board and at least three (3) day notice to all members of the board. Notice of any meeting of the board not be in writing.
- c. An official journal shall be kept to record the minutes of the meetings and all resolutions passed by the Board of Trustees during its three year term which shall be consecutively numbered.
- d. 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 of meetings provided that all entitlement benefit, emoluments received shall be subject to the approval by majority vote of the general membership.
- e. A majority of the members of the Board actually in the office shall constitute a quorum at meetings of the Board and no action of the Board shall be valid unless approved by majority of the incumbent members of the Board en banc at duly constituted meeting.
- f. The order of the business at regular/special meeting of the Board of Trustees shall be:
 - i. Prayer
 - ii. Call to Order
 - iii. Declaration of Quorum
 - iv. Approval of the Agenda
 - v. Reading and Approval of Previous Minutes of the Meeting
 - vi. Business Arising

- vii. New Agenda
 - viii. Other Matters
 - ix. Adjournment
- g. Access to information and reports- Management shall provide the Board Members with complete adequate and timely information about matters to be taken up during the meeting. It should be sent to each Board of Trustees in hard or electronic copy at least 5 business days in advance, whenever possible and appropriate.

Access to information

The Board of Trustees are given copies of the different manuals of KCCDFI Mutual Benefit Association Inc. for their guidance and information. They can also access information through the company's website. Brochures, handouts and newsletter are also given from time to time.

SECTION 7. CODE OF ETHICS

The Association is a business community and each belongs to this community where the action of one affects and reflects on the others. It is imperative that trustees, officers and employees live by the values that the association stands for and reflect these values in their behaviors. To enforce association-wide compliance, the association's Codes of Conduct for trustees and employees are posted in the association's company website and the Human Resources Management public folder for easy access of all trustees, officers and employees of the association. The Codes are implemented by the association and the Human Resources and breaches are subject to disciplinary actions which may range from reprimand, suspension, termination set forth under the Corporate Governance Manual and the Association's Personnel Manual in accordance with the principle of due process. [ANNEX 2]

SECTION 8. RELATED PARTY TRANSACTION

It is KCCDFI Mutual Benefit Association'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. The purpose of this policy is to set out the procedures by which the Company or any of its subsidiaries may enter into a related party transaction.

This policy applies to the manager, senior managers. Related party transactions constitute a conflict of interest within the meaning of the Company's Corporate Governance. This policy is not intended to conflict with any applicable laws or regulations and if any such conflict occurs the requirements of the law or regulation shall prevail.

Managers shall disclose to the Board of Trustees through the company secretary, details of all company transactions. Any changes to these notifications must be immediately communicated to the Board of Trustees through the Company Secretary.

It is the responsibility of each Trustee and 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.

The board shall decide whether or not to approve the related party transaction involving a trustee in the absence of that trustee.

SECTION 9. DEVELOPMENT PROGRAM FOR THE BOARD OF TRUSTEES AND OFFICERS

It is critical that new directors receive the training they need in order to be an effective member of the Board and help lead the organization in the right direction. Hence, orientation for first-time trustees will begin immediately after they are elected and before their first Board meeting. All newly elected/appointed trustees are given an orientation on the company's business operations, Articles and Incorporation, Code of Conduct and their roles and responsibilities as a board of trustees and other relevant information to ensure that new members are appropriately apprised of their duties and responsibilities and aware of the relevant information about the Association before beginning their directorships. Aside from it all first time trustees are required to attend Governance and AMLA Workshop.

The orientation program for first time trustee and relevant annual continuing training for all trustees aim to promote effective board performance and

continuing qualification of the trustees in carrying out their duties and responsibilities. The Orientation program for first time trustee shall be at least eight (8) hours, while the annual continuing training be for at least four (4) hours.

To make certain that the directors/trustees are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company, all trustees are encouraged to participate in the annual continuing education program that shall be available and provided by the Association such as local trainings and seminars, workshop and conferences.

IC mandated topics on corporate governance include the following:

- a. Code of Corporate Governance for IC Regulated Companies;
- b. ACGS and IC Annual Corporate Governance Report ;
- c. Board Responsibilities ;
- d. Illegal Activities of Corporations /directors/officers;
- e. Protection of minority shareholders;
- f. Liabilities of directors;
- g. Confidentialities ;
- h. Conflict of Interest;
- i. RPT;
- j. Enterprise Risk Management; and
- k. Cases of studies and Financial Reporting and Audit

SECTION 10. THE MANAGEMENT

1. GENERAL MANAGER

The General Manager shall have the charge of the day to day operations of KCCDFI Mutual Benefit Inc. and has among others the following roles and responsibilities:

- a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;

- d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the corporation;
- f. Manage the corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the corporation; and
- i. Serves as the link between internal operations and external stakeholders.

2. COMPLIANCE OFFICER

The Compliance officer shall be in charge of the compliance function of KCCDFI Mutual Benefit Inc. and has among others the following roles and responsibilities:

- a. Ensures proper onboarding of new director/trustee (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors/trustees with the relevant laws, code of corporate governance, rules and regulations and all government issuances of regulatory agencies;
- c. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;
- e. Appears before the IC when summoned in relation to compliance with the code of corporate governance;
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the Board of Trustees and regulators.

SECTION 11. CHECK AND BALANCE

1. EXTERNAL AUDITOR

The Association is in compliance with Insurance Commission Circular No. 29-2009 dated November 10, 2009 in the selection of external auditors.

a) Only external auditors accredited by Insurance Commission are being engaged;

b) The external auditor shall be changed or the lead and concurring partner shall be rotated every five years or earlier.

c) No external auditor may be engaged if he or any member of his immediate family had or has committed to acquire any direct or indirect financial interest;

d) The external auditor and the members of the audit team do not have any claim with the Association;

e) The external auditor is not currently engaged nor was engaged during the preceding year in providing the following services to the Association:

- a. Internal audit functions;
- b. Information systems design, implementation and assessment;
- c. Other services which could affect his independence.

f) The external auditor, auditor-in-charge and members of the audit team adhere to the highest standards of professional conduct and shall carry out services in accordance with relevant ethical and technical standards, such as the Generally Accepted Auditing Standards (GAAS) and the Code of Professional Ethics for certified public accountants.

2. INTERNAL AUDITOR

Mandate, Organizational Structure and Senior Management & Board Oversight

a) The authority of the Internal Audit Unit (IAU) is supported by a manual clearly establishing, the following;

- objectives and scope of the internal audit function;
- IAU's position within the organization, its powers, responsibilities and relations with other control functions;

- accountability of the Head of the IAU;
- terms and conditions within which IAU can be called upon to perform special reviews as requested by senior management, audit committee or the BOT.

b) The manual is periodically reviewed by the IAU, approved by senior management and confirmed by the BOT as part of its supervisory role;

c) The mandate of the IAU is widely communicated throughout the organization;

d) Scope and Responsibilities of IAU

- Financial audit – ascertains the validity, accuracy and integrity of the financial data.
- Compliance audit – reviews compliance with external regulatory bodies, business best practices and internal policies.
- Operation audit – reviews the efficiency of the business processes
- Management audit – reviews the management effectiveness in meeting its set objectives
- Information systems audit – reviews the control of the automated information systems to ensure accuracy and integrity of the data or information processed.

e) IAU operates independently, objectively and separately from other departments, divisions and offices of the Association;

f) IAU has full access rights to all activities, information, records, properties and personnel relevant to the internal audit activity;

g) The internal audit head has a direct reporting line to the chairman and unfettered access to the board thru its audit committee; and

h) The IAU is given full authority to follow-up with senior management the progress of the institution in resolving the issues/concerns raised by the internal auditor.

