

ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NON COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
THE BOARD'S GOVERNANCE AND RESPONSIBILITY			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector	Compliant	<p>The members of the Board of Trustees of KMBA are carefully selected based on their strong commitment, competencies and experience, among others necessary to perform the task of providing strong leadership and guidance to the management.</p> <p>Links/ References:</p>	
2. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector	Compliant	<p>www.kmba.org.ph: Corporate Governance-Board of Trustees 2020</p> <p>2020 Annual Report_The Board of Trustees Page 11-16</p> <p>Corporate Governance Manual: Item 2.1.3 Qualifications for the Board of Trustees; 2.1.4 Disqualifications from the Board of Trustees</p>	
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant	<p>The nomination and election committee who is in charge of accepting applications from members who wish to run for the position of the board of Trustees, and then makes an endorsement to the board of Trustees who will then certify the qualifications/disqualifications of a candidate.</p> <p>Links/ References:</p> <p>Corporate Governance Manual: Item 2.1.3 Qualifications for the Board of Trustees; Item 2.1.4 Disqualifications for the Board of Trustees Page 8</p>	
Recommendation 1.2			

<p>1. Board is composed of a majority of non-executive directors.</p>	<p>Compliant</p>	<p>Majority of the Board are non-executive and are not affiliated with any employees nor engaged in the day-to-day operation of the association.</p> <p>The Board of Trustees is composed of 9 members, 2 of whom are independent directors.</p> <p>The General Manager in the person of Silvida Reyes Antiquera sits as an ex-officio of the board of trustees</p> <p>Links/ References:</p> <p>Corporate Governance Manual: Item 2.1 Board of Trustees; 2.1.1 Composition and election of the Board of Trustees Page 7</p> <p>2020 Annual Report: Board of trustees Page 11-16</p> <p>Amended By-Laws Article II Section 1</p>	
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Recommendation 1.3

<p>1. Company provides in its Board Charter or Manual on Corporate Governance a policy on training of directors,</p>	<p>Compliant</p>	<p>With the ever-changing development of our times, KMBA believes that its Board must undergo various trainings to keep them updated of the regulatory environment and technology advancement, among others to meet the growing needs of the association and given their mix of expertise and experience. Every year, the board participates in trainings provided by the network for MBAs (MiMAP/Rimansi).</p> <p>Links/References:</p>	
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		Corporate Governance Manual: Item 2.10_ Orientation and Continuing Education for the Board; 2.10.1 Trustee Orientations Page 22; 2.10.3 Reporting on BoT Education Page 23	
2. Company provides in its Board Charter or Manual on Corporate Governance an orientation program for first time directors.	Compliant	www.kmba.org.ph : Policies and Implementing Rules_Board Orientation Session Program	
3. Company has relevant annual continuing training for all directors.	Compliant	www.kmba.org.ph : Corporate Governance_Meetings and Seminars_Summary of Trainings and Learning Session attended by the Board 2020 Annual Report_Board of Trustees Trainings and Seminar Page 12-16	

Recommendation 1.4

1. Board has a policy on board diversity	Compliant	<p>Having a broad range of experience, skills and background of the board helps KMBA broaden its strategic foresight and good governance.</p> <p>During the Annual General Meetings in 2019 and 2021, KMBA has elected 2 Independent Directors, a female lawyer advocate on women and peace and a male director who is expert in economics and also active in social development. The rest of the board members are female Nanay-leaders who represents KMBA members in local communities.</p> <p>Links/ References:</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Diversity Policy</p> <p>Corporate Governance Manual: item 4.8 Diversity Policy P. 40</p>	
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Recommendation 1.5

<p>1. Board is assisted in its duties by a Corporate Secretary</p>	<p>Compliant</p>	<p>The elected secretary of the board serves also as the Corporate Secretary of the Association.</p> <p>Links/ References:</p> <p>Corporate Governance Manual: Item 2.4.3 The Secretary P. 17</p> <p>Amended By-Laws: Article IV Section 3_Secretary</p> <p>www.kmba.org.ph: Corporate Governance_Board of Trustee_ CV of Jonalyn Andres</p>	
<p>2. Corporate Secretary is a separate individual from the Compliance Officer</p>	<p>Compliant</p>	<p>The KMBA Corporate/Board Secretary is a different person from the Compliance Officer which is acted upon by the General Manager.</p> <p>Links/ References:</p> <p>Corporate Governance Manual: Item 2.4.3 The Secretary P. 17</p> <p>Corporate Governance Manual: Item 2.6 (5) General Manager and the management team P. 18</p> <p>6.1 Designation of Compliance Officer P. 46</p> <p>Board Resolution 15</p>	
<p>3. Corporate Secretary is not a member of the Board of Directors</p>	<p>Compliant</p>	<p>The elected secretary of the board serves also as the Corporate Secretary of the Association.</p> <p>Links/ References:</p> <p>Corporate Governance Manual: Item 2.4.3 The Officers of the Board of Trustees P. 17</p>	

4. Corporate Secretary attends training/s on corporate governance.	Non-Compliant		It is a must for all members of the Board of Trustees to attend trainings, particularly on Corporate Governance, which has been provided by the MiMAP network under Rimansi. KMBA BoT Secretary Jonalyn failed to attend the Governance and AMLA workshop during that time because she has to attend also trainings from our partner institution which was scheduled ahead before her appointment. Seceratay Jonalyn is scheduled to attend the next Governance and AMLA training on the next schedule of 2021
Recommendation 1.6			
1. Board is assisted by a Compliance Officer	Compliant	<p>The Board of Trustees has designated General Manager Silvida R. Antiquera as Compliance Officer.</p> <p>Links/ References:</p> <p>Corporate Governance Manual: Item 6.1_ Designation of Compliance Officer Page 46</p> <p>Corporate Governance Manual: Item 2.6 (5) The General Manager and management team</p> <p>Board Resolution 15</p>	
2. Compliance Officer has a rank of Vice President or an equivalent position with adequate stature and authority in the corporation	Compliant	<p>The General Manager serves as the Compliance Officer</p> <p>Links/ References:</p> <p>Corporate Governance Manual: Item 6.1_ Designation of Compliance Officer Page 46</p>	

