



KASAGANA-KA Mutual Benefit Association, Inc.

CORPORATE GOVERNANCE MANUAL

Quezon City
Philippines
2018

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CHAPTER I

Introduction

The **KASAGANA-KA Mutual Benefit Association, Inc. (KMBA)** is a nonstock, not-for-profit organization owned and managed by its members. This **Corporate Governance Manual** (or “Manual”) enshrines good corporate governance in the association and its management.

1.1 Objectives

This manual is aimed at institutionalizing principles of good corporate governance within KMBA in order to enhance the accountability of its Board of Trustees (BoT) and Management Team. The association believes that good corporate governance is a necessary component of sound strategic business management, and commits to undertake every effort necessary to create awareness of good corporate governance principles particularly within the context of important decisions and activities. The responsibility to protect policyholders' interests demands that the insurers have in place good governance systems and practices for solvency maintenance, sound long-term investment policy, and assumption of underwriting risks on a prudential basis.

1.2 Brief History

KMBA provides affordable insurance products and services to urban poor women and their families. Organized in 2006, KMBA is a sister organization of the KASAGANA-KA Development Center, Inc. (KDCI), whose client-beneficiaries and staff constitute KMBA's primary members. KMBA also offers associate membership status to client-beneficiaries of its partner microfinance organizations and other organized sectors. As of December 2016, KMBA have more than 44,000 members, composed of the KDCI's client-beneficiaries and over 10,000 associate members.

KMBA traces its creation to KDCI, for which it provides various products and services for the latter's microinsurance program. KMBA's initial fund was sourced from a grant from KDCI, which likewise has since been contributing its community presence and center collection infrastructures to KMBA's field operations. The KDCI grant also enabled KMBA to offer to children of its primary and associate members the Kuya Jun Scholarship Program (named after Severiano C. Marcelo, Jr., first KDCI executive director, who passed away in 2008).

KMBA was registered with the Securities and Exchange Commission (SEC) in June 2006, and was given a license to operate as a mutual benefit association by the Insurance Commission (IC) in April 2007. It is a nonstock not-for-profit organization owned and managed by its members.

It is a member of the Microinsurance MBA Association of the Philippines RIMANSI organization for Asia and the Pacific, Inc., a “resource center that develops and offers risk management solutions to member-owned microinsurers, especially Mutual

Benefit Associations.” As a member of this association it receives technical assistance and other support.

1.3 Vision, Mission and Goals

Vision

KMBA envisions a self-reliant and self-sustaining mutual benefit association that actively and appropriately responds to financial risk management needs of poor Filipino families.

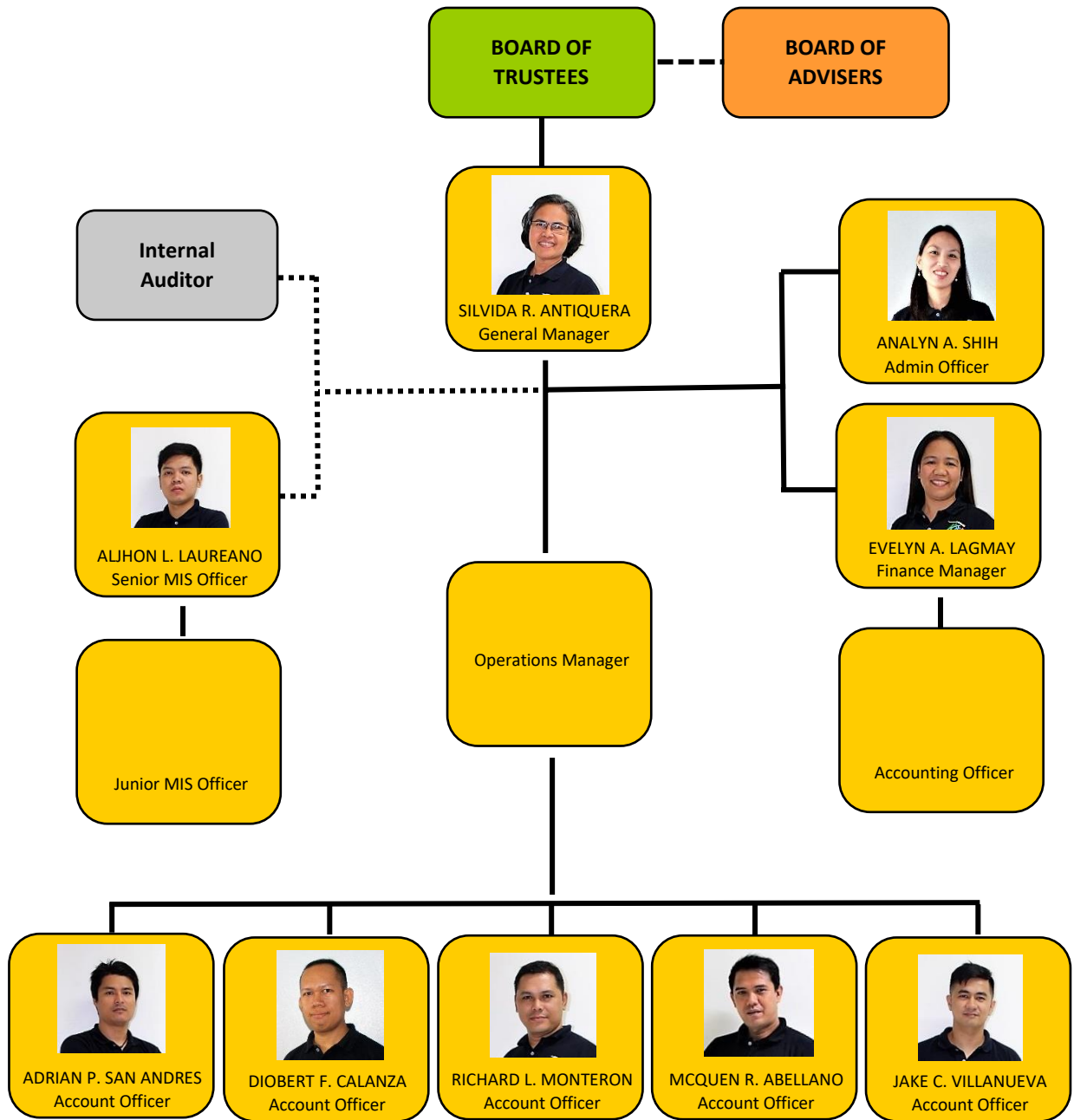
Mission

- KMBA will offer microinsurance products and services that provide immediate financial assistance in times of dire needs.
- KMBA will provide microinsurance packages that can broaden the safety net of the poor.
- KMBA will engage in advocacy and networking activities that seek to render further support to its members.
- KMBA will continually seek to develop cost-effective mechanisms for delivering microinsurance to the poor and disadvantaged.

Corporate Goals

- KMBA aspires to become a self-reliant and self-sustaining mutual benefit association that is able to efficiently and effectively provide for safety net to its members.
- KMBA intends to be a competitive microinsurance provider that meets the local and international standards as well as the in the promotion of good corporate governance through its operations.