Resources, Methodologies and practices and Reporting and Quality Assurance

a) IAU is provided with all the necessary resources (including budget & staffing) to carry out its mandate;

b) IAU is adequately staffed;

- c) The level of skills, competencies and experience of the IAU head and his/her staff are commensurate with IAU's functions taking into account the nature, scope, complexity and risk profile of the Association;
- d) IAU head and staff are provided with continuing professional support (i.e. training, courses, seminars and similar facilities) for the purpose of attaining the information and skills level required in response to the Association's changing environment and risk profile.
- e) The internal audit manual is approved by the board which contains policies, standards and procedures on the following:
 - Administrative and personnel policies, including those relating to goals and objectives, hiring, training, performance reviews and job description;
 - Organizational and reporting structure;
 - Areas or functions to be audited;
 - Audit frequency and scheduling guidelines including a description of the methodology used for assessing risk in the areas to be audited;
 - Detailed procedures for all the audit assignments;
 - Standards and procedures for audit working papers and reports.
- f) The audit policies, methodologies, practices and procedures are appropriate for the Association's activities and their related risks;
- g) The audit methodologies, practices and procedures
 - complies with the standards for the professional practice of internal auditing.
 - are being reviewed annually to ensure that they respond to the Association's changing environment and risk profile.
- h) The activities of the audit staff are being monitored to ensure that they apply the approved methodologies and practices consistent with prescribed standards;
- i) Main Office and Provincial Offices are audited twice a year;
- j) The coverage, findings and responses to the audits and review tests are adequately documented;
- k) Audit reports are prepared and submitted to the appropriate management personnel during exit meetings;
- l) There is an exit meeting after each audit;

- m) Even prior to exit meeting some of the findings were already discussed with the staff so that recommendations are dealt with in a timely manner; and
- n) The audit committee regularly follows-up progress on recommendations concerning findings and exceptions that were not yet acted on/dealt with during exit meeting.

Planning

- a) There is a sound periodic audit planning process that clearly identifies the audit objectives, audit coverage and the audit schedule for a particular period;
- b) The audit plan is developed on the basis of IAU's assessment of the Association's significant activities and entities and their related risks;
- c) The audit plan, together with the related audit schedule are formally presented to the board for review and approval;
- d) The audit plan details the time and budget and other necessary resources in terms of personnel and other resources;
- e) The board thru the audit committee is provided with regular reports indicating the accomplishments/achievements of IAU in comparison with the previously approved audit plan and schedule; and
- f) The audit plan is regularly reviewed and updated whenever necessary including a review of changes to the plan and schedule resulting from budgetary constraint, staff turn-over and other contingencies

Part III. SUCCESSION PLANNING

I. PURPOSE

KCCDFI Mutual Benefit Association, Inc. adheres to the recommendation for the Board of ICRCs, as stated in its revised Code of Corporate Governance for Insurance Commission Regulated Companies (ICRCs) issued in 2020, that Microinsurance Mutual Benefit Associations or Mi-MBAs must ensure and adopt an effective succession planning program for Board of trustees, key officers, and senior management to ensure growth and sustainability.

KCCDFI Mutual Benefit Association, Inc. hereby establishes this policy for succession planning and shall implement efforts guided by this policy to provide continuity in leadership and avoid extended and/or costly vacancies in key positions. **KCCDFI Mutual Benefit Association, Inc.** shall ensure a succession plan is designed and existing to identify and prepare candidates for its Board of trustees, key officers, and senior management positions that will become vacant due to planned or unplanned separation or termination or new business opportunities.

II. POLICY STATEMENT

KCCDFI Mutual Benefit Association, Inc. acknowledges that a succession plan for its Board of trustees, officers, and senior management is in the best interest of the organization and will foster continuity of leadership for the Board of trustees, key officers, and senior management positions in the organization. With this in mind, it is the policy of **KCCDFI Mutual Benefit Association, Inc.** to assess the leadership roles and its talents to determine the talent needs of the organization every year and ensure the timely development, replacement, and selection of qualified persons to fill in the most suitable position key positions in the organization.

The organization establishes this policy to ensure diverse, good fit, and highly qualified persons have the necessary skills needed for the fulfilment of the organization's mission and goals. This policy upholds the commitment of the organization to give assurance and confidence to its community, demonstrating that changes in leadership would be carefully planned, communicated, and implemented by the Board of trustees, key officers, and senior management with the help of the Governance Committee.

In lieu of the 2020 Code of Corporate Governance for Insurance Commission Regulated Companies (ICRCs), KCCDFI Mutual Benefit Association, Inc. shall ensure deliberate efforts will be taken to pursue an objective and standardized process of identifying, assessing and developing people to ensure the organization's continued effective performance through leadership continuity. KCCDFI Mutual Benefit Association, Inc. is committed to implement succession plans for the Board of trustees, officers, and senior management positions in the organization. The Governance Committee shall ensure that suitable and satisfactory plans are in place

for orderly succession for the organization's Board of trustees, officers, and senior management, and that such is achieved with good governance, efficiency, and effective oversight of the succession plans in the organization.

KCCDFI Mutual Benefit Association, Inc. shall have an existing formulated and readily adoptable succession planning policy with implementation guidelines that has been initially approved by the Board at any given time. This Policy shall be reviewed yearly and may be amended by the Board of trustees, officers, and senior management together with the Governance Committee of the Microinsurance MBA as needed. Amendments and approvals for revisions in this policy shall be executed through a scheduled meeting during the year, or as the need arises.

III. COVERAGE AND APPLICABILITY

The Policy focuses mainly on the succession planning at the Board and Senior Management levels. The Board includes the Board of trustees and officers of the Microinsurance MBA who are elected during the general assembly. Senior Management includes the roles of the general manager and/or CEO and senior management whose role is at least three (3) years existing in the organization and is overseeing at least two (2) other roles. In the event that roles had been volatile in the organization, senior management may refer to persons serving the organization for at least three (3) years and is overseeing at least two (2) other persons in different roles.

IV. POLICY OBJECTIVES

KCCDFI Mutual Benefit Association, Inc.'s succession planning policy is anchored to the organization's Values, Mission, Vision, and Objectives. With this in mind, this policy commits itself to the following principles:

1. Use of affirmative recruitment policy which is consistent with the purpose of **KCCDFI Mutual Benefit Association, Inc.'s** succession planning policy.
2. Encourage the support of branch / department / group to allow the release of potential subordinates to other branch / department / group for multi-skills in other functions.
3. Provide sufficient support and resources quantified as at least ten percent (10%) of annual budgetary for successor's development programs while keeping the job specific experience up-to-date through:
 - a. Performance of relevance work experience and recognizable / observable accomplishments
 - b. Implementation of effective performance management system

- c. Work exposure to special areas of expertise that enhances existing skills and develop skills gap

This succession planning policy is made in mind of the following specific objectives that will support the organization's sustainability and enable its continuous growth and development:

1. **Identify deliberate activities to address risks** in the operations of the organization, where the organization must not to be affected on account of interruptions because of *involuntary or voluntary and planned or unplanned separation from the organization such as death, permanent incapacitation, retirement, resignation, or any other sudden exit* of any Member of the Board or Senior Management or any other employee covered under this Policy.
2. **Identify guidelines and standard process for replacement** of planned and unplanned attrition. This includes but is not limited to (a) efforts for succession management, (b) implementation to completion of succession plan, (c) limit of tenure for board membership, (d) resource allocation for program implementation related to succession plan, and (e) retirement age and turnover for transition.
3. **Timely filling-up of critical roles with high quality persons** and in accordance with existing policies in the organization and legislation of the country such as *equal employment and opportunity and any other non-discriminatory laws*.
4. **Identify critical roles** in the board and senior management levels, and **create a talent pool** of high potential personnel, who can be considered for appointment at the Board and Senior Management positions.
5. **Identify clear action steps to support successors' development** of their current and future leadership competencies in the industry and in alignment with **[Name of Organization]'s** short- and long-term strategies and goals, including sufficient allocation of resources to groom them to assume such leadership roles for appointment at the Board and/or promotion at the Senior Management positions in the Mi-MBA, whenever applicable and necessary.