		www.kmba.org.ph: Disclosure-Other Disclosure_CV of the General Manager/Compliance Officer Silvida R. Antiquera	
3. Compliance officer is not a member of the board.	Compliant	The General Manager who is also the Compliance Officer sits in the Board of Trustees as an ex-officio member Links/ References: Corporate Governance Manual: Item 6.1_ Designation of Compliance Officer Page 46	
4. Compliance Officer attends training/s on corporate governance annually	Compliant	KMBA General Manager/Compliance Officer also serves as the President of the MBA network (MiMAP) that organizes the annual training on Corporate Governance. Links/ References: www.kmba.org.ph: Corporate Governance_Meetings and Seminars_Seminars and Trainings attended by the compliance officer www.kmba.org.ph: Disclosure-Other Disclosure_Certificate of Participation	
Principle 2: The fiduciary roles, responsibilities and roles and accountabilities of the Board as provided under the law, the company's article and by-laws, and other legal pronouncement and guidelines should be clearly made known to all directors as well as to the stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.		KMBA Board of Trustees should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Association and the members/shareholders.	

	Compliant	<p>Relevant information and other pertinent documents for board meetings are being provided, at least 21 working days. The minutes of the board meetings are made available and posted in the website within 5 days from the time the meeting was held.</p> <p>Links/References</p> <p>Corporate Governance Manual: Governance Structure and Policies Item 2.1.6_General Responsibility Page 9-10; Item 2.1.7 Specific Duties and Responsibility (L) Page 10</p>	
recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	Compliant	<p>The Association's Vission, Mission and Goals are being reviewed by the Board of Trustees at the first meeting of every year.</p> <p>Links/References</p> <p>Corporate Governance Manual: Governance Structure and Policies Item 2.1.7_Specific Duties and Responsibilities Page 9-10 ©</p> <p>Minutes of the 1st Regular Board Meeting, Agenda item VII_Review of Vission, Mission and Goals</p> <p>KSO Strategic Plan</p>	
2. Board oversees and monitors the implementation of the company's business objectives and strategy in order to sustain the company's long-term viability and strength.	Compliant	<p>KMBA board of Trustees and the management conduct review of the company's targets and formulate strategic and risk management plan held within the last quarter of each year.</p> <p>Links/References</p>	

		<p>Corporate Governance Manual: Item 2.1.7_Specific Duties and Responsibilities Page 9-10</p> <p>Minutes of the 7th Regular Board Meeting, Agenda item VIII (f); KMBA Risk Management Plan</p>	
Reccomendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	<p>Board President Enriqueta V. Navarro has extensive knowledge and experience in micro-enterprise and microinsurance operations on the ground for the last 8 years, and has been active in community and barangay programs and activities.</p> <p>Links/References</p> <p>2020 Annual Report: Board of Trustee_Enriqueta Navarro, President Page 12</p> <p>Corporate Governance Manual: 2.1.3_ Qualifications of the Board of Trustees Page 8</p> <p>www.kmba.org.ph:Corporate Governance_Board of Trustees 2020_ CV Enriqueta V. Navarro</p>	
Recommendation 2.4			
1. Boards ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	<p>Succession planning is one best practice that the board of KMBA has adopted to make sure that any resignation or retirement of Board members or key management position will not hamper the smooth operation and future growth of the association.</p> <p>Links/References</p> <p>Corporate Governance Manual: Item 2.13_Succession Planing Page 24-26</p>	

2. Board adopts a policy on the retirement for directors and key officers.	Compliant	Retirement Benefit Plan Board Resolution No. 57 Series of 2019	
Recommendation 2.5			
1. Board formulates and adopts a policy specifying the relationship between remuneration and performance of key officers and board members.	Compliant	<p>Under the constitution and by-laws, the Board of Trustees shall not be entitled to any compensation or remuneration for their services. KMBA provides for reimbursements of actual transportation and meal expenses in performing their duties.</p> <p>Links/References</p> <p>Amended Articles of Incorporation: Article 8</p> <p>Corporate Governance Manual: 2.12_Remuneration of the Board Page 23</p> <p>2020 Annual Report_ Remuneration Policy for the Board and the General Manager Page 21-22</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Policy on Remuneration</p>	
2. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	<p>The need for a remuneration framework for key officers and board members to be able to attract quality services in the long term.</p> <p>Links/References</p> <p>Compensation and Benefits Package of General Manager</p> <p>Corporate Governance Manual: 2.12_Remuneration of the Board Page 23</p>	

		www.kmba.org.ph : Corporate Governance-Board Resolution 2021, Board Resolution No. 17_Approving the list of support to Board Trustees, Officers and Coordinators	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	<p>For ethical considerations, any concerned board member does automatically inhibits himself/herself from participating in any discussion pertaining to his own remuneration/benefits</p> <p>Links/References</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Policy on Remuneration</p>	
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	<p>The election Rules and Guidelines contains the nomination and election policy which is reviewed on an annual basis:</p> <p>Links/References</p> <p>Amended By-Laws: Article II Section 1_Board of Trustees, Composition and Election</p> <p>www.kmba.org.ph:Corporate Governance_Implementing Rules and Policies, Election Rules and Guidelines</p>	
2. Board nomination and election policy is disclosed in the company's Manual and Corporate Governance.		<p>The election and nomination policy indicated in the election guidelines as an annex to the Corporate Governance Manual</p> <p>Links/References</p>	

	Compliant	<p>Corporate Governance Manual: Item 3.7.4 Election of Board and Committee Members Page 30-31; 3.3 Voting Rights of Members</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Election Rules and Guidelines</p>	
3. Board nomination and election policy includes how the company accepts nomination from minority shareholders.	Non-Compliant		The term minority shareholders do not apply because KMBA promotes one member, one vote policy.
4. Board nomination and election policy includes how the board reviews nominated candidates .	Compliant	Election Rules and Guidelines: Nomination and Election Process for KMBA Board of Trustees Page 3-4 (6-10)	
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or a replacement of a director.	Compliant	<p>Election Rules and Guidelines: Actual Election Process for KMBA BoT no.9 Page 6</p> <p>Corporate Governance Manual: Item 3.7.4 Election of Board and Committee Members Page 30-31</p>	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant	<p>The nomination and election committee is tasked to identify the appropriate qualities and competencies that should be required of candidates/nominees to the board in line with KMBA's strategic directions</p> <p>Links/References</p> <p>Corporate Governance Manual: Item 2.3.4 Nomination and Election Committee © Page 15</p>	
Recommendation 2.7			