1.4 Organizational Structure (as of May 2020)



1.5 Products and Services

KMBA currently offers two (2) main products, the Basic Life Insurance Plan (BLIP) and the Credit Life Insurance Plan (CLIP). In partnership with the Bankers Assurance Corporation, KMBA also offers personal accident insurance with fire assistance, or K-Kalinga. As further service to members, KMBA provides calamity assistance and a scholarship support to members’ children – the Kuya Jun Scholarship Program.

1.5.1 Basic Life Insurance Plan (BLIP)

BLIP is provided to all client-beneficiaries and staff members of KDCI as well as to client-beneficiaries of KMBA partner microfinance institutions and other organized communities or basic sector groups. Qualified for membership are those between ages 18 and 60 years. Membership applicants are required to present their birth certificate (if single) or their marriage contract (if married) as well as birth certificates of unmarried legitimate children below 21 years old and, if not married and without dependent children, marriage contract of dependent parents (above 60 years old). Members contribute PhP20 weekly: PhP15 as insurance premium and PhP5 as retirement savings fund. KMBA processes benefit claims using a 1-3-5-day target.

1.5.2 Credit Life Insurance Plan (CLIP)

CLIP is offered to a KMBA partner organization as an insurance coverage in which the latter could insure individual borrowers or debtors for an amount equal to their loan granted, in each particular case up to a maximum of PhP 200,000.

1.5.3 Hospital Income Insurance Plan (HIIP)

HIIP is an insurance coverage for periods when an insured is unable to work owing to hospital confinement. For PhP250 a year, it provides PhP200 a day during hospitalization, to a maximum total of 30 days a year.

1.5.4 K-Kalinga

This service, made available together with Bankers Assurance Corporation, is a personal accident insurance with fire assistance designed specifically also for non-KMBA members. (“Kalinga” is a Pilipino term that can mean embraced, nurturance, or protection.) This product is thus available to KMBA primary and associate members as well as to their relatives and fellow community members who may be in need of insurance coverage.

1.5.5 Hospital Income Insurance Plan (HIIP)

HIIP is an insurance coverage for periods when an insured is unable to work owing to hospital confinement. For PhP250 a year, it provides PhP200 a day during hospitalization, to a maximum total of 30 days a year.

1.5.6 K-Bente

A PhP20-a-year plan, provides benefit for natural or accidental death.

1.5.7 Kuya Jun Scholarship Program

Started in 2007 for students who were in high school, the KMBA scholarship program was subsequently named **Kuya Jun Scholarship Program**, after the KDCI’s first executive director, Severiano C. Marcelo, Jr.. The program has since included college students, and is available to children of KMBA’s primary

and associate members. Applicants to the scholarships are required to pass written examinations. Those who pass go through some background investigation. To keep their scholarships, high school students should obtain a grade average of 82 while college scholars, a grade average of 2.5 or its equivalent, and with no failing marks and two (2) grades of “incomplete.”

1.5.8 Calamity Assistance

KMBA provides calamity assistance to members whose houses are completely damaged owing to typhoon, flood or fire. A maximum of Php3,000 is made available.

1.6 Commitment to Good Corporate Governance

KMBA’s Board of Trustees and the Management Team commit themselves to the principles of transparency and accountability in decision-making and management, ethical and responsible operations, and equitable treatment of stakeholders, and to related best practices contained in the present Manual, and acknowledge that the same serves as guide in the attainment of the association goals.

KMBA is also committed to promoting transparency, accountability and greater participation by its shareholders. Thus, the code of good governance shall also be shared to the association’s value chain and members.

1.7 Definition of Terms

1.7.1 Area Coordinator- this is a person elected by the center officers in the branch of operation.

1.7.2 Corporate Governance – the framework of rules, systems, and processes in the association that governs the performance by the Board of Trustees and Management Team of their duties and responsibilities to its members and society at large.

1.7.3 Board of Trustees – the governing body elected by association members that exercises the corporate powers of an organization, conducts all its business, and controls its properties.

1.7.4 Management Team – the body given the authority by the Board of Trustees to efficiently and effectively implement the policies it has laid down in the operation of the association

1.7.5 Independent Trustee – a Trustee who is independent of the Management Team and free from any business or other relationship (up to the third

consanguinity) which could, or could reasonably be perceived to, materially interfere with exercise of independent judgment in carrying out responsibilities as a Board member.

1.7.6 *General Manager* – a person given responsibility for all the phases of the association’s day to day business operations, subject to the policies and guidelines set by the Board of Trustees.

1.7.7 *Internal Audit* – is an audit function that, although operating independently from other units and reporting directly to the BoT’s Audit Committee, resides within the organization. It is responsible for performing audits (both financial and nonfinancial) within a wide range of areas of the business based on the annual audit plan. Internal audit looks at major risks facing the business and actions to manage these effectively, and helps in achieving its objectives.

1.7.8 *External Audit* – a function performed by an independent body which resides outside of the organization it is auditing. It is focused on financial accounts or risks associated with finance and are nominated by the organization through a bidding process. The main responsibility of external audit is to perform the annual statutory audit of financial accounts, providing an opinion on whether these are a true and fair reflection of the company’s financial position. As part of this, external auditors examine and evaluate internal controls put in place to manage risks which could affect financial accounts and determine if these controls are working as intended.

CHAPTER 2

Governance Structure and Policies

2.1 Board of Trustees

The **Board of Trustees** (also “BoT” or “Board” from hereon) is formally assigned the responsibility in KMBA’s bylaws for “government, control, and general management of the affairs, funds and property of the association.” All its members must provide active fiduciary oversight of finances, physical assets, and long range plans to ensure the organization’s abiding vitality. In order to meet that responsibility, they must have active representatives in the different BoT committees. They are expected to attend all Board meetings, participate in discussions, and vote at such meetings.

2.1.1 Composition and Election of the Board of Trustees

KMBA has a nine-person Board of Trustees composed of seven (7) member- representatives from its various areas of coverage, and two (2) independent members. The KMBA’s General Manager sits as an ex-officio member of the Board. The member-representatives to the Board are elected annually from among and by the **Area Coordinators**, who are themselves elected by KMBA members from among the Center Chiefs covered by each KDCI field office or branch (see attached KMBA Election Guidelines).

With the exception of the independent members, the members of the Board elect from among themselves KMBA’s President, Treasurer, and Secretary.

2.1.2 Appointment of Independent Party

KMBA Nomination & Election Committee shall appoint Independent Party of examiners which duty is to count and validate votes during AGM. (see attached KMBA Election Guidelines).

2.1.2 Multiple Board Seats

Members of the Board of Trustees shall exercise due discretion in accepting and holding board positions in other organizations, to ensure that in holding such other positions their capacity to diligently and efficiently perform the duties and responsibilities as part of KMBA’s BoT is not compromised. The KMBA BoT may allow its member-trustees to hold up to a maximum of five (5) full-time and two (2) part-time board positions in other organizations.