V. STRATEGIES

Because succession planning is a dynamic process, the following elements should be observed in its implementation:

1. Determining the key positions in **KCCDFI Mutual Benefit Association, Inc.**
2. Yearly updating of job descriptions of the key positions to ensure its accuracy and relevance is kept clear
3. Identifying candidates or creating a pool of candidates as successor for the key positions, which includes a selection process that involves screening and deliberation as well as capacity building recommendations for:
 - a. Yearly individual development successor's plan
 - b. Temporary assignments
 - c. Strategic work exposures
 - d. Mentorship programs
 - e. Evaluation of succession plan

A detailed guidelines for implementation, including the succession planning tools and template that can be used is disclosed in the succession planning framework of KCCDFI MBA.

Part IV. Alternative Dispute Resolution

I. RATIONALE

KCCDFI MBA adheres to the recommendation that Microinsurance Mutual Benefit Associations (Mi-MBAs) must have an Alternative Dispute Resolution Mechanism (ADReM) to resolve intra-corporate disputes in an amicable and effective manner, as stated in the revised Code of Corporate Governance for Insurance Commission Regulated Companies (ICRCs) and the Annual Corporate Governance Report (ACGR) issued in 2020.

The Insurance Commission has likewise issued Circular Letter 16-2013 with the subject "Guidelines for the Implementation of Alternative Dispute Resolution Mechanisms (ADReM) for Microinsurance involving Mutual Benefit Associations (MBAs)" in 2013 to provide key principles and framework on how to resolve various types of disputes involving MBAs.

II. PURPOSE AND OBJECTIVES

KCCDFI MBA supports these legislations and commits to serve its members according to the Code of Conduct for Mi-MBAs, especially (1) We have the

member's interest above all else, and (2) We commit to pay claims within 1-3-5 days from the time of claim's notice.

III. POLICY STATEMENT

KCCDFI MBA hereby establishes this policy on Alternative Dispute Resolution Mechanism (ADReM) and shall implement efforts guided by this policy to settle complaints and disputes in the fastest and most efficient way possible.

IV. SCOPE

This policy shall only apply to complaints and disputes arising from claims that were denied, rejected, processed longer than the promised processing time, and other claims-related concerns.

V. DEFINITION OF TERMS

- | | |
|---------------------------|--|
| 1. Dispute | defined as any communication that expresses displeasure with an action or lack of action by the Mi-MBA and/or any intermediary over the standard of service/deficiency of service or requests remedial action. |
| 2. Mi-MBA | refers to the microinsurance mutual benefit associations. |
| 3. Mediation | a process whereby the mediator facilitates the negotiation between disputing parties to reach a voluntary, mutually satisfactory outcome. |
| 4. Conciliation | a process whereby a conciliator takes a vigorous and active role in assisting disputants formulate solutions in order to reach an amicable settlement. |
| 5. Mediator / Conciliator | a qualified individual who provides conciliation-mediation services. |
| 6. Resolution | refers to the final resolve of a dispute through communication to the complainant. |
| 7. Regulator | refers to the Insurance Commission (IC). |

VI. IMPLEMENTORS OF THE ADReM

1. ADR Officer

The Board of Trustees of KCCDFI MBA shall appoint one (1) Alternative Dispute Resolution Officer (ADRO) who will ensure the proper implementation,

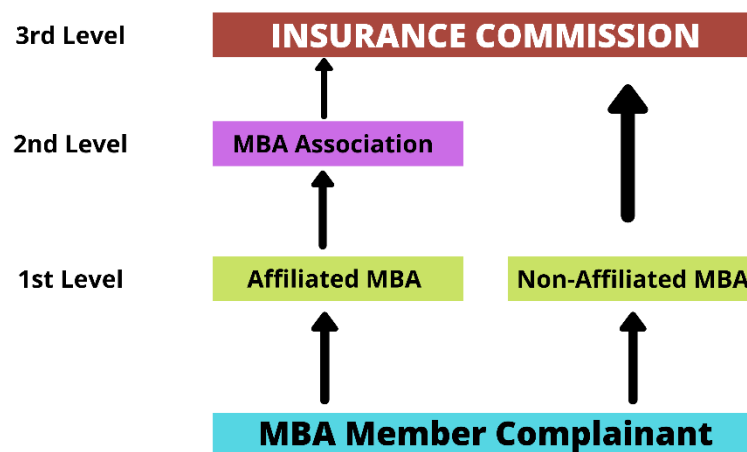
monitoring, review and reporting of this policy and its implementing guidelines. The ADRO shall be the representative of KCCDFI MBA in all its dealings related to ADReM procedures.

2. ADR Task Group

The Board President, Independent Trustee, and the General Manager of KCCDFI MBA will compose the ADR Task Group that will serve as the appellate authority and that will work closely with the ADRO regarding the complaints and disputes with client-members.

3. The **concerned employees of KCCDMFI and KCCDFI MBA** shall be under obligation to assist and support the ADRO to resolve the dispute in the best possible manner within the prescribed turnaround time.

VII. INSURANCE COMMISSION-MANDATED ADReM PROCEDURES



(Based on IC Circular Letter No. 16-2013 Section 5)

IC Circular Letter No. 16-2013 laid out the framework for resolving disputes arising from denied and delayed claims. Before complaints should be forwarded to the Insurance Commission, the KCCDFI MBA and the complainant should exhaust all means to resolve the dispute through mediation or conciliation. If the dispute is not resolved at the KCCDFI MBA level, it has to be elevated to the second level process with Microinsurance MBA Association of the Philippines Inc. (MiMAP) or RIMANSI for mediation or conciliation. Non-settlement at the MiMAP (RIMANSI) level will trigger the complaint to be elevated to the third level process with the Insurance Commission.

For purposes of mediation or conciliation, the table below describes the salient features as provided by IC Circular Letter No. 16-2013.

Features	Mediation	Conciliation
Process	Structured, with specific stages	Less structured, following the course of the particular negotiation
Decision maker	The parties/disputants themselves	The parties/disputants themselves
Basis of decision	Needs and interests of all parties, rather than demands or positions	Most favorable reconciliation of positions
Involvement of the parties	Direct and full participation in representing their respective interests; deciding on issues; and creating, evaluating and agreeing on options and solutions	With the guidance and suggestions of the conciliator, direct and full participation in agreeing on options and solutions.
Party facilitator	Process facilitator who does not give opinions, suggestions, nor judgements on disputes	Responsible for seeking a solution to the dispute who may give opinions and advice, but not impose a judgment
Types of possible outcomes	“Win-win” situation; mutual acceptance	Best compromise solution acceptable to the parties