<p>1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.</p>	<p>Compliant</p>	<p>Serving on a Board of Trustees requires strong leadership, commitment to the mission of KMBA and credibility.</p> <p>Links/References</p> <p>Amended By-Laws: Article II Section 1_Board of Trustees, Composition and Election</p> <p>Corporate Governance Manual: Item 2.1.3_ Qualifications of the Board of Trustees Page 8</p> <p>Corporate Governance Manual: Item 3.7.4 Election of Board and Committee Members Page 30</p>	
<p>2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.</p>	<p>Compliant</p>	<p>The audit committee, which is composed of Independent Directors, shall be responsible for the review and approval of any material related-party transactions of conflict of interest issues involving members of the board and management to ensure that these are conducted or resolved in the best interest of KMBA and its members.</p> <p>Links/References</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Policy on Related Party Transaction</p> <p>Corporate Governance Manual: Item 2.1.9 Disclosure of RPTs and other Conflict of Interest Page 11</p> <p>Corporate Governance Manual: Item 4.3 Review of Related Party Transactions; 4.3.1 Responsible Committee and Focus of Review Page 33-34</p> <p>Minutes of 1st Audit Committee Meeting</p>	

<p>3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.</p>	<p>Compliant</p>	<p>Trustees and Committee members shall accomplish a Declaration of Material Interests that any related-party transactions will be conducted in an arms's length basis. To further strengthen transparency and protect the interest of KMBA in all cases of related-party transactions, the association is set to adopt a policy requiring incumbent Trustees to submit a written notification to the Board before they accept directorship position in any other company.</p> <p>Links/References</p> <p>2020 Annual Report: Related Party Transaction Page 25</p> <p>www.kmba.org.ph: Other Disclosure_Declaration of Declaration Material Personal Interest 2020</p>	
<p>Recommendation 2.8</p>			
<p>1. Board is primarily responsible for approving the selection of management lead by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>It is was clearly stated in the KMBA guidelines that the selection of the General Manager/CEO is a major responsibility of the Board of Trustees.</p> <p>Links/References</p> <p>Corporate Governance Manual: Item 2.1.7 Specific Duties and Responsibilities (h) Page 9-10</p>	
<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<p>It is the responsibility of the Board of Trustees to ensure that the General Manager's performance have been regularly conducted on a regular manner.</p> <p>Links/References</p> <p>Corporate Governance Manual: Item 2.1.7 Specific Duties and Responsibilities (i) Page 10</p>	

		2020 Annual Report_Performance Appraisals of the Board, Committee members and the General Manager Page 22 Minutes of 6th Regular Board Meeting-Agenda XI (b)_Performance evaluation of General Manager	
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Recommendation 2.9

1. Board establishes an effective performance management framework that ensures that Management, including the Chief Executive Officer performance is at par with the standards set by the Board and Senior Management.	Compliant	Corporate Governance Manual: Item 6.3 Regular Performance Assessment Page 47; Item 6.3.1 Performance Assessment Process Page 47-48 www.kmba.org.ph_Result of Performance Evaluation for KMBA General Manager	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Compliant	www.kmba.org.ph:Disclosure-Other Disclosure_KMBA Performance Evaluation Form www.kmba.org.ph: KMBA Performance Evaluation Form www.kmba.org.ph: Disclosure-Other Disclosure_Result of KPE	

Recommendation 2.10

1. Board oversees that an appropriate internal control system is in place.	Compliant	<p>Internal control form part of the management framework to ensure accurate reporting of financials, compliance with laws and regulations, protect assets and effective execution of business operations.</p> <p>Links/References</p> <p>Corporate Governance Manual: Item 2.1.8 Internal Control and Responsibilities Page 10</p>	
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2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Compliant	Corporate Governance Manual: Item 2.1.8 Internal Control and Responsibilities (e) Page 11	
3. Board approves the Internal Audit Charter.	Compliant	www.kmba.org.ph : Corporate Governance-Governance Manual_Internal Audit Charter ; www.kmba.org.ph : Corporate Governance-Board Resolution 2021 Board Resolution No. 13_Approving the Internal Audit Charter	
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	<p>KMBA developed the Risk Management Manual that stipulates the processes from identification, monitoring, assessing and managing key business risks</p> <p>Links/References</p> <p>Corporate Governance Manual: Item 7.2.1 Oversight Responsibility Page 50</p> <p>www.kmba.org.ph: Corporate Governance_Governance Manual 2021_KMBA Risk Management Manual</p>	
2. The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant	<p>www.kmba.org.ph: Corporate Governance_Policies and Implementing Rules_KMBA Risk Management Manual</p> <p>www.kmba.org.ph: Disclosure_Other Disclosure_Risk Assessment and Management Plan 2020;</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_2020 Risk Management Reports</p>	
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and		Roles, responsibilities and accountabilities are clearly defined in the Board Charter	

accountabilities in carrying out its fiduciary duties.	Compliant	<p>Links/References</p> <p>Corporate Governance Manual: item 2.1.6 General Responsibility Page 9, Item ; 2.1.7 Specific Duties and Responsibilities Page 9-10</p> <p>www.kmba.org.ph: Corporate Governance-Implementing Rules and Policies_Board Charter</p>	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant	<p>The Board Charter serves as a guide to the directors in performing their functions</p> <p>Links/References:</p> <p>www.kmba.org.ph: Corporate Governance-Implementing Rules and Policies_Board Charter</p>	
3. Board Charter is publicly available and posted on the company's website.	Compliant	<p>The board charter is posted in the company website</p> <p>Links/References:</p> <p>www.kmba.org.ph: Corporate Governance-Implementing Rules and Policies_Board Charter</p>	

Principle 3: board committees should be set up the extent possible to support the effective performance of the Board's function, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