2.1.3 Qualifications for the Board of Trustees

Except in the case of its two (2) independent members, the following are the minimum qualifications for election as a member of the KMBA BoT:

- 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. Must be an active Area Coordinator for at least one (1) year at the time of nomination as a BoT member, and whose term is not expiring on the date of the election;
- d. Must be a recognized active client-beneficiary for at least five (5) years of KDCI or any of KMBA's partner organizations;
- e. Has consistently performed very satisfactorily as member of KMBA's partner institutions, with 100 percent repayment rate and at least 90 percent attendance in center meeting for at least three (3) years;
- f. Has ongoing business or businesses funded by loan from, or is a program beneficiary of, any of KMBA's partner organizations;
- 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 KMBA or any of its partner organizations;
- 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 employee of KMBA's partner organizations may also be elected as a member of the Board provided that s/he has served KMBA's partner organization as an officer or an employee for at least three (3) years and is also willing to perform the functions of a Trustee without any remuneration.

2.1.4 Disqualification from the Board of Trustees

No person convicted by final judgment of an offense that is punishable by imprisonment for a period exceeding six (6) years, or of a violation of the Corporation Code of the Philippines committed within six (6) years prior to the date of her or his election or appointment, shall qualify as a Trustee or BoT officer. In addition, a person whose membership has been terminated due to various reasons or has resigned membership with KMBA or its partner organizations shall also be disqualified from being a Trustee or BoT officer.

Those provided for under existing laws, rules, and regulations shall likewise be adopted with regard to the permanent and temporary disqualification of Trustees in as far as they are applicable to KMBA.

2.1.5 Term of Office

Of the nine (9) Trustees elected by the active members, and in accordance with Section 5, Article 2 of KMBA's Constitution and Bylaws, the first seven (7) trustees elected with the highest number of votes will serve for a period of three (3) years and the last two (2) trustees will serve for two (2) years. The Independent Trustee will serve for a term of two (2) years, and shall have the right to re-elected only for another two (2) year term after which they shall be considered not eligible for re-election, unless the Trustee has undergone a "cooling-off" period, the Trustee concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as Independent Trustee in the Association. Following the cooling-off period, the Trustee concerned may be re-elected for another period of five (5) consecutive years. After that, the Trustee shall be perpetually barred from re-election as Independent Trustee in the Association.

2.1.6 General Responsibility

Compliance with the principles of sound corporate governance instituted in this Manual shall be the paramount responsibility of, and shall start with the Board of Trustees. The BoT shall exercise the corporate powers and conduct and manage KMBA's programs and services according to such principles, and shall be responsible for fostering the association's long-term success.

A Trustee's office is one of trust and confidence. As such, Trustees shall act in a manner characterized by transparency, accountability, and fairness.

2.1.7 Specific Duties and Responsibilities

The Board of Trustees shall perform the following duties and responsibilities:

- a. Articulate a corporate culture and ensure that this is lived, as well as set standards of appropriate behavior by prescribing corporate values and a code of ethics and conduct to be imbibed by the Trustees, officers, and employees of KMBA and its partner organizations;
- b. Set a high moral tone and deep social responsibility;
- c. Perform approval and annual review of the organization's vision and mission statements;
- d. Formulate and review the association's strategic directions as reflected in its medium (three-year)- and long (six-year)-term plans, and approve its annual budget in accordance with agreed corporate strategy;
- e. Set up appropriate systems and mechanisms for reporting, performance monitoring, and evaluation of plans, policies, and strategies;
- f. Install a system for properly managing risks;
- g. Develop a list of matters that it has reserved for itself to decide on, that is, all issues and concerns that should be brought up to the Board for its

disposal and with the understanding that all other matters outside of those identified will be, unless otherwise specified, left to management to address;

- h. Appoint a General Manager who is motivated, principled, competent, and a professional to assume operational responsibility of KMBA, and, at the same time, put in place an effective succession plan for the General Manager, members of the Board, and key executive positions so that continuity is ensured;
- i. Through an annual governance retreat, conduct an assessment of KMBA performance in relation to its set targets in the preceding year, review the performance and approval of remuneration of the General Manager and other key officers of the association, including that of the Board Secretary, and develop an annual agenda for the following year.
- j. Keep authority within the power of the institution as prescribed in its charter and existing laws, rules, and regulations; and,
- k. Maintain the highest standards of integrity, fairness, transparency, and accountability.
- l. The Trustee's decision-making practices shall be based on all the relevant information and factors inferred in every Board meeting. The Trustees shall be well-informed on the matters of the meeting, and shall receive all materials thereto at least seven (7) days prior the meeting.

2.1.8 Internal Control and Responsibilities

KMBA's control environment is composed of the: (1) Board of Trustees, which ensures that the association is properly and effectively managed and supervised; (2) Management Team, which actively manages and operates the association in a sound and prudent manner; (3) Organizational and procedural controls supported by effective management information and risk management reporting systems; and (4) Independent audit mechanisms in monitoring the adequacy and effectiveness of the organization's governance, operations, and information systems, including the reliability and integrity of its financial and operational information, effectiveness and efficiency of its operations, safeguarding of assets, and compliance with relevant laws, rules, regulations, and contracts. The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:

- a. Definition of the duties and responsibilities of the General Manager who is ultimately accountable for the KMBA's organizational and operational controls;
- b. Selection of person who possesses the ability, integrity, and expertise essential for the position of General Manager;
- c. Evaluation of proposed senior management appointments;
- d. Selection and appointment of qualified and competent management officers; and,

- e. Review of the association's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

2.1.9 Disclosure of RPTs and Other Conflict of Interest

Members of the Board of Trustees and Management Team shall be required to disclose to KMBA relationships or interests which could constitute Related Party Transactions (RPTs) and possible conflict of interest in the future given their functions within the association. As used in this Corporate Governance Manual, a **Related Party Transaction** or **RPT** shall refer to any business deal, agreement, or arrangement involving the association as participant, and in which related parties have a financial interest.

Related parties, as cited here, shall include the following:

1. Board of Trustee members of KMBA, its sister organization KDCI, K-COOP and other partner organizations;
2. KMBA's General Manager and its key employees, including anyone who directly reports to the KMBA Board of Trustees;
3. Spouses or any relative, within the fourth degree of consanguinity or affinity or by legal adoption, of persons identified in (1) and (2);
4. Any entity/organization in which individuals mentioned in numbers (1), (2) and (3) above have a controlling or influential interest; and,
5. Any person whose judgement and/or decisions could be influenced as a result of a relationship between or involving themselves and any of the persons mentioned above.

Disclosure of RPTs by BoT and Management Team members shall follow the following processes and general guidelines:

- a. Upon being elected to the BoT, trustees shall fill out and submit to the Secretary a form (Declaration of Material Personal Interests/Conflict of Interest) detailing their material personal interests in relation to KMBA. KMBA's Management Team shall do the same upon their appointment or hiring. Each BoT and Management Team member shall be required to regularly update her form and to report to the Secretary changes in the status of such interests during her term of office. At the minimum, the said form shall contain/indicate the following sets of information:
 1. Nature and extent of the interest (if it is possible to cite, including the amount/value of said interest);

2. If applicable, the date upon which interest arose; and,
 3. How the interest relates, or may relate, to the affairs, business, or operations of KMBA.
- b. The Board Secretary shall maintain a register of BoT and Management Committee members' material personal interests consisting of collated forms outlined in section 2.1.9 (a) above and written records (minutes of meetings, formal notices, etc.) of changes in the status of the declared material personal interests/conflict of interest. For disclosure purposes, the Board Secretary shall report on the register's status and any changes in the disclosed information during BoT meetings.