VIII. ADReM PROCEDURES FOR KCCDFI MBA

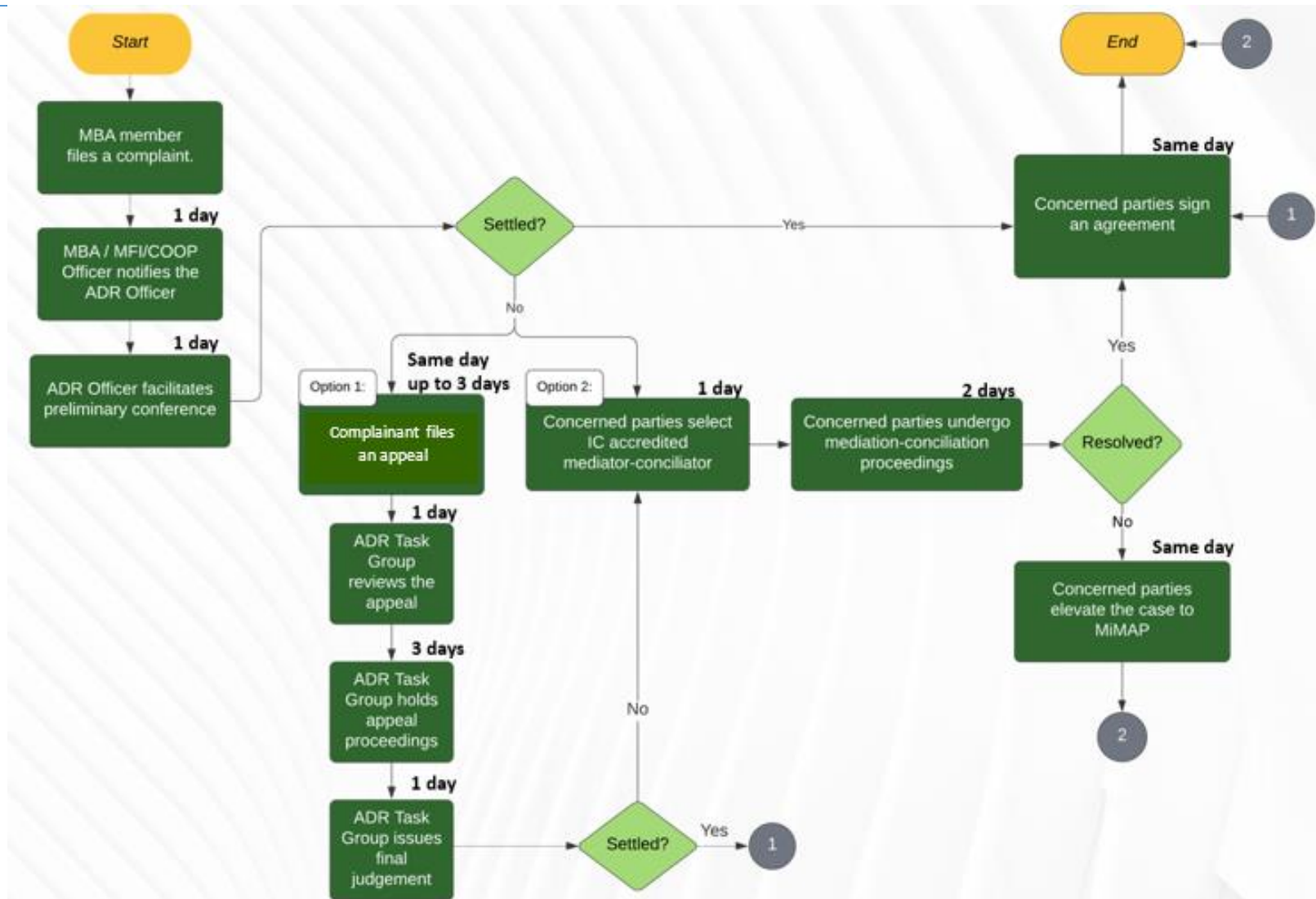
The procedures described below shall guide the implementors of ADReM in handling complaints including filing, acknowledgement, conducting of preliminary conference, appeal, mediation-conciliation proceedings, and elevating dispute to the association level.

The ADReM procedures shall be characterized by the following:

1. Least cost – must be affordable for all microinsurance stakeholders.
2. Accessible – must be convenient to all parties and based on procedures that are easily understood.
3. Practical – must be feasible and appropriate for the microinsurance sector, taking into account the needs of diverse stakeholders, and existing systems and policies. Available resources must be maximized for sustainability.

4. Effective – must result in mutually acceptable agreements that are doable.
5. Timely – must be resolved swiftly and within the time prescribed by rules set by the regulators.

(Based on IC Circular Letter No. 16-2013 Section 4)



ADReM Process for KCCDFI MBA

1. The Mi-MBA member/beneficiary may file a complaint to the center/branch and provide the following information through writing, text messaging, or email:
 - a. Name of the Mi-MBA member
 - b. Date and time of the filing of complaint
 - c. Address
 - d. Mobile number
 - e. Policy number
 - f. Name of Mi-MBA
 - g. Nature of claim
 - h. Amount of insurance
 - i. In case of personal submission, a receiving signature is necessary

The Mi-MBA/MFI/Co-op Officer present shall assist the Mi-MBA Member in filing the complaint. A Reference Number shall be issued for tracking purposes of both concerned parties (based on IC Circular Letter No. 16-2013 Section 5, Number 1).

2. The Mi-MBA/MFI/Co-op Officer shall notify the ADRO – through writing or electronic means – about the complaint received from the Mi-MBA Member within 24 hours upon receipt of complaint. For complaints, the ADRO should initiate the holding of Preliminary Conference (based on IC Circular Letter No. 16-2013 Section 5, Number 2).
3. The ADRO shall facilitate preliminary conference among the parties, within 3 working days upon receipt of notification.
 - a. If both parties will agree to settle the dispute, they need to sign an agreement. Authorized representatives must present special power of attorney prior the signing of agreement (based on IC Circular Letter No. 16-2013 Section 5, Number 8 Letter A).
 - b. If settlement is not reached, the parties are given the right to appeal within 3 working days from the date of receipt of communication of the resolution or rejection of the dispute to the Mi-MBA. Certificate of Non-Resolution issued by the ADRO should be presented.
 - c. If the parties will not request for an appeal, they may proceed to mediation-conciliation proceedings. Prior to the proceedings, both parties need to agree on mediator-conciliator, venue, and schedule of the mediation-conciliation meeting (based on IC Circular Letter No. 16-2013 Section 5, Number 3).
 - d. Should the parties not agree on the available mediators-conciliators within the locality, parties may choose from the roster of IC accredited mediators-

conciliators in neighboring cities/municipalities. This can be seen on the IC website which is updated on a regular basis (based on IC Circular Letter No. 16-2013 Section 5, Number 4): <https://www.insurance.gov.ph/ADReM/>

- e. Only complainants and the authorized representatives of the insurance providers directly involved in the case must be present in all sessions. Legal Counsels are not allowed during the proceedings (based on IC Circular Letter No. 16-2013 Section 5, Number 7).
4. If the complainant will request for an appeal, the ADR Task Group shall review the dispute within 1 working day.
5. In 3 working days, the appeal proceedings should be conducted to discuss the non-resolution between parties.
6. The ADR Task Group shall give the final judgment after the appeal proceedings. This final decision shall be communicated to the complainant by the ADRO within 24 hours. The decision of the appellate authority (ADR Task Group) shall be final and shall signify closure of dispute at the KCCDFI MBA level. To this end, the appellate authority shall be guided by the principles of natural justice, fair play, and equity while deciding the appeal.
 - a. If settlement is reached, the parties or their authorized representatives must sign the agreement. Authorized representatives must present special power of attorney prior signing the agreement.
 - b. In case of non-settlement, the parties need to decide on mediator-conciliator, venue, schedule of the mediation-conciliation meeting (based on IC Circular Letter No. 16-2013 Section 5, Number 3).
7. Mediation-conciliation proceedings shall be held in a venue/manner mutually agreed upon by the parties. This shall be conducted within 2 working days from the date of the agreement about the said proceedings (based on IC Circular Letter No. 16-2013 Section 5, Number 8).
 - a. If settlement is reached, the parties or their authorized representatives must sign the agreement. Authorized representatives must present special power of attorney prior signing the agreement (based on IC Circular Letter No. 16-2013 Section 5, Number 8 Letter A).
 - b. If no settlement is reached at the Mi-MBA level within 2 working days from the date of filing the complaint, or where the parties fail to appear for two

consecutive sessions, the parties may elevate the case to MiMAP (RIMANSI)¹ upon presentation of Certificate of Non-Resolution issued by the mediator-conciliator (based on IC Circular Letter No. 16-2013 Section 5, Number 8 Letter B).