Recommendation 3.1

1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	<p>The KMBA Board of Trustees constituted committees in aid of good corporate governance</p> <p>Links/References:</p> <p>Corporate Governance Manual: item 2.3. Board Committees Page 13-16</p> <p>www.kmba.org.ph: Corporate Governance_Board Committees 2020</p>	
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Recommendation 3.2			
<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Compliant</p>	<p>The Audit Committee plays a critical role in establishing and monitoring corporate governance practices</p> <p>Links/References: Corporate Governance Manual: item 2.3.1 Audit Committee Page 13-14 Corporate Governance Manual: item 6.3.2 Roles of Audit Committee Page 49</p>	
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>Pursuant to the Corporate Governance Manual, Independent Trustees make up the Audit Committee in the persons of Philip Arnold Tuano as Chairperson and Atty. Maria Cleofe Gettie Sandoval as member</p> <p>Links/References: Corporate Governance Manual: Item 2.3.1 Audit Committee Page 13 www.kmba.org.ph: Corporate Governance_Board Committees 2020-Audit Committee</p>	
<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Compliant</p>	<p>The members of the audit committee have met the qualifications criteria of the association</p> <p>Links/References: www.kmba.org.ph: Corporate Governance-Board of Trustees 2020_CV of Philip Arnold Tuano www.kmba.org.ph: Corporate Governance-Board of Trustees 2020_CV of Maria Cleofe Gettie C. Sandoval</p>	

4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Non-compliant		Since the number of Independent Trustee of KMBA is limited, The Chairperson of the Audit Committee serve also as the Chairperson of the Nomination and Election Committee. KMBA plans to have additional Independent Trustee on the succeeding year in order to fill the other committee seat.
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Recommendation 3.3

1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	There are some functions of the Corporate Governance Committee that are already present in the Risk Management Committee, thus the Board decided to create only the Risk Management Committee.	
		Links/References:	
		Minutes of 7th Regular Meeting; Creation of Additional Committee	
2. Corporate Governance Committee is composed of at least three members, majority of whom should be independent directors.	Compliant	Minutes of 7th Regular Meeting; Creation of Additional Committee	
3. Chairman of the Corporate Governance Committee is an independent director.			

Recommendation 3.4

1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	The proposed creation of the BROC is presented to the general membership and approved during KMBA's 15th AGM. Links/References: Minutes of 7th Regular Meeting; Creation of Additional Committee	
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		www.kmba.org.ph : Corporate Governance-Minutes of the Meeting 2020_Minutes of 7th Regular Board Meeting	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	Non-Compliant	At present, KMBA has Two Independent Trustee. They are Atty. Maria Cleofe Gettie Sandoval as Chairperson and Philip Arnold Tuano as member	Additional Independent board is being considered in the next Annual General Meeting and election of Board of Trustees
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	The Chairperson of this committee does not have other chairmanship of other committees. Links/References: www.kmba.org.ph : Corporate Governance-Board Committees 2021_Board Risk Oversight Committee	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	www.kmba.org.ph : Corporate Governance-Board of Trustees 2020_CV of Philip Arnold P. Tuano	
Recommendation 3.5			
1. The Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	The proposed creation of the RPT Committee is presented and approved by the general membership during KMBA's 15th AGM Links/References: Minutes of 7th Regular Meeting; Creation of Additional Committee www.kmba.org.ph : Corporate Governance-Minutes of the Meeting 2020_Minutes of 7th Regular Board Meeting	
2. RPT Committee is composed of at least three non-executive directors, majority of whom should be independent, including the Chairman.	Compliant	The Committee members are composed of 2 Independent Directors, Philip Arnold Tuano as Chairperson, Atty. Maria Cleofe Gettie Sandoval as member and Isabel Iliw-Iliw as board adviser	

		Links/References: www.kmba.org.ph : Corporate Governance-Board Committees 2021_Related Party Transaction Committee	
Recommendation 3.6			
1. All established committees have a Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	All committees have its own board charter Links/References: www.kmba.org.ph : Corporate Governance-Policies and Implementing Rules_Committee Charter	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant	An evaluation tool will be provided for all the committees Links/References: www.kmba.org.ph : Disclosure-Other Disclosure_Committee Assessment Form www.kmba.org.ph : Disclosure-Other Disclosure_Result on Committee Assessment	
3. Committee Charters were fully disclosed on the company's website.	Compliant	Committee charters are posted in the KMBA website www.kmba.org.ph : Corporate Governance_Committee Charter	
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attends and actively participates in all meetings of the Board, Committees and shareholders in person or through tele/videoconferencing conducted in accordance with the rules and regulations of the Commission		It is imperative that all board members attend scheduled meetings of the board, committees and the Annual General Meeting Links/References	

the Commission.	Compliant	<p>Corporate Governance Manual: Item 2.9 Board Meetings; Item 2.9.2 Participation in meetings through electronic device</p> <p>2020 Annual Report_Board Meetings and Committee</p> <p>Procedure for videoconferencing</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Internal Procedures for conduct of meetings via remote communication</p>	
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	<p>Minutes of the meeting is being sent ahead of time to the members of the board to make advance review of the minutes</p> <p>Links/References</p> <p>Corporate Governance Manual: Item 2.9.3 Notice and Agenda of Board Meetings Page 20</p> <p>www.kmba.org.ph: Corporate Governance_Board Minutes 2020</p>	minutes of the meeting 2020
3. The directors asks the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	<p>The members of the board of trustees are encouraged to ask questions/clarifications during meetings</p> <p>Links/References</p> <p>Minutes of the meeting from March and December 2020</p>	
Recommendation 4.2			
1. Non-executive directors concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities (ICREs) and publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings.	Compliant	<p>Multiple board seats in other entities is allowed, however taking into consideration the quality of time the member would put into board and other meetings</p> <p>Links/References</p>	

meetings, challenge management's proposals/views, and oversee the long-term strategy of the company.		Corporate Governance Manual: Item 2.1.2 Multiple Board Seats Page 7	
Recommendation 4.3			
1. The directors notify the company's board where he/she is an incumbent director before accepting a directorship in another company.	Compliant	<p>The non-executive directors are being asked to submit a letter specifying the assignments of directorships he/she has with other entities.</p> <p>Links/References</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Lihampatungkol sa mga sinapiang samahan_Philip Tuano</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Letter to Board of Trustees_Gettie Sandoval 2018</p>	
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs.			
Recommendation 5.1			
1. The Board is composed of at least twenty percent (20%) independent directors.	Compliant	<p>KMBA has a nine-person Board of Trustees, and two of them are Independent Directors</p> <p>Links/References</p> <p>Corporate Governance Manual: Item 2.1.1 Composition and Election of the Board of Trustees Page 7</p>	
Recommendation 5.2			
1. The independent directors possess all the necessary qualifications and none of the disqualifications to hold the position.	Compliant	<p>The Independent Directors must act independently and impartially in carrying out his/her responsibilities as a member of the Board of Trustees</p> <p>KMBA's Independent Directors are: Philip Arnold P. Tuano Maria Cleofe Gettie C. Sandoval</p> <p>Links/References</p>	