2.1.10 Vacancy in the Board

If a vacancy occurring in the BoT, by reason of death, incapacity, except expiration of term, removal or resignation of any of its members, will result in the Board not being able to meet quorum requirements during its meetings (as outlined in Section 2.9.4 below), said vacancy may be filled up through a special election. Said election shall be bound by the same set of procedures provided in the association's election guidelines. The elected Trustee in such case shall serve only for the unexpired term of her predecessor. If the vacancy will not compromise the BoT's ability to achieve quorum or perform its functions, the association shall wait for the next regular elections for Board members to fill it up.

Vacancies with regard to the membership of any elective committee of the BoT shall be filled up following the same rules outlined above for the Board.

2.2 Independent Trustees

The **Independent Trustee** is a person who has no business, relationship, or other position with KMBA or its partner organizations which could, or could reasonably be perceived to, materially interfere with the exercise of her independent judgement in carrying out responsibilities as member of the Board of Trustees.

The following shall be disqualified for election as independent trustee of KMBA:

1. An officer and/or employee of KMBA, or its partner organization and related interests, during the past three (3) years from the date of her election;
2. A trustee, director, or officer of any related institution;
3. A relative within the fourth degree of consanguinity or affinity, legitimate or common-law, of any trustee or officer;
4. A nominee or representative of any trustee or group of members; and,
5. A professional adviser, consultant, agent, and/or counsel retained by KMBA, either in his or her personal capacity or through her firm.

The BoT shall identify and nominate individuals for election as Independent Trustees in line with its succession planning (outlined in Section 2.13 below). Nomination for Independent Trustees shall be done in conjunction with the selection of candidates for and election of the BoT's regular members (as outlined in the election guidelines for the BoT). All elected Independent Trustees of the KMBA BoT shall have a term of two (2) years, and may be re-elected for another two year term. Within such, she shall be required to attend the association's orientation and continuing education program (Section 2.10 below), including but not limited to sessions on the Anti-Money Laundering Act (AML) and the KMBA Board Governance Seminar.

2.3 Board Committees

The KMBA Board of Trustees shall constitute committees in aid of good corporate governance. In addition to Board members, these committees shall be composed of Area Coordinators and/or officers of KDCI. All committee chairpersons shall be Board members, but no BoT member shall be chairperson of more than one (1) committee. Within ten (10) days from their creation, the committee shall elect from among its members, a chairperson, vice-chairperson, and secretary. All committee members shall serve a term of one (1) year.

2.3.1 Audit Committee

The Audit Committee shall be composed of at least two (2) Independent members and one board member: The committee shall provide internal audit service, maintain a complete record of its examination and inventory, and submit a quarterly financial report, and/or as may be required by the BoT and the General Assembly.

The Audit Committee shall be directly accountable and responsible to the General Assembly. It shall have the power and duty to continuously monitor the adequacy and effectiveness of KMBA's management control system and to audit the performance of its operations.

The committee's tasks shall include, but shall not be limited to, the following:

- a. Monitor and report to the Board on the adequacy and effectiveness of KMBA's management and control system, and on the performance of its operations and various responsibility centers. In line with this, the committee shall coordinate with the General Manager as KMBA's compliance officer (see section 6.1), in;
 - i. Conducting the annual monitoring of KMBA's compliance to corporate governance standards outlines in this governance manual (in accordance with the monitoring system and procedures to be developed by the GM);

- ii. Reporting to the BoT on the key findings of said annual monitoring; and;
 - iii. Issuing the Annual Statement of KMBA's Full Compliance to Corporate Governance Standards, and ensuring that this is properly integrated in the association's annual reports.
- b. Review continuously and periodically the association's books of account and other financial records to ensure that these are in accordance with KMBA's principles and generally accepted accounting procedures;
 - c. Submit reports on the results and/or findings of the internal audit and recommend necessary changes in policies and other related matters on operation to the Board of Trustees and the General Assembly;
 - d. Review KMBA's audited financial statements and annual reports, and endorse to the full Board of Trustees for approval;
 - e. Perform such other functions as may be prescribed in the association's bylaws or as authorized by the General Assembly.

2.3.2 Treasury Committee

The BoT's Treasury Committee shall be composed of five (5) members: two (2) KMBA BoT members, two (2) members of KDCI's Board of Trustees, and the KMBA General Manager. The committee's main task is to review, advise, and recommend approval, decision, or action on financial matters, including but not limited to the following:

- a. Establishment of and changes to the financial, accounting, and treasury policies of the association;
- b. All major financing transactions of KMBA, including any actual and/or potential major exception and/or occurrence which has, or may have, significant financial impact on the association;
- c. Capitalization of, and guarantees, financial support, undertakings, and indemnities concerning investments or liabilities related to, subsidiaries or associated organizations, other than those which are the subject of an existing general or specific Board or committee approval;
- d. Proposed principal agreements with the government, major acquisitions, divestment and property redevelopment; and,
- e. Such other duties and responsibilities as may be prescribed by KMBA's bylaws and/or by its General Assembly.

2.3.3 Product Development and Innovation Committee

The Product Development and Innovation Committee shall be composed of five (5) members: three (3) Board members and two (2) Area Coordinators. It shall have the following functions:

- a. Develop new and/or additional benefit packages and services that meet emerging needs of KMBA members, ensure actuarial compliance of such services with relevant laws and regulations prior to implementation, and recommend pricing assumptions according to inputs from stakeholders;
- b. Perform risk analysis for new product designs, rules, and regulations, and recommend appropriate timing for implementation and roll-out based on a review of the results and findings of a pilot test;
- c. Enhance existing implementing rules and regulations, work flow and processes, systems and procedures of the association to include claims settlement, products and services and the like;
- d. Review pertinent partnership agreements with other insurance providers with regard to provision of health, life, and non-life insurance policies, before such arrangements are approved and finalized;
- e. Perform other tasks that the Board may assign to it from time to time.

In performing these functions, the committee shall review and consider the recommendations from KMBA members and the Management Team, and shall regularly report to the KMBA Board of Trustees regarding the status of its work, for the latter's information and approval.