IX. APPEAL WITH ADR TASK GROUP

1. A complainant may escalate the complaint to appeal in the following circumstances:
 - a. If the complainant has not received any of the mandated communications and/or announcements.
 - b. If the complaint has not been resolved at the level of the ADRO by the end of five (5) days of its receipt.
2. An appeal should be made immediately in writing or within 3 working days from the date of receipt of Certificate of Non-Resolution from the ADRO. Beyond this period, the dispute shall be deemed to proceed for mediation or conciliation.
3. The appellate authority shall decide the appeal within five (5) days of receipt of appeal. This final decision shall be communicated to the complainant by the ADRO.
4. The decision of the appellate authority shall be final and shall close the dispute at the KCCDFI MBA level. To this end, the appellate authority shall be guided by the principles of natural justice, fair play, and equity while deciding the appeal.

X. RESOLUTION AND CLOSURE OF DISPUTE AT THE KCCDFI MBA LEVEL

1. A dispute shall be considered as disposed and closed at the KCCDFI MBA level when:
 - a. The KCCDFI MBA has agreed to the request of the complainant fully.
 - b. The complainant has indicated in writing, acceptance of the response of the KCCDFI MBA.
 - c. The complainant has not responded within two (2) consecutive sessions from the date of filing of the complaint.
 - d. The ADRO has certified that the KCCDFI MBA has discharged its contractual, statutory, and regulatory obligations.
 - e. The complainant has not filed an appeal within three (3) working days from the date of receipt of non-resolution of dispute communicated by the ADRO.
 - f. The appeal decision has been communicated to the complainant by the ADRO.
2. If the dispute is not resolved or partially resolved in favor of the policy holder, ADRO shall inform the complainant of the option to take up the matter to MiMAP (RIMANSI).

Part V. SEXUAL HARRASSMENT POLICY

The KCCDFI Mutual Benefit Association, Inc. is committed to providing a working environment free from discrimination, and to prohibit harassment of its employees and applicants, including sexual harassment. KCCDFI Mutual Benefit Association, Inc. will implement the policy to fully comply with applicable Philippine laws, special laws and local laws, rules and regulations in the area of non-discrimination and harassment of employment.

Sexual harassment is defined as any unwelcome or unwanted sexual advance, request for sexual favors, or other verbal or physical conduct of a sexual nature from someone in the workplace that creates discomfort and/or interferes with the job.

Conduct constitutes harassment when:

- Submission to such conduct is made, either explicitly or implicitly, a term or condition of an individual's employment;
- Submission to or rejection of such conduct by an individual is used as the basis for employment decisions and/or retaliation; or
- Such conduct has the purpose or effect of interfering with an individual's work performance or creating an intimidating, hostile or offensive work environment.

Harassment due to race, religion, sex, sexual harassment, national origin, disability, age, military or veteran status will not be tolerated in the KCCDFI Mutual Benefit Association, Inc.'s workplace. Such conduct is subject to discipline, up to and including termination.

Any employee who believes he or she is a victim of sexual harassment must immediately report any incident to the company's designated disciplinary officer.

The company will not tolerate retaliation against any employee who complains of sexual harassment or provides information in connection with any such complaint.

Part VI. MEMBERS

SECTION 1. Qualification of Members

1. Applicants must be at least 18 years old but not more than 60 years as of the enrollment date.
2. He/she must be an active member of KFI Center for Community Development Foundation Inc. (KCCDFI); personnel and staff of KCCDFI Mutual Benefit Association Inc. and other organized groups accredited.
3. Only those applicants who can meet all of the requirements stated in the prescribed application form shall be eligible for membership.

SECTION 2. Duties and Responsibilities

A member shall have the following duties and responsibilities.

- i. To obey and comply with the by-laws, rules and regulations that may be promulgated by KCCDFI Mutual Benefit Association Inc. from time to time;
- ii. To attend all meetings that may be called by the KCCDFI Mutual Benefit Association Inc., Board of Trustees;
- iii. To pay membership dues and other assessments of KCCDFI Mutual Benefit Association Inc.
- iv. To participate in the governance and to protect the fund of KCCDFI Mutual Benefit Association Inc.;
- v. Continuously give suggestions and comments on how to better run the KCCDFI Mutual Benefit Association Inc.
- vi. In order to remain in good standing, a member must not be in arrears in the payment of membership dues and other required fees.

SECTION 3. Voting rights

A member shall have the following rights:

- i. To exercise the rights to vote on all matter relating to the affairs of KCCDFI Mutual Benefit Association Inc.;
- ii. To be eligible to any elective or appointive office of KCCDFI Mutual Benefit Association Inc.;
- iii. To participate in all deliberations/meetings of KCCDFI Mutual Benefit Association Inc.

SECTION 4. Conduct and Place of Meeting

- i. Meetings of the members shall be presided over by the President or in his absence the Vice-President. The Secretary shall act as Secretary every meeting or in his absence the President of the meeting shall appoint a secretary of the meeting.
- ii. Meetings, regular or special of the members shall be held in the principal office of KCCDFI Mutual Benefit Association Inc. or at any place designated by the Board of Trustees.

SECTION 5. Quorum Requirements

In all regular or special meeting of members, at least fifty percent (50%) of all members in good standing plus one (1) must be present or represented by proxy in order to constitute a quorum. The authorization shall be valid only on date of the meeting indicated thereon. If no quorum is constituted, the meeting shall be adjourned until the requisite number of members shall be present.

SECTION 6. Manner of voting

Members shall be entitled to one vote, and they may vote whether in person or by proxy which shall be in writing and filed with the Secretary, before the scheduled meeting. 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 majority vote of the general membership.

SECTION 7. Power of Inspection

To examine all the records or books of KCCDFI Mutual Benefit Association Inc. during business hours.

SECTION 8. Right to Information

- i. KCCDFI Mutual Benefit Association Inc. shall issue membership certificates to members specifying the benefits to which such members are entitled. Such certificates, together with the Articles of Incorporation of KCCDFI Mutual Benefit Association Inc. and its by-laws and all existing laws as may be pertinent shall constitute the agreement, as of the date of its issuance, between the KCCDFI Mutual Benefit Association and the member. The Certificate of Membership shall continue during the life of the member unless otherwise terminated by death, total and permanent disability, resignation or expulsion.
- ii. To avail of all the facilities/services of KCCDFI Mutual Benefit Association Inc.

SECTION 9. Notice of Annual General Meeting (AGM)

- i. Notices for regular meetings shall be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each other at his last known post office address. The notice shall state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called.
- ii. Notices for the special meetings may be made by written notice at least five (5) days before the meeting. The written notice shall contain the particular matters to be discussed. Only matters specified in the notice of the special meeting can be the subject of motions or deliberations at such meetings.