		Corporate Governance Manual: Item 2.2 Independent Trustee Page 12 www.kmba.org.ph: Corporate Governance_Board of Trustee 2020-CV of Philip Arnold Tuano and Atty. Gettie Sandoval	
Recommendation 5.3			
<p>1. The independent directors serve for a maximum cumulative term of nine years. As far as Insurance Companies are concerned, the foregoing term limit shall be reckoned from 02 January 2015 while the reckoning date for the Pre-Need Companies and Health Maintenance Organizations shall be from 21 September 2016. For other covered entities, all previous terms served by existing Independent Directors prior to the effectivity of this Circular shall not be included in the application of the term limit prescribed in this item.</p>	Compliant	<p>KMBA is complying with the requirement on the term limits of the Independent Director</p> <p>Links/References</p> <p>2020 Annual Report_Board of Trustees Page 16</p>	
<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	Compliant	<p>Corporate Governance Manual: Item 2.1.5 Term Of Office Page 8</p> <p>Amended By laws_Article II Section 5_Term of office of Officer</p>	
<p>3. In the instance that the company retains an independent director in the same capacity after nine years, the board submits to the Insurance Commission a formal written justification and seek shareholders'approval during the annual</p>		<p>Should KMBA need to continue the services of Independent Directors after serving their term limits, procedures will be followed for IC and approval from the general membership</p>	

shareholders' meeting.	Compliant	Links/References www.kmba.org.ph : Corporate Governance_Board of Trustee 2020-CV of Philip Arnold Tuano www.kmba.org.ph : Corporate Governance_Board of Trustee 2020-CV of Maria Cleofe Gettie C. Sandoval	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	The President of KMBA Board of Trustees is Enriqueta V. Navarro and the General Manager is Silvida R. Antiguera Links/References: 2020 Annual Report_Message from the President and the General Manager Page 1 and 2	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	KMBA President and the General Manager have clear delineation of function Links/References: Corporate Governance Manual: 2.4 The officers of the Board of Trustees; 2.4.1 The President Page 17 Corporate Governance Manual: 2.6 General Manager and Management Team- Roles and responsibilities of the General Manager, Page 18	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director or where the roles of Chairman and CEO are being held by one person, the Board should designate a lead director among the independent directors.	Compliant	In the course of operation, KMBA has a separate position for the President of the Board of Trustees who leads the policy making body and a General Manager that executes and supervise the day-to-day operation of the company. Links/References:	

		www.kmba.org.ph : Corporate Governance-Board of Trustee_BoT Profile 2020; www.kmba.org.ph : Corporate Governance-Board of Trustees 2020_CV of Enriqueta V. Navarro www.kmba.org.ph : Disclosure-Other Disclosure_CV of Silvida Reyes Antiquera	
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation should abstain from taking part in the deliberations for the same.	Compliant	<p>Should conflict of interest exist, a board member should excuse himself/herself from participation in the discussion nor vote in a particular matter</p> <p>Links/References:</p> <p>Corporate Governance Manual: 4.3.2 Access to Records and Information Page 34</p>	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation	Compliant	<p>This is done in committee meetings held during the year.</p> <p>Links/References:</p> <p>2020 Annual Report: Board Committees Page 17-20</p>	
2. The meetings are chaired by the lead independent director.	Compliant	<p>www.kmba.org.ph: Corporate Governance-Minutes of the Meeting 2020_Audit Committee 1st Meeting</p> <p>www.kmba.org.ph: Corporate Governance-Minutes of the Meeting 2020_Audit Committee 4th Meeting</p>	
<p>Principle 6: The Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.</p>			
Recommendation 6.1			

<p>1. The Board conducts an annual assessment of its performance as a whole.</p>	<p>Compliant</p>	<p>An evaluation is conducted annually, usually in January of the following year after a board meeting.</p> <p>Corporate Governance Manual: Item 6.3 Regular Performance Assessment; Item 6.3.1 Performance Assessment Process Page 47</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Board Assessment Form</p>	
<p>2. The performance of the Chairman is assessed annually by the Board.</p>	<p>Compliant</p>	<p>www.kmba.org.ph: Disclosure-Other Disclosure_Board Assessment Form</p>	
<p>3. The performance of the individual member of the Board is assessed annually by the Board.</p>	<p>Compliant</p>	<p>www.kmba.org.ph: Disclosure-Other Disclosure_Board Assessment Form</p>	
<p>4. The performance of each committee is assessed annually by the Board.</p>	<p>Compliant</p>	<p>Members of the committee took the assessment of using the Committee Assessment Form that was distributed to them. The management then summarized the results and was presented in the March 5, 2021 board meeting.</p> <p>Links/References:</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Committee Assessment Form</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Committee Assessment Result</p> <p>www.kmba.org.ph: Corporate Governance-Minutes of the Meeting 2021_Minutes of 2nd Regular Board Meeting</p>	

5. Every three years, the assessments are supported by an external facilitator.	Non-compliant		We will have the assessment scheduled on November 2021. KMBA will negotiate with EMMAUS Center for the conduct of the assessment
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Recommendation 6.2

1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	Compliant	<p>The process is indicated in the manual for the performance of the board, individual directors and committee.</p> <p>Links/References:</p> <p>Corporate Governance Manual: Item 6.3.1 Performance Assessment Process (c) Page 47-48</p>	
2. The system allows for a feedback mechanism from the shareholders.	Compliant	<p>2020 Annual Report_Handling of Complaints Page 28</p> <p>Corporate Governance Manual: Item 4.4 Anti-Corruption, Feedback and Grievance, Complainant Protection and Whistle Blower Policy Page 35</p> <p>www.kmba.org.ph: Contact Us_Ulat Hotline</p>	

Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Recommendation 7.1

1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	<p>KMBA adopted a Code of Conduct and Ethics that embodies its mission, values and principles and linking these in the standards of professional conduct.</p> <p>Links/References:</p> <p>Corporate Governance Manual: Item 2.11_Code of Ethics and Conduct Page 23</p> <p>www.kmba.org.ph: Corporate Governance-Code of Conduct and Ethics_KMBA Code of Ethics</p>	
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<p>2. The Code is properly disseminated to the Board, senior management and employees.</p>	<p>Compliant</p>	<p>The Code of conduct is presented and copies were distributed to the board, management and staff during meetings/assembly.</p> <p>Links/References:</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Board Orientation Session Program</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Staff Orientation Program, House Rules</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Staff Orientation Program, KMBA IEC</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Staff Orientation Program, Etika ng Kasagana-ka</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Staff Orientation Program, Compensation and Benefits</p>	
<p>3. The Code is disclosed and made available to the public through the company website.</p>	<p>Compliant</p>	<p>www.kmba.org.ph: Corporate Governance-Code of Conduct and Ethics_KMBA Code of Ethics</p>	
<p>Recommendation 7.2</p>			
<p>1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.</p>	<p>Compliant</p>	<p>The Ethics committee headed by Wenifreda Rodriguez reports to the board on matters/activities pertaining to ethical standards/concerns</p> <p>Links/References:</p> <p>www.kmba.org.ph: Corporate Governance-Minutes of the Meeting 2020_Ethics Committee 2nd Meeting 27 February</p>	

2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant	Corporate Governance Manual: Item 4.4.5 Monitoring and Evaluation Page 37 2020 Annual Report D. Governance Manual and Code of Ethics Page 32	
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DISCLOSURE AND TRANSPARENCY

Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

Recommendation 8.1

1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	Corporate Governance Manual: Item 5.1 General Policy on Transparency; 5.2 Disclosure Guidelines and Processes; 5.2.1 Information for Public Disclosure; 5.3 Promulgation of Additional Disclosure Policies Page 43-45	
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Recommendation 8.3

1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	<p>Board members' records/profile are made available to the public.</p> <p>Links/References:</p> <p>www.kmba.org.ph: Corporate Governance-Board of Trustees 2020</p> <p>www.kmba.org.ph: Corporate Governance-Meetings and Seminars 2020_Summary of Training attended by the Board</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Declaration of Material Personal Interest</p>	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect	Compliant	<p>The Curriculum Vitae of the General Manager Silvida R. Antiquera is posted in the KMBA website</p> <p>Links/References:</p>	

their judgment.		www.kmba.org.ph: Disclosure-Other Disclosure_CV of General Manager	
Recommendation 8.4			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.	Compliant	<p>As defined in the KMBA’s constitution and by-laws, the Board shall not be entitled to any compensation for their services, except for transportation and meal expenses incurred in performing their duties.</p> <p>Links/References:</p> <p>Corporate Governance Manual: Item 2.12 Remuneration of the Board Page 23</p> <p>Amended Articles of Incorporation, Article 8</p> <p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Policy on Remuneration_Remuneration of the Trustee Page 1</p>	
2. Company provides a clear disclosure of its policies and procedure for setting Executive remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.	Compliant	<p>www.kmba.org.ph: Corporate Governance-Policies and Implementing Rules_Policy on Remuneration_Remuneration of the General Manager Page 2</p> <p>www.kmba.org.ph: Corporate Governance-Board Resolution 2018_ no. 6</p>	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Compliant	<p>The compensation package of the General Manager, Silvida R. Antiquera is made available in the website.</p> <p>Links/References:</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Compensation and Benefit Package of the General Manager</p>	
Recommendation 8.5			

<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions.</p>	<p>Compliant</p>	<p>Members of the Board of Trustees and Management are required to disclose KMBA's relationships or interests which could constitute Related Party Transactions and possible conflict of interest in the future.</p> <p>Links/References:</p> <p>Corporate Governance Manual: Item 2.1.9. Disclosure of RPTs and Other Conflict of Interest Page 11-12</p> <p>Corporate Governance Manual: Item 4.3_Review of Related Party Transaction; 4.3.1_Responsible Committee and Focus of Review Page 33; 4.3.2 Access to Records and Information Page 34</p> <p>Corporate Governance Manual: Item 5.2 Disclosure Guidelines; 5.2.1 Information for Public Disclosure Page 43</p>	
<p>2. Company discloses material or significant RPTs in its Annual Company Report or Annual Corporate Governance Report, reviewed and approved by the Board, and submitted for confirmation by majority vote of the stockholders in the annual stockholders' meeting during the year.</p>	<p>Compliant</p>	<p>Related Party Transactions between KMBA and its related party/ies were conducted in the normal course of its business and within the association's arms length.</p> <p>Links/References:</p> <p>2020 Annual Report_Related Party Transaction Page 25</p> <p>www.kmba.org.ph: Corporate Governance-Minutes of the Meeting 2020_Audit Committee 1st Meeting 27Jan</p>	
<p>Recommendation 8.7</p>			
<p>1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).</p>	<p>Compliant</p>	<p>The Corporate Governance Manual is posted in the KMBA website</p> <p>Links/References:</p>	

2. Company's MCG is posted on its company website.		www.kmba.org.ph : Corporate Governance-Governance Manual_Corporate Governance Manual	
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	<p>The Audit Committee plays an important role in assisting the Board of Trustees in fulfilling its oversight responsibilities in the area of financial reporting, internal controls, among others.</p> <p>Links/References: Corporate Governance Manual: Item 6.3.2 Roles of Audit Committee Page 49 Minutes of the 4th Regular Meeting, agenda item # 9 Minutes of 14th AGM agenda item IX (c) Page 14 2020 Annual Report Page 23</p>	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board are ratified by the shareholders.	Compliant	<p>The appointment of BDO Roxas Cruz Tagle and company was presented and approved during the KMBA 14th Annual General Meeting</p> <p>Links/References: Minutes of the 4th Regular Meeting, agenda item # 9 Minutes of 14th AGM agenda item IX (c) Page 14 www.kmba.org.ph: Disclosure-Other Disclosures_Voting Results on 2020 Annual General Meeting</p>	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	www.kmba.org.ph : Disclosure-Notice of AGM_Notice of 14th AGM Agenda X (c)_Appointment of External Auditor	