2.3.4 Nomination and Election Committee

The Nomination and Election Committee shall have five (5) members – at least (2) Independent Trustee and one (1) BoT and two (2) area coordinator. In cases when committee members who are part of the Board will not be able to perform their functions because they are up for re-election, and no other members of the Board are available for election to the vacated post/s, KMBA staff may be selected to serve as members of the committee. The committee's roles and functions shall include the following:

- a. Formulate election rules, review annually and make necessary amendments to existing ones (if deemed needed), recommend these to the General Assembly for approval, and ensure implementation of such rules and guidelines duly approved by the General Assembly;
- b. Supervise the transparent conduct, manner, and procedure of election and other election-related activities, including canvassing and certifying of election results, proclaiming the winning candidates, and deciding on election-related cases (except those that involve the committee or its members);
- c. In coordination with KMBA's BoT, identify the appropriate qualities and competencies that should be required of candidates/nominwees to the Board in line with KMBA's strategic directions for the period.
- d. Perform other tasks and/or functions that may be prescribed by KMBA's bylaws or authorized by its General Assembly.

2.3.5 Ethics Committee

The Ethics Committee shall be composed of five (5) members: three (3) Board members and three (3) Board Adviser. The functions and responsibilities of the committee are as follows:

- a. Develop a Code of Ethics and Conduct to be observed by the members, officers, and employees of KMBA, subject to the approval of the Board of Trustees and the ratification of the General Assembly;
- b. Actively disseminate, promote, and implement the approved Code of Ethics and Conduct;
- c. Monitor the compliance of key stakeholders with the approved Code of Ethics and Conduct, and recommend to the Board measures to address gaps, including additional ethical rules and policies;
- d. Conduct initial investigations and/or inquiry upon receipt of complaints, either from the General Manager of KMBA or from the President of the Board involving non-compliance or violation to the Code of Ethics and Conduct and other illegal or corrupt practices, and submit a report to the Board together with recommended sanctions;
- e. Perform other tasks or functions as may be prescribed in KMBA's bylaws or as authorized by the General Assembly.

2.3.6 Risk Management Committee

The Risk Management Committee shall be composed of five (5) members: three (3) Board members and two (2) Area Coordinators. The functions and responsibilities of the committee are as follows:

- a. Review KMBA's risk management framework and recommend appropriate policies and standards to the Board of Trustees for approval;
- b. Perform regular reviews of KMBA's risk exposures (i.e., market, insurance, credit, operations, liquidity, regulatory capital, etc.) and recommend the necessary mitigation and other management actions to limit, control or monitor such exposures;
- c. Coordinate with the Audit Committee in reviewing and confirming the disclosures on KMBA's risk governance activities in its annual report are fair and understandable;
- d. Advise the BoT on risks inherent in KMBA's transactions and business plans, and monitoring its management's responsiveness to the committee's inputs/recommendations; and
- e. Regularly report on risk-related material issues, findings, and matters to BoT.

2.3.6 Other Committees

By a majority vote of all its members, the Board of Trustees may form such other committees as may be deemed necessary for the operation of KMBA.

2.4 The Officers of the Board of Trustees

2.4.1 The **President** shall be the chief executive officer of the association, preside in all meetings of the members of the association, execute all resolutions of the Board of Trustees, and be responsible for directing and overseeing the activities of the association. She shall submit to the BoT, as soon as possible after the close of each fiscal year and to the members during the annual meeting, a complete report on the activities and operations of KMBA during the fiscal year under her term.

2.4.2 The **Vice President** shall exercise all powers and perform all the duties of the President during the absence or incapacity of the latter. She shall also perform such duties as may be assigned to her from time to time by the Board.

2.4.3 The **Secretary** shall give or issue all required notices and keep the minutes of all meetings of the members and of the Board of Trustees in a book kept for this purpose. He or she will act as the Board's Corporate Secretary whose primary role is to keep the seal of the association and affix such seal to any paper or instrument requiring the same. He or she have the custody of the members' register and the correspondence files of the association, and perform all such other duties and work as the Board may from time to time assign to her.

2.4.4 The **Treasurer** shall be in charge of the funds, receipts, and disbursements of the association. She shall keep all monies and other valuables of KMBA in such banks as the Board of Trustees may designate, keep and have charge of books of accounts, and perform such other duties and functions as may be assigned to her from time to time by the Board. She shall pose a bond in such amounts as may be fixed by the Board.

2.5 Board of Advisers

KMBA shall form a **Board of Advisers** (BoA) composed of four (4) former presidents of its Board of Trustees and KDCI's Chief Executive Officer (CEO). The BoA shall have the general function of providing timely and relevant advise and support to the BoT on both financial and programmatic concerns. The BoT may recommend additional and more specific roles for the Board of Advisers from time to time, which shall be subject to discussion and adoption by the latter's incumbent members. The BoA may decide on its own rules and procedures, including the frequency of its meetings, and shall inform the BoT President and General Manager of any such agreements.

2.6 General Manager and Management Team

The overall responsibility for the day-to-day operations of KMBA shall rest on the **General Manager**. As head of the **Management Team**, the General Manager shall provide general directions, supervision, management, and administrative control on all the operating units subject to such limitations as maybe set forth by the Board of Trustees or by the General Assembly. The General Manager shall have the following tasks and responsibilities:

1. Formulate plans, programs, and projects for the approval of the Board and for ratification by the General Assembly;
2. Implement the association's duly approved plans and programs, and any other directive or instructions from the Board;
3. Submit to the Board monthly reports on the status of KMBA's operations vis-à-vis its targets, and recommend policy or operational changes, if necessary;
4. Represent the association in any agreement, contract, business dealings, and in any other official business transactions as maybe authorized by the Board;
5. Serve as **Compliance Officer**, who shall ensure the association's adherence to all administrative and other requirements of regulatory bodies and to guidelines on corporate governance outlined in this Corporate Governance Manual, determine violations of existing laws, rules, and regulations and with the provisions of this manual and recommend appropriate sanctions or penalties for further review and approval by the Board, and identify, monitor, and control compliance risks;
6. Act as supervisor of the Management Team, including the **Operations Manager, Finance Manager, Executive Assistant, and Account Managers**;
7. Perform such other functions as may be prescribed in the association's bylaws or authorized by the General Assembly.

2.7 Internal Auditor

KMBA shall hire an **Internal Auditor** who shall be under the supervision of K-Coop's Internal Audit Services (IAS). KMBA's Internal Auditor shall provide independent and objective evaluation of the associations financial and operational business activities, including its corporate governance and/or operational efficiencies. S/he shall report directly to the Board of Trustees.

The roles and responsibilities of Internal Auditor are as follows:

1. Evaluate and provide recommendations to help ensure that the association's risk management, control, and governance systems are functioning as intended and will enable the organization's objectives and goals to be met;
2. Report identified risk management issues and internal controls deficiencies to the Board's Audit Committee and provide recommendations for improving the association's operations, towards both efficient and effective performance;
3. Evaluate information security and associated risk exposures;
4. Evaluate regulatory compliance program with consultation from Legal Counsel;

5. Evaluate the organization's readiness in case of business interruption;
6. Maintain open communication with management and the Audit Committee;
7. Team with other internal and external resources as appropriate;
8. Engage in continuous education and staff development; and,
9. Provide support to the association's anti-fraud programs.