Part VII. STAKEHOLDERS

SECTION 1. Identification and Definition of Stakeholders

A. Members

KCCDFI MBA exists primarily for the benefits of its members. The sustainability of the MBA relies on the active involvement and participation of the members in the affairs of the association. A member is a person who meets the eligibility requirements and comply with the policies of the MBA and entitles to all rights and privileges sets forth in the by-laws of the association He/she shall embody the promotion of all purposes and goals of the association

KCCDFI MBA shall commit to provide training and education before their membership. In ensuring the continuing education of the members, the MBA shall provide education through center visits, pre-loan release orientation, annual assembly, ownership meetings and other educational initiatives. The MBA shall allocate funds for the training and education of its members. It is the primary commitment of KCCDFI MBA to pay benefits without delay provided pertinent documents are completed.

B. Board of Trustees

The Board is the governing body of the association primarily responsible for ensuring good governance. The Board formulates the strategic direction of the association. The Board monitors the performance of the management. The Board ensures that system are in place for transparency and accountability

KCCDFI MBA is committed to strengthening its Board by providing continuing education through participation in seminars and conferences.

C. Employees

The progress and success of the MBA depends on its human resources and that only through carefully selected, well-trained, results oriented, and dedicated employees can the association achieve its objectives.

Individuals hired by the KCCDFI MBA to work as either full-time or part-time worker under a contract of employment duly notarized upon signing, has recognized rights and duties as stated in the MBA's Personnel Manual. KCCDFI MBA shall address to the State's Labor Laws that will protect the well-being of the employees.

KCCDFI MBA shall continue to make planned efforts to facilitate the learning of job related behavior of its stakeholders current and future roles and responsibilities aligned with the Associations goals and direction.

The employee shall be given training in the form for formal education course and/or master's degree, on the job training or coaching, in house lectures and local or international courses, seminars, study tours, workshop and conferences.

D. Partner-Agent MFI/s (Creditor)

- i. The MBA shall ensure fast service and continued access to microinsurance benefits and other services of MBA.
- ii. The MBA shall establish and implement approved guidelines pertaining to MFI and other related parties.
- iii. The MBA shall conduct product and services orientation and technical services to partner associations.
- iv. The MBA shall conduct fair business transactions and ensure that the interest does not conflict with the interest of MFI partners.
- v. The MBA shall provide incentives through service fee.
- vi. The MBA and the partner agent should execute a service agreement or management contract defining the roles and responsibilities of the contracting parties.

E. Regulatory Agencies

Regulatory agencies are essential in any industry as they provide the framework to which an association should legally operate. These policies, guidelines and circulars issued by the regulatory agencies promote fairness and increase the level of confidence of the members, implementers and other stakeholders.

The Association shall ensure full compliance to the requirements, policies, circulars, memoranda, and guidelines issued by regulatory agencies such as the Insurance Commission, Securities and Exchange Commission, Bureau of Internal Revenue, Local Government Units and other government agencies.

The association shall appoint/designate a person who will act as Compliance Officer to ensure compliance to the above-mentioned agencies.

F. Suppliers and Contractors (must pass bidding, quotations etc.)

The Association engages the assistance of suppliers and/or contractors to provide services that the association will need for its daily operations. As part of its value chain, the Association will monitor its engagements with suppliers and contractors to make sure that they practice good governance and protect the environment. The Association will only engage suppliers/contractors that meet these standards.

To ensure that engagements with suppliers/contractors will be impartial and transparent; the Association will conduct a bidding process for projects with contracts amounting to Php 100,000.00 and above, where a minimum of three (3) suppliers shall submit their proposal and business profile to the management for background check and validation of proposal. Selected supplier/contractor shall be issued a legal contract/agreement which will be duly notarized to make the engagement binding.

The association shall appoint the General Manager/Finance Officer to lead the bidding and selection process. All decisions/selections shall be approved by the board.

G. Community of Operations

In any business, there is a need for the support of the community where it operates. The Association acknowledges the significant role of the community in achieving its vision mission particularly in helping people become less vulnerable.

The Association will strengthen its relationship with the community by sharing information about its programs and services.

H. Environmental Sustainability

KCCDFI MBA is a responsibly managed firm that aspires to exceed market expectations across all sustainability issues and go beyond legal compliance to proactively reduce our environmental impacts. Our goals are to reduce our overall carbon footprint by implementing environmental controls and practices into the daily management of the firm and thereby encourage positive behavior from our staff to achieve a greener future.

These are our most significant environmental impacts:

- i. Electricity – lighting, cooling, energy to power office equipment
- ii. Waste – paper, newsprint, toners and other IT equipment

In order to reduce the impact our company has on the environment, all management and staff commits to promoting a culture that is aware of the significant impact we have on the environment and also following the different ways to conserve such as:

- a. Re-using paper (use the back of the paper when printing, keep used papers, newspapers etc and donate to recycling areas to name a few of the ways we conserve paper.

- b. The company also has a rule in using the air conditioning such as:
 - i. Turn on the air conditioning only at exactly 8 in the morning when 2 or more employees are in.
 - ii. Turn off the air conditioning at exactly 5:30 in the afternoon.
 - iii. When there is power outage and using the generator, turn off the air conditioning and open windows to have access to cooler air and/or turn on electric fan.
- c. Usage of lights
 - i. Turn on the light only at exactly 8 in the morning when 2 or more employees are in.
 - ii. Turn off the lights during lunch breaks (12nn – 1pm)
 - iii. Turn off the lights at exactly 5:30 in the afternoon.

I. Technical Service Providers

The Association engages the assistance of technical service providers such as the RIMANSI to service the in terms of market research, business planning registration and licensing. As part of its value chain, the Association will monitor its engagements with RIMANSI to make sure that they practice good governance and protect the environment.

SECTION 2. Feedback and Grievance Policy for Stakeholders

The association actively seeks feedback from members both positive and negative. The Board, Management and staff seek open communication with members and welcome feedback and complaints and airing of grievances and concerns so that we can agree on a course of action to resolve these issues and restore a positive happy environment.

A process is in place to ensure all grievances and complaints are addressed, investigated fairly, and documented in a timely manner.

In addition, the association understands its responsibilities, therefore the name, email address and contact number of the person who can be contacted to receive a

complaint is displayed on the company website. Any feedback will be discussed with the member, if the member wishes to discuss the issue. If not, this will still be brought up to the Board of Trustees to make sure the Board is fully aware of issues concerning the association and will be properly documented.

Any feedback the member wishes to discuss with the company, the company will devise a plan to address the issue. It will be followed up and inform the member after the plan has been put into place.

Grievance Procedures:

If grievances arise which cannot be resolved by the feedback method, the manager or the person in-charge will be notified. Members will be asked to file a grievance report. The Management will discuss the report with the member, and/or relevant staff or other person/s involved. Such guidelines will be implemented:

- a. Clarify and state the problem simply
- b. Attack the problem, not the person
- c. Suggest ways to resolve the problem

Meetings with relevant parties will be convened, and all relevant information gathered. We will at all times aim for a satisfactory outcome for all parties. An external review process can be made available if requested. Management will document and track all complaints, grievances, and their outcomes, and analyze them to identify possible patterns. This information may be used to inform future Policy and Procedure changes.

Feedback and Grievance Report Form: Annex 3

Part VIII. Disclosure and Transparency

The essence of corporate governance is transparency. It is therefore essential that all material information about the association which could adversely affect its viability or the interests of the stakeholders should be publicly and timely disclosed. Such information should include, among others, earning results, acquisition or disposition of assets, off balance sheet transactions, related party transactions and direct and indirect remuneration of members of the Board of Management.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through

the appropriate Exchange mechanisms for listed companies and submissions to the Insurance Commission and SEC for the interest of its stakeholders.