Recommendation 9.2			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on :</p> <p>i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p> <p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	Compliant	<p>www.kmba.org.ph:Corporate Governance-Policies and Implementing Rules_Committee Charter</p>	
Recommendation 9.3			
<p>1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.</p>	Compliant	<p>Internal Audit is being serviced by the Kasagana-ka Synergizing Organization in coordination with the KMBA Audit Committee</p> <p>Links/References:</p> <p>2020 Annual Report: Internal And Independent Audits Page 22-23</p>	
<p>2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.</p>	Compliant	<p>www.kmba.org.ph:Corporate Governance-Policies and Implementing Rules_Non-Audit Services Policy</p>	
<p>Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.</p>			

Recommendation 10.1

<p>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</p>	<p>Compliant</p>	<p>KMBA commits itself in complying with all disclosure requirements as possible specifically those that involves material information as mandated by the regulators with their prescribed standards for quality and timeliness of disclosure</p> <p>Links/References:</p> <p>Corporate Government Manual: Item 5.2 Disclosure Guidelines and Processes; 5.2.1 Information for Public Disclosure (c) 1-4 Page 43</p>	
<p>2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.</p>	<p>Compliant</p>	<p>2020 Annual Report: Sustainability Reporting Page 26-27</p>	

Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

<p>1. The company should have a website to ensure a comprehensive, cost efficient, transparent, and timely manner of disseminating relevant information to the public.</p>	<p>Compliant</p>	<p>KMBA invested in website where members can visit anytime of the day for more information about its products and services. It also subscribed to social media platform such as facebook and youtube.</p> <p>Links/References:</p> <p>http://kmba.org.ph/</p> <p>Facebook - kmba page</p> <p>Youtube - kmba channel</p>	
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INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective control system and

Recommendation 12.1

<p>1. Company has an adequate and effective internal control system in the conduct of its business.</p>	<p>Compliant</p>	<p>The KMBA Board of Trustees has approved the Internal Audit Charter upon the recommendation of the Audit Committee. Internal controls were reviews and came up with an Internal Audit Plan for 2021.</p> <p>Links/References:</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_ Internal Audit Plan and Result</p> <p>www.kmba.org.ph: Corporate Governance-Implementing Rules and Policies_ Internal Audit Charter 2021</p>	
<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<p>The Risk Management manual details the policies and procedures that involves identifying, assessing and controlling the threats of KMBA's capital and resources.</p> <p>Links/References:</p> <p>www.kmba.org.ph: Governance Manual_KMBA Risk Management Manual</p> <p>www.kmba.org.ph: Risk Assessment and Management Plan</p>	
<p>Recommendation 12.2</p>			
<p>1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.</p>	<p>Compliant</p>	<p>The Kasagana-ka Synergizing Organization has an Internal Audit Service, which caters to the internal audit requirements of the different organizations, including KMBA</p> <p>Links/References:</p> <p>Corporate Governance Manual: Item 2.7 Internal Auditor Page 18-19</p>	
<p>Recommendation 12.3</p>			

1. The company has a qualified Chief Audit Executive (CAE) appointed by the Board.	Non-Compliant		The Internal Audit Service Unit Headed by its Internal Audit Manager (from KSO) performs the internal audit service to KMBA. This concern will be included in the agenda for discussion on the next
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Non-Compliant		Internal audit services unit, headed by internal audit manager who is directly reporting to kmbas audit committee
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Compliant	<p>The activity of Internal Audit will be supervised by the Audit Committee Chairperson Arnold Philip Tuaño</p> <p>Links/References:</p> <p>www.kmba.org.ph: Corporate Governance-Board Committee 2020_Audti Committee</p> <p>www.kmba.org.ph: Corporate Governance-Board of Trustee 2020_CV of Philip Arnold P. Tuaño</p>	
Recommendation 12.4			
1. The company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	<p>www.kmba.org.ph: Corporate Governance-Governance Manual_Risk Management Manual</p> <p>Corporate Governance Manual: Item 2.3.6 Risk Management Committee</p>	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Compliant	<p>The Board in its 2nd Regular Board Meeting, Appoints Ms. Silvida R. Antiquera, also the Compliance Officer as the Chief Risk Officer of KMBA</p> <p>Links/References:</p> <p>www.kmba.org.ph: Corporate Governance-Board Resolution 2020_Board Resolution No. 22, Appointment of Chief Risk Officer</p>	

CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Compliant	<p>The Chief Risk Officer will be responsible for the overall risk management of the association and enterprise risk management issue</p> <p>Links/References:</p> <p>www.kmba.org.ph: Corporate Governance Manual- Governance Manual_Risk Management Manual</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_CV of Silvida R. Antiquera</p>	
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CULTIVATING A SYNERGETIC RELATIONSHIP WITH SHAREHOLDERS

Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

Recommendation 13.1

1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	<p>Among the basic rights of KMBA members/shareholders are to be notified and participate in the Annual General Meetings, to vote and be voted as members of the Board or committees, access to information of the association and other benefits as indicated in the membership section of corporate governance manual</p> <p>Links/References:</p> <p>Corporate Governance Manual: Item 3.3 Voting rights of members Page 27</p> <p>Corporate Governance Manual: Item 5.2.3 Corporate Governance Statement (f) Page 45</p> <p>Amended By-Laws: Article V Section 2_Rights of Members</p>	
2. Board ensures that basic shareholder rights are disclosed on the company's website.		The basic shareholder rights are contained in the Corporate Governance Manual and legal documents of the association, and posted annually in the KMBA website	