2.8 External Auditor

The **External Auditor** is independent of KMBA and reports to the association's Board of Trustees. Final selection of the External Auditor shall be subject to the decision of the KMBA members in an Annual General Meeting, upon recommendation by the BoT. S/he shall provide experienced opinion on the truthfulness of KMBA's financial statements and performs tests to monitor the systems in place. Based on IC Circular No. 29-2009 dated November 10, 2009, KMBA shall comply with the following rules in the selection of external auditors:

1. Only external auditors accredited by the Insurance Commission and included in the top ten (10) of its list of accredited auditing firms shall be engaged;
2. The external auditor shall be changed or the lead and concurring partner shall be rotated every five (5) years or earlier;
3. No external auditor or member of the audit team shall be engaged if s/he or any member of her immediate family had or has committed to acquire any direct or indirect financial interest in the association;
4. The external auditor and the members of the audit team shall not have any claim with the association;
5. External auditor is not currently engaged nor was engaged during the preceding year in providing these services to the association: (1) internal audit functions; (2) information systems design, implementation, and assessment; and, (3) other services which could affect his or her independence; and,
6. The external auditor, auditor-in-charge, and audit team members shall adhere to the highest standards of professional conduct and shall carry out their services in accordance with relevant ethical and technical standards, such as the Generally Accepted Auditing Standards (GAAS) and Code of Professional Ethics for Certified Public Accountants.

2.9 Board Meetings

Apart from taking part in KMBA's activities and in the work of its BoT's committees, Board meetings constitute one of the main mechanism by which Trustees could be actively engaged in governance of the association. All members of the BoT shall be required to attend and participate in the Board's regular and special meetings.

2.9.1 Frequency of Meetings

Regular meetings of KMBA's Board of Trustees shall be held at least once a month (on the last Friday of the month). Apart from the regular meetings, the President or a majority of the Trustees may at any time call special board

meetings to consider and discuss urgent matters. In no case shall the number of the BoT's regular meetings in a year be less than six (6).

2.9.2 Participation in Meetings through Electronic Devices

All members of the Board of Trustees shall be allowed to take part and vote during meetings of the Board using electronic devices or platforms, including audio- and video- conferencing. Trustees who opt for such modes shall be considered in full attendance during said meetings (in accordance also with Section 2.9.5 below) and shall be counted for the purpose of establishing a quorum (as provided in Section 2.9.4 below).

Trustees attending a BoT meeting electronically shall notify the President and Secretary at least one (1) day before the scheduled meeting to allow the General Manager and support staff to make all necessary preparations for the meeting. The BoT secretary shall check with concerned Trustees and ensure that they received (or were able to secure from the KMBA website copies of) notices, agenda, minutes of previous meetings, resolutions, and other documents for the meeting (as provided in Section 2.9.3 below).

The BoT shall ensure that all its members and all KMBA support staff would receive appropriate training on effective processes and strategies in running Board meetings involving the use of electronic devices and platforms, as part of its continuing education program (as outlined in Section 2.10 below).

2.9.3 Notices and Agenda of Board Meetings

Notices of regular and special meetings of the BoT, including other relevant papers and/or documents, shall be posted in KMBA's website and sent to all Board members at least five (5) days before such meetings. Calls/resolution for special Board meetings shall be forwarded initially to the BoT Secretary, taking into account the five-day rule on notices for meetings.

Notices of Board meetings, whether regular or special, shall include these information and materials/documents (as attachments):

- a. Date, time, and place of the meeting;
- b. Agenda for the upcoming meeting, with explanation or background information as to the rationale of each agenda item;
- c. Copy of minutes of previous meeting (which will be subject for approval in the upcoming Board meeting); and,
- d. Copies of resolutions or any document which is subject for approval or review by Board members during the meeting.

In setting and finalizing the agenda for the BoT meetings during the year, the President, Secretary, and General Manager shall ensure that the following items are scheduled and given adequate attention:

- a. Orientation and briefing of new Trustees regarding their roles, and the approved processes or procedures of the BoT;
- b. Moving forward with identified next steps or action points from the BoT's strategic planning meeting or session;
- c. Review and approval of the association's annual reports (including the audited financial statements);
- d. Performance assessments or consideration of KMBA's quarterly reports on the association's performance, including reports on the activities of the different committees;
- e. Review and consideration of results and findings from evaluation of the Board's performance (as inputs to the planning).

2.9.4 Quorum Requirements

A quorum for any Board meeting shall be at least two-thirds (2/3) of its members. Where there is no quorum, the Board may still decide to go on with the meeting and discuss items set in the agenda, provided that no voting and/or action on the identified decision points shall be taken during said meeting. Provided further that the Board president, Secretary, and the association's General Manager, shall ensure that key points from the ensuing discussion related to such decision points or proposed resolutions are properly documented and sent to all Board members as part of the minutes of meeting, and that final decision or voting by the Board on the proposals will be included in the agenda of the body's next meeting.

2.9.5 Attendance Policy

BoT members are expected to attend all Board meetings. A member who will not be able to attend a Board meeting is required to notify the President in advance. The BoT shall review cases of three (3) consecutive absences, or of total attendance for the year in danger of falling below 75% of total Board meetings, by any of its members to assess validity of reasons given, secure a commitment from said member to improve, and/or impose a sanction. Results of such reviews, including summary reports on the attendance of members in Board meetings, shall be regularly posted in the KMBA website and included in the corporate governance part of KMBA's annual reports, as outlined in section 5.2.3 (c) of this Corporate Governance Manual.

2.10 Orientation and Continuing Education for the Board

Ensuring that BoT members understand KMBA, the mutual benefit industry, and the regulatory environment for small insurance providers, including relevant laws like the Anti-Money Laundering Act or AMLA, is important to the effective governance of the association. In view of this, the Board shall implement a program to orient new Trustees and support continuing education of its members. Board members shall be actively encouraged to attend orientation and learning activities.

2.10.1 Trustee Orientations

A Trustee orientation program for new members of the Board shall be developed and regularly updated and/or enhanced to provide detailed background information on KMBA's vision, mission, and products/services, its governance structure and principles (including the responsibilities and roles of the Board and its committees), its strategy and operations, and its annual and quarterly financial performance/status.

The Board President, Secretary, and KMBA's General Manager, shall explore and utilize various strategies and opportunities for said orientation program with new Trustees, including but not limited to the following:

- a. Briefing on the qualifications, roles, and responsibilities of BoT members as part of the election process for BoT members;
- b. BoT meeting/s specifically scheduled as an orientation for new Trustees, or with such orientation as part of the agenda;
- c. Dissemination of a BoT information handbook or packet that collates all relevant data, policies, and documents;
- d. Maintenance and continuous updating of a BoT webpage or portal in the KMBA website with downloadable resources and learning materials;
- e. Field visits or interactions with the association's members and partners.

2.10.2 Continuing Education

The Board will design and implement a continuing education program for its members to enhance their understanding of KMBA's work and enable them to remain current with issues or governance matters and concerns that could impact on its operations. The Board President and the association's General Manager shall ensure that said program is presented to the BoT for approval. It could include, but should not be limited to, the following strategies:

- a. Dissemination of reading materials and other background documents in advance of scheduled BoT meetings;
- b. Regular updates on emerging regulatory or governance matters through the KMBA website and/or during BoT and committee meetings;
- c. Providing access to relevant seminars, trainings, conferences, webinars, and similar educational opportunities on Board governance;

- d. Board site visits to KMBA office/s and partner communities to meet with staff and members, and discuss improvement in operations; and,
- e. Attendance in committee meetings (of which they are not members) for more in-depth discussion on policies or issues being considered.