Other disclosure policies particularly for the board shall be presented in the Code of Conduct and Ethics of the Association.

A. Transparency Policies on:

1. Ownership Structure(shareholdings)

The report disclosing all entities in the ownership structure where the association belongs either as a parent company bank or subsidiary/affiliate company shall be submitted to the Insurance Commission Point of Contact on April 30 of the following year.

2. Board Structure and Remuneration

The association aims to provide the Board and its officers 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.

The association also grants a performance bonus (non-guaranteed) based on the association's performance, overall market conditions and individual performance.

3. Publication of timely corporate information (website, annual report, sustainability report)

The association shall update company profile, manuals, IRR amendments and other reports in its website regularly.

4. Whistleblowing policy

The Board sees to it that the company publishes timely corporate information on the website and regularly updates the information published. Please see Whistleblowing Policy (**Annex 4**)

Part IX. Performance Evaluation

a. Board and Committee Performance Evaluation

Under the SEC Corporate Code and as espouse in the ACGS, the Board shall conduct a performance evaluation to measure its compliance to the governance manual.

The evaluation shall be conducted annually preferably in January where the result of the evaluation shall be presented to the Board and the management. The Board, each of its respective oversight and other committees shall conduct an annual performance evaluation/assessment to check their compliance with manual and determine areas for improvements.

The Board of Directors shall designate the General Manager and the Compliance Officer to establish an evaluation system to determine and measure compliance of the board, management and employees with this Manual. Please see attached **Board Self and Peer Assessment tool (Annex 1)**

b. Performance Evaluation Tools

1. ACGS

In line with good corporate governance principles and leading practices. KCCDFI MBA board and officers should undergo good governance and Anti-Money Laundering training. Moreover, the board annually accomplishes the Governance Scorecard prescribed by the Insurance Commission in accordance to Circular 2015-23, the association shall accomplish and submit the ASEAN Corporate Governance Scorecard on or before June 15, 2015, uploaded through the company website every year thereafter.

2. SEGURADO performance indicators

Good governance ensures maximum participation and empowerment of KCCDFI MBA members in accordance with its Vision-Mission-Goals, its Articles of Incorporation and by-laws while meeting regulatory and certified performance standards. It is important that the MBA management monitors its SEGURADO indicators and extent of member participation in ownership and governance. KCCDFI MBA board guide the association in fulfilling its organizational mission and protects the MBA's assets over time. Its roles and functions are elaborated in the MBA's constitution and by-laws. [ANNEX 4]

Part X. Policy Review and Updating

The Governance Manual shall be available for inspection by any members and other stakeholders of the MBA at all times. The Board and the management shall make sure that the governance manual is distributed to all employees and related parties. Compliance to the manual shall rest on the board, management and employees and shall remain accountable to its implementation.

a. General policy on the review and updating of existing policies

The Board of Trustees adheres to review and update the existing policies implemented by KCCDFI Mutual Benefit Association Inc. at least once a year.

b. Organizational Manuals

This Manual including the Association's VMG may be amended and updated anytime, subject to the approval of the Board. An Ad Hoc Committee shall be created to lead the review and updating of this manual together with the management.

c. Review of Corporate Vision, Mission and Values

The Vision, Mission and Values shall be reviewed by the Board of Trustees at least annually and as soon as necessary to incorporate relevant regulatory updates and industry best practices. Any further changes to effected herein in line with the said review or updating shall be subject to the review and endorsement and approval of the board.

d. Board Structure and Composition

The Board Structure and composition may be amended and updated anytime, subject to the approval of the Board. An Ad Hoc Committee shall be created to lead the review.

ANNEX 1

Board and Peer Assessment Sheet

KCCDFI MBA Annual Self and Peer Assessment and Performance Evaluation System

KCCDFI MBA has formulate an internal Self and Peer Assessment and Performance Evaluation System. This is a tool utilized annually for board self and peer rating of assessment and peer evaluation.

The baseline of these is on (A) Qualities and Competence that the Board of Trustees possess and manifest and (B) Performance of Duties and Responsibilities. It is a Likert Rating scale with numerical scores and merit interpretations.

SELF AND PEER ASSESSMENT AND PERFORMANCE EVALUATION SYSTEM

Direction: Check the corresponding column as to your rate of assessment/evaluation.

LEGEND:

A. Qualities and Competencies

- 5 – Optimum Level of Manifestation (OL)
- 4 – Maximum Level of Manifestation (MLM)
- 3 – Moderately High Level of Manifestation (MHLM)
- 2 – Moderately Low Level of Manifestation (MLLM)
- 1 – Low Level (No Existence/No Manifestation) (LL)

B. Performance of Duties and Responsibilities

- 5 – Optimum Level of Performance (OLP)
- 4 – Maximum Level of Performance (MLP)
- 3 – Moderately High Level of Performance (MHLP)
- 2 – Moderately Low Level of Performance (MLLP)
- 1 – Low Level of Performance (LLP)

A.1 QUALITIES						
Item No.		5	4	3	2	1
1	Thorough, sound and detailed working knowledge on KCCDFI MBA.					
2	Dedication and commitment to the vision, mission, goals and core values of KCCDFI MBA without financial gain and vested interest.					
3	Competence and efficiency in activities and areas related to KCCDFI MBA's work stakeholders.					
4	Honesty, sincerity, respect and positive regard to stakeholders.					
5	Open-mindedness, tolerance and wisdom on relevant and updated news.					
6	Awareness and acceptance of role and willingness to learn.					
7	Genuine likeness and concern for KCCDFI MBA.					
8	Independence, objectivity, personal integrity and ethical standards.					
A.2 COMPETENCIES						
9	Has punctuality, preparedness and involvement during meetings and activities					
10	Has productive and creative mind in formulating strategic business direction.					
11	Has transparency and accountability of actions and decisions.					
12	Achievement of proper balance between functions of the board, management, and other stakeholders.					
13	Maintain soundness, effectiveness, adequacy and relevance of KCCDFI MBA's control of internal affairs.					
14	Ensure that KCCDFI MBA manages risks effectively.					
B. DUTIES AND RESPONSIBILITIES						
15	Define, determine and realize KCCDFI MBA's vision, mission, goals, policies, and objectives.					
16	Initiate and ensure effective strategic planning.					
17	Share personal and professional expertise, skills and competence towards realizations of KCCDFI MBA's vision, mission, goals and objectives.					
18	Give active and productive participation in board and committee meetings, tasks and activities.					
19	Willing to undergo training for board's holistic growth and development					
20	Ensure KCCDFI MBA's compliance with existing regulations, codes, laws, policies and best business practices.					
21	Formulate and adopt programs that strengthen BOT governance, consider their welfare and skills and promote harmonious relationship.					
22	Enhance KCCDFI MBA's reputation and prestige and maintain its high public standing.					
23	Encourage, recognize, communicate and be directly responsible for other stakeholders					

ANNEX 2

Code of Ethics

The mission of the KCCDFI Mutual Benefit Association, Inc. is to help improve the quality of life by providing excellent financial and non-financial service to our marginalized clients, to continue to sustain the welfare and professional development of our employees and to uphold professionalism in our business relation with our partners. The Code contain principles reflecting the types of behavior the KCCDFI Mutual Benefit Association, Inc. expects towards its board of trustees, general manager, staff, partner-agent and the members.

This policy is not intended as a stand-alone policy. It does not embody the totality of the Mutual Benefit Association, Inc. ethical standards, nor does it answer every ethical question or issue that might arise. Rather, it is one element of a broader effort to create and maintain a quality institution that gives ethical conduct the highest priority. This Code will be reviewed periodically.