	Compliant	www.kmba.org.ph : Amended Articles of Incorporation and By Laws: Article V Sec 2_Right of Members www.kmba.org.ph : Corporate Governance-Governance Manual_Corporate Governance Manual	
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Recommendation 13.2			
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1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting.	Compliant	<p>The Notice of Annual General Meeting and agenda which was originally scheduled on May 31, 2020 but was moved to July 29, 2020 due to the pandemic were emailed to the members and posted in the KMBA official website and facebook page on June 16, 2020. The agenda included</p> <p>Links/References:</p> <p>www.kmba.org.ph: Disclosure-Notice of AGM_Notice of 14th AGM</p> <p>Corporate Governance Manual: Item 3.8 Notice of Annual General Meeting Page 31</p> <p>Amended By-Laws: Article I Section 3_Notices</p>	
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Recommendation 13.3			
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1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Compliant	<p>Results of the votes taken during the 14th AGM last July 29 are posted at KMBA website on August 3, 2020</p> <p>Links/References:</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Voting Results on 2020 AGM</p>	
2. Minutes of the Annual and Special Shareholders' Meetings are available on the company website within five business days from the end of the meeting.	Compliant	<p>Minutes of the 14th Annual General Meeting last July 29, was posted at KMBA's website on August 3, 2020 Monday following the AGM that falls on Friday</p> <p>www.kmba.org.ph: Corporate Governance -Minutes of AGM 2020</p>	

Recommendation 13.4

<p>1. Board has an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.</p>	<p>Compliant</p>	<p>Procedures in handling complaints are outlined in the manual</p> <p>Links/References:</p> <p>Corporate Governance Manual: Item 4.4.1 Procedures for Handling of Complaints Page 35</p> <p>www.kmba.org.ph: Policies and Implementing Rules_ADREM and Process Map</p>	
<p>2. The alternative dsipute mechanism is included in the company's Manual on Corporate Governance</p>	<p>Compliant</p>	<p>Links/References:</p> <p>Corporate Governance Manual: Item 4.4.1 Procedures for Handling of Complaints Page 35</p>	

DUTIES TO STAKEHOLDERS

Principle 14: The rights of stakeholders established by law, by contractual relations and through the voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of rights.

Recommendation 14.1

<p>1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.</p>	<p>Compliant</p>	<p>Links/References:</p> <p>Corporate Governance Manual: Item 4.1 Identification and definition of stakeholder 4.1.1 to 4.1.10 Page 32-33</p> <p>Corporate Governance Manual: Item 4.6 Customers Welfare</p> <p>Corporate Governance Manual: Item 4.13 Corporate Social Responsibility or Sustainability Report</p> <p>2020 Annual Report: (C) Programs for Members' Welfare; Members' and Employees' Health and Safety Page 29</p>	
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Recommendation 14.2

<p>1. Board establishes clear policies and programs to provide a mechanism on the fair treatment</p>		<p>Links/References:</p>	
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to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	<p>Corporate Governance Manual: Item 4.4 Anti-Corruption, Feedback and Grievance, Complainant Protection and Whistle Blower Policy Page 35; 4.4.4 Communicating Policy on anti-corruption Page 36</p> <p>2020 Annual Report: Protecting the Whistle Blower; Handling of Complaints Page 28</p>	
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Recommendation 14.3

1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	<p>The president of the board has been authorized to receive complaints. Contact details are as follows:</p> <p>Landline: 89907915 Mobile No.: 0909298370 Board President: Enriqueta V. Navarro Email address: valdez06beth@gmail.com</p> <p>Links/References:</p> <p>Corporate Governance Manual: Item 4.4 Anti-Corruption, Feedback and Grievance, Complainant Protection and Whistle Blower Policy Page 35</p> <p>2020 Annual Report: Protecting the Whistle Blower; Handling of Complaints Page 28</p> <p>www.kmba.org.ph: Contact Us_Ulat Hotline</p> <p>Facebook-kmba page</p>	
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Principle 15: A mechanism for employee participations should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

Recommendation 15.1

1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the		The Board of Trustees are concerned with the welfare of its employees	
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actively participate in the realization of the company's goals and in its governance.

Compliant

Links/References:

Corporate Governance Manual: Item 4.5 Right to training and Development Page 37; Item 4.5.2
Staff request for training, Item 4.5.3
Information on Training Opportunities; Item 4.7
Employee Health Safety and Welfare policy Item
4.7.1 Initiatives and Processes Page 38-39

2020 Annual Report: Training and Development for Employees Page 30

Memo Circular Number 2020-8: Annual Physical Exam

Recommendation 15.2

1. Board sets the tone and makes a stand against corrupt practices by adopting an anticorruption policy and program in its Code of Conduct.

Compliant

The Board strictly enforces a no-gift-policy so as not to compromise the integrity of the operation, and violators will be dealt with seriously after due process

Links/References:

Corporate Governance Manual: Item 4.4 Anti-Corruption, Feedback, Grievance and Complaint Protection Policy; Item 4.4.1. Procedures of Handling complaints Page 35-36

2020 Annual Report: Anti-corruption policy

		<p>Code of Ethics: Item 3.3 Adopted Policy on Anti-Corruption Page 7</p> <p>www.kmba.org.ph: Corporate Governance_Code of Conduct and Ethics</p>	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	<p>The Kasagana-ka Synergizing Organizations which KMBA is a member, conducts an annual Roadshow, participated by all employees to discuss achievement report for the year and plans for the succeeding year, updates for new policies, products, services, benefits, among others. This is being held in the first quarter of the year.</p> <p>Links/References:</p> <p>www.kmba.org.ph: Disclosure-Other Disclosure_Roadshow 2020</p>	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.	Compliant	<p>Links/References:</p> <p>2020 Annual Report- Protecting the Whistle Blower Page 28</p> <p>Corporate Governance Manual: Item 4.4 Anti-Corruption , Feedback, Grievance, Complainant Protection and Whistle Blower Policy_Paragraph 4, Page 35</p>	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	<p>The contact details of KMBA Independent Trustee and President of the Board of Trustees:</p> <p>KMBA Independent Director Philip Arnold Tuano 09285214334, KMBA President Enriqueta Navarro 09192983870</p> <p>www.kmba.org.ph: Contact Us_Ulat Hotline</p>	

3. Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	<p>This is a standard operating procedure to always refer to the policy on handling complaints</p> <p>2020 Annual Report: Handling of Complaints Page 28</p> <p>Corporate Governance Manual: Item 4.4.1 Procedures for Handling of Complaints Page 35-36</p>	
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Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	<p>KMBA values the well-being of its members, and fully support initiatives that has to do with their microenterprise development activities in their respective communities.</p> <p>2020 Annual Report: B Environment-Friendly Value Chain Page 28-29</p>	
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