2.10.3 Reporting on BoT Education

The BoT shall monitor implementation of its orientation program for newly elected Trustees and its continuing education initiatives for all its members, and regularly report on these to the Board. It shall also conduct periodic reviews and assessments with Board members on the effectiveness of such programs, the results of which shall be included in the corporate governance section of the association's annual reports (as also provided under Section 5.2.3 c and d, of this Corporate Governance Manual).

2.11 Code of Ethics and Conduct

The KMBA, through the General Assembly, shall adopt a Code of Ethics and Conduct for Trustees, BoT officers, employees, and members. The Code shall lay down the behavioral standards expected from the association's Trustees and BoT officers, employees, and members so they can better understand and meet the expectations and requirements of the organization and regulators. It shall include standards of conduct for ensuring proper discharge of duties and responsibilities, basic principles to prevent BoT members and officers from using their positions to make profit or acquire benefits or advantage for themselves and/or related interests, guides for avoiding situations that would compromise impartiality or professional integrity, and provisions supporting the enhancement of skills, knowledge, and/or understanding of the association's operations and related activities.

The Code of Ethics and Conduct should be aligned with the values of good corporate governance. A copy of the code shall be made readily available to all. Process of filling a complaint shall also be made public however the complaint and complainant should be treated with utmost confidentiality.

2.12 Remuneration of the Board

The members of the Board of Trustees of KMBA as defined in its Constitution and Bylaws shall not be entitled to any compensation or remuneration for their services rendered, except for any actual reimbursements of monitoring and transportation expenses incurred in the performance of their duties and responsibilities.

2.12.1 Transportation

The members of the Board of Trustees of KMBA shall be eligible for reimbursement of actual transportation expense which cover their mobilization, communication and meal expenses necessary to undertake their functions and duties, representations to events and activities, and to perform tasks inherent in their position.

2.13 Succession Planning

The association recognizes the importance of succession planning for its BoT and managers to ensure continuity in its smooth operations and future growth. KMBA's BoT and managers provide effective stewardship to the association, and it is thus critical that any gap in KMBA's governance structure resulting from the resignation, retirement, or removal from office of the incumbent is addressed in a timely manner. Succession planning should also ensure that the people tapped to fill such vacancies possess the competencies required by the position.

2.13.1 Objectives of Succession Planning

KMBA's regular succession planning shall have these objectives:

- a. Regularly review terms and status of incumbent KMBA Board members and managers, and identify positions which would require replacements or filling up within the plan's time frame;
- b. Identify KMBA's key leadership vulnerabilities based on a systematic and comprehensive sustainability audit - evaluating performance vis-à-vis its plans, and develop strategies to address identified vulnerabilities;
- c. Outline the competency requirements of identified positions, assess existing competency levels of the association's pool of potential internal candidates, and recommend required training to address gaps;
- d. Review/recommend enhancements to the process for identifying the suitable candidates and filling up any vacancy in the KMBA's Board and management (anticipated and unplanned), including possible transition arrangements with elected and appointed successors;
- e. Review and update the statement of roles, functions, and qualifications of BoT members and the job descriptions and qualifications of KMBA managers in light of strategic directions/plans;
- f. Define internal and external communication strategies to inform KMBA's members and partners on any agreed programmatic transition process; and
- g. Establish a Risk Management Committee which primary function is to assist KMBA in assessing material risks to which it may be exposed to and to measure the effectiveness of the existing internal controls and risk mitigation procedures (See Section 2.3.6)

2.13.2 Responsible Persons and Planning Process

The incumbent Board of Trustees, in coordination with the Nomination and Election Committee when necessary, shall lead said succession planning by performing the following roles and/or tasks:

- a. Meet to discuss and define details of the succession planning process as provided herein, decide on the time frame for such a process, and assign roles and responsibilities;
- b. Conduct necessary preliminary audits and reviews of the association (as outlined under Section 2.13.1 above – including governance structure, internal competency levels and gaps, existing selection and/or transition policies and processes, and statement of roles and functions);
- c. Solicit and collate inputs from KMBA members and other stakeholders towards finalizing plan and recommending policies to implement plan;
- d. Review the drafted succession plan and proposed actions to align it with KMBA's plans, and recommend steps to enhance such alignment;
- e. Discuss and approve finalized/updated succession plan, including proper action on proposed policies and next steps.

2.13.3 Tracking of Plan Implementation

The Board of Trustees shall have a standing quarterly agenda item to review KMBA's progress against approved action steps and targets in the succession plan. In line with this, the General Manager shall provide quarterly reports to the Board on gains and results in terms of plan implementation.

2.13.4 Review and Updating of Plan

The BoT shall review and update the association's succession plan annually, taking into account planning objectives (as outlined in Section 2.13.1 above) and assessment of performance vis-à-vis the plan (based on implementation and results tracking as outlined in immediately preceding section).

2.13.5 Succession Planning Disclosure

The BoT President and Secretary shall ensure that the following information regarding KMBA's succession planning processes and actual plan itself are properly disclosed to the association's members and the public:

- a. Description of key steps or processes approved by the Board in crafting the succession plan, including specific roles and responsibilities of Board members in carrying out such processes;
- b. Key elements of approved succession plan, including the assessment of KMBA's leadership context, its long-term plans for internal competency development, the agreed process for filling up vacancies in the BoT and managers' positions, and other actions for identifying potential internal and/or external candidates;

- c. Frequency by which the KMBA's BoT has actually reviewed and updated approved succession plan, and results or key actions from such reviews;
- d. Status and results of succession plan's implementation, based on the reports from the General Manager (as outlined in Section 2.13.3 above).

The President and Secretary shall ensure that these disclosure requirements are considered in crafting and implementing the communication strategies of the succession plan (outlined in Section 2.13.1, letter f above).

CHAPTER 3

Membership

3.1 Qualification for Membership

To qualify for KMBA membership, an applicant must be:

1. At least eighteen (18) years old not, but not more than sixty (60) years old, as of the enrolment date;
2. An active client-beneficiary member of KMBA's partner organizations; and,
3. Able to meet all the requirements stated in the prescribed application form.

3.2 Duties and Responsibilities

A member shall have the following duties and responsibilities:

1. Obey and comply with the bylaws, rules, and regulations that the association may promulgate from time to time;
2. Attend all meetings that may be called by the Board of Trustees and participate in deliberations during such meetings;
3. Pay membership dues and other assessments of the organization;
4. Participate in governance and efforts to protect association funds; and,
5. Continuously give suggestions or comments on how to better manage KMBA.