Board of trustees, general manager and staff should:

1. Listen to our members and make all reasonable efforts to satisfy their needs and concerns within the scope of our mission, and to strive for excellence and innovation and demonstrate professional respect and responsiveness to members, partner-agent and others.
2. Make an effort to understand, respect and support our members from other cultures, exemplified by the contributions of our staff and general manager, and to contribute to an organizational culture that respects the diverse, individual contributions of staff and management.
3. Respect the confidentiality of sensitive information about the Association, its members, partner-agent, board and staff.
4. Comply with applicable Philippine laws, local laws, existing rules and regulations and fiduciary responsibilities in an effort to create transparency in all of our operations.
5. For the board of trustees, provide credible and effective oversight to the association's work without personal bias.

6. 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 the KCCDFI Mutual Benefit Association, Inc. in return, other than occasional gifts of nominal value that are in keeping with good ethics.
7. Abide by the governing documents and policies of the KCCDFI Mutual Benefit Association, Inc.
8. Be accountable for adhering to this Code of Ethics.
9. Implement and follow a Conflict of Interest Policy.
11. Implement and follow a Whistleblower Policy.
11. Act at all times in accordance with the highest ethical standards and in the best interest of the KCCDFI Mutual Benefit Association, Inc., its members, partner-agent and other stakeholders.
12. Openly and honestly tell the truth.
13. Honor our commitments and promises to the best of our abilities.
14. Appropriately acknowledge contributions from other individuals and organizations who help facilitate our goals.
15. Not be deceptive in prospecting for new members to join the KCCDFI Mutual Benefit Association.
16. Not lobby with the intent to influence individual candidates.

Compliance, Monitoring and Reporting

The KCCDFI Mutual Benefit Association, Inc. management is responsible for communicating this Code of Ethics to all members of the board of trustees, members, partner-agent, and staff and for ensuring its adherence at all times.



KCCDFI Mutual Benefit Association, Inc.

CODE OF ETHICS – DISCLOSURE FORM

This form must be completed by all members of the board of trustees, general manager, staff, partner-agent and the members upon their joining the organization.

The undersigned, by their affixed signature, accept and agree to abide by the Code of Ethics policy.

Signature

Printed Name

Position within the organization (e.g. board member, committee member, staff, etc.)

Date

ANNEX 3 – Feedback and Grievance Form

GRIEVANCE REPORT / FEEDBACK FORM

Members are requested to make any suggestions or complaints in writing. We will give high priority to dealing with complaints. We appreciate your views and involvement and welcome your input to ensuring our high standard of service is maintained.

Name: _____

Center name: _____

Recognition date: _____

Branch Name: _____

Contact number: _____

Nature of feedback/complaint:

Signed: _____

Date: _____

ANNEX 4

WHISTLEBLOWING POLICY

INTRODUCTION OF PURPOSE

KCCDFI Mutual Benefit Association, Inc. Code of Ethics and Conduct requires Trustees, officers, employees, and members to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The aim of this Policy is 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 Personnel, and members-stakeholders that are illegal, unethical, violate good governance policies, neglect or abuse of clients, possible fraud and corruption, and unhealthy business practices.

SCOPE

This policy shall be applicable to all Trustees, officers, personnel, and members-stakeholders. The policy is intended to enable those who become aware of wrongdoing in the Association affecting some other person or services to report their concerns at the earliest opportunity so that they can be properly investigated.

It is the responsibility of all trustees, officers and personnel to comply with the Code and to report violations or suspected violations in accordance with this Whistleblowing Policy.

REPORTABLE CONDITION

Whistleblowers may report to the Management or otherwise to the Compliance Officer such acts or omission that are illegal, unethical, violate good governance policies, neglect or abuse of clients, possible fraud and corruption, and unhealthy business practices are grossly disadvantageous to the Association.

Whistleblowers may also submit whistleblowing reports to the Management or Compliance Officer through the following channels:

- E-mail : kccdfi_mba@yahoo.com.ph
- Post Mail : 2nd Flr., KCCDFI Bldg. MCLL Highway,
Guiwan, Zamboanga City
- Hotline Numbers : (062) 990-2429
0955-579-3477 / 0955-579-3476

CONFIDENTIALITY

All violations or suspected violations may be submitted on a confidential basis by the complainant. It shall treat all report, including the identity of the Whistleblower and the person/s complained of, in a 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.

PROTECTION AGAINST RETALIATION

No trustees, officer, employee or member who in good faith reports a violation of the Code shall suffer discrimination or harassment in the workplace, retaliatory acts, or adverse employment consequence.

If the Whistleblower has reasonable ground to believe that such retaliatory acts are being directed against him/her may report the same to the Management for extension of all possible assistance under the law.

AUDIT MATTERS

The Audit Committee of the Board of Trustees shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The Compliance Officer shall immediately notify the Audit Committee of any such complaint and work with the Committee until the matter is resolved.

HANDLING OF WHISTLEBLOWING REPORTS

The Compliance Officer will notify the complainant and acknowledge receipt of the reported violation or suspected violation within 5 working days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.



KCCDFI Mutual Benefit Association, Inc.

Whistleblowing

Incident Report Form

Date : _____
Full Name of Reporting Person : _____
Department : _____
Person/s Involved : _____

Act/s of Omission/s Committed:

When : _____
What : _____
Others : _____
Details : _____

Received By : _____

Date : _____

For Whistleblower Compliance Officer Use:

Type : ☐ Complaint ☐ Fraud

Tracking No. : _____

ANNEX 5 – SEGURADO Ratios

Key SEGURADO Performance Ratios

SEGURADO INDICATORS		Standards
1. Solvency <div> <div>TSA for MOS</div> <div>GF</div> <div>Excess Surplus</div> </div> <div> <div>Admitted Assets</div> <div>Total Liabilities</div> </div>		> 120%
2. Return on Equity <div> <div>Total Income or Surplus/Deficiency</div> <div>Member's Equity or Fund Balance</div> </div>		> 0
3. Return on Net Premium <div> <div>Total Income or Surplus/Deficiency</div> <div>Net Contribution</div> </div>		> 0
4. Operating Expense Ratio <div> <div>BLIP*</div> <div>10%</div> <div>*including collection fee</div> <div>Incurred Expenses</div> <div>Gross Contributions</div> </div> <div> <div>CLIP</div> <div>40%</div> <div>Incurred Expenses</div> <div>Gross Premium</div> </div> <div> <div>OpEx Ratio Based on General Fund Allocation</div> <div>Incurred Expenses</div> <div>10% of Gross Contributions</div> <div>40% of Gross Premium</div> </div>		≤ 20%
5. Payout Ratio <div> <div>BLIP</div> <div>35% Incurred Claim (&rider)</div> <div>Gross Contribution</div> </div> <div> <div>CLIP</div> <div>25% Incurred Claim</div> <div>Gross Contribution</div> </div>		≤ 25%
6. Retention Rate <div> <div>No. of members (beg)</div> <div>No. of resigned members</div> </div>		> 70%
7. Participation Rate <div> <div>No. of MBA members</div> <div>No. of MFI Clients</div> </div>		> 90%
8. Actual Growth Rate <div> <div>No. of members (end)</div> <div>No. of members (beg)</div> <div>increase (decrease)</div> </div>		increasing
CLAIMS REPORT: 9. Processing Time <div> <div>claims paid within:</div> <div>1 day</div> <div>2-3 days</div> <div>4-5 days</div> <div>>5 days</div> <div>total no. of claims</div> <div>≥ 10 days</div> </div>		1-3-5 > 90%