3.3 Voting Rights of Members

KMBA respects the rights of its members to have a say in the governance and management of the association. All KMBA members shall have the right to participate and vote in its annual General Assembly, including the right to elect, remove, and replace Trustees, vote on certain association acts, such as changes or amendments to the organization's bylaws and articles of incorporation, lease, exchange, transfer, mortgage, pledge or disposition of all or substantially all of the association's property and assets as provided in the Corporation Code of the Philippines, and appointment of the external auditor.

3.4 Power of Inspection

All members shall be allowed to inspect association books and records including minutes of Board meetings and performance reports, and shall be furnished with annual reports, financial statements, without costs or restrictions.

3.5 Right to Information

Members shall be provided, upon request, with information about the association's governance, Board members, and partnerships made with other organizations.

KMBA members shall have access to any information relating to matters for which the management is accountable. Important information such as policies and manuals shall be made available to members via the association's website. They shall also be allowed to propose items in the agenda of meetings, provided that the suggested items are valid, legitimate, and/or related to the organization's business.

3.6 Other Benefits of Members

The KMBA shall align unassigned surplus to the following:

1. Enhancing equity value;
2. Developing operating systems;
3. Research and development;
4. Member education and training;
5. Community development services, which may include but are not limited to scholarship assistance to deserving children of KMBA members and calamity assistance; and,
6. Product development.

3.7 Annual General Meeting

The Annual General Meeting (AGM) is a vital component of KMBA's good corporate governance practice. It provides an opportunity for the Board of Trustees to share news, challenges, and achievements of the association, and to hear from members. The KMBA Board of Trustees shall be transparent and fair during the conduct of the association's annual general meetings (AGMs).

3.7.1 Members' Right to Participate

All KMBA members shall be encouraged to attend Annual General Meetings, which should be held in places or venues easily accessible to all. They shall be given the opportunity to ask and receive answers to their questions relating to the association during such assemblies. A summary of the questions asked and answers given will be included in the minutes of the Annual General Meeting and posted in the KMBA website.

3.7.2 Removal of Impediments to Participation

Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to members' participation in meetings whether in person or by proxy. An adequate avenue shall be provided for the members to seek timely redress for breach of such rights.

3.7.3 Voting on Motions

All KMBA members attending AGMs shall be entitled to vote on all motions, resolutions, and amendments, either by show of hands or secret ballot (or poll). The Board Secretary shall make all necessary arrangements before the meeting to ensure that counting/tabulation of votes will be done efficiently

and accurately. These may include appointment of KMBA staff to assist in and act as checkers/tabulators during the voting.

- a) The Board Secretary shall ensure that copies of resolutions and other supporting documents were provided or forwarded to all members for their proper consideration at least twenty one (21) days before an AGM. Assigned KMBA staff shall also ensure that voting forms for the holding of poll on resolutions shall be distributed to the members upon their registration before the meeting starts.
- b) During the actual meeting, the BoT President shall ensure that all details of the motions or resolutions are announced and explained to the body prior to the actual voting. In line with this, the President shall entertain queries or clarifications, and ensure that these are properly addressed and sufficiently discussed before the formal call for a vote.
- c) After all the preliminary steps outlined in letter (a) and (b) above, the President shall formally call for a vote, and shall announce the manner of voting. For all formal resolutions included in the agenda, voting shall be by poll or secret ballot. Voting by show of hands can be done for all other motions. However, upon the request of at least five (5) members, the body may compel the Board President to also call for a poll or secret ballot for such motions. At this point, the President shall also disclose and introduce to the body all KMBA staff and other vote scrutineers who were appointed to assist the Secretary in the voting and vote tabulation.
- d) If voting is by poll/secret ballot, the President, after making the formal call for a vote, shall then request all members to fill up the voting forms which have been issued to them during registration. If the poll involves proxy votes, the Board President shall first request a full disclosure of the proxy votes and tabulation forms/templates to be used in counting votes before proceeding with actual voting. Details of said disclosure may be shown in front (or on the screen) for better appreciation by members. After all members have voted, they will place their signed ballots on a brown envelope or box marked for this purpose. After all members have dropped their ballots, the Secretary and assigned KMBA staff shall then proceed to count the votes.
- e) If the voting is by show of hands, after the formal call for a vote, the President then proceeds to ask those voting for, against, and those abstaining to raise their hands, and instruct the Board Secretary and concerned KMBA staff to count the votes. As with secret ballot, actual tallying of votes shall be done so that results are immediately displayed

in front, in full view of all members (e.g., in a board, easel sheet, slide), as these are announced.

- f) The Board Secretary shall be the overall in-charge of counting of votes, and shall announce to the body the results including the total votes cast for and against each motion/resolution and the totals for those who abstained or who were not able to vote, based on the tabulation done. The Secretary shall ensure that such results are properly reflected in the minutes of the meeting which shall then be uploaded in the KMBA's website not later than the working day immediately following the AGM.
- g) After the announcement of results, the President then formally declares adoption or rejection of the motion/resolution under consideration.

3.7.4 Election of Board and Committee Members

KMBA has an established Election Rules and Guidelines that is publicly available and downloadable at KMBA's website. The Election Rules and Guidelines covers the (a) End-to-End process of Election, (b) the Composition, Duties and Responsibilities of Nomination and Election Committee, (c) Qualifications of candidates and (d) the Method of Election.

The selection of candidates for the Board is subjected for screening and audit. The aspiring BOT is required to submit an application for candidacy subject to performance evaluation by the Nomination and Elections Committee. Each candidate are assessed based on their character, organizational achievements and credit risk profile. Short-listed candidates is presented to the Board of Trustees, whereby the candidates were interviewed based on their intentions and aspirations for the association. After careful review of the prospective successors, the Board will announce all eligible candidates for the Trustee position.

For election of members to the BoT and committees, relevant procedures on voting and counting of votes outlined in the election guidelines drafted by the Nomination and Election Committee, duly approved by the BoT, shall apply during the AGM.

The Nomination and Election Committee ensures that the elections is conducted in a neutral and transparent manner. The ballot design, voting system, election guidelines and processes are carefully discussed and explained to voters prior to the conduct of election.

After the election is concluded, an election assessment is being disseminated to voters to provide feedback and appraisal rating on the conduct of election process. The result of this assessment is discussed during Nominations and Election Committee meeting to address best practices and areas of development on the election process.

3.8 Notice of Annual General Meeting

Accurate and timely information shall be made available to KMBA members prior to AGMs to enable them to make sound judgement on all matters that will be brought to their attention for consideration and/or approval. The Board Secretary will issue the notice of the annual general assembly at least twenty-eight (28) days before the date of the meeting, which will include the time, place, and proposed agenda items through means most efficient and convenient to the members. KMBA shall ensure that the notice of the AGM shall reach all its members. This shall be posted in the website and shared to all areas of the association via its coordinators.

3.8.1 Background Information on Agenda Items

For each resolution or agenda item requiring members' approval, the notice of the AGM shall include background information or explanation as to the rationale for said item or why the members' approval is being sought, and all other details relevant to the members' proper consideration of the proposal.

3.8.2 Dissemination of Proposed Resolutions

Full/accurate copies of formal resolutions being put forward for adoption by members shall be provided to them as attachments to notices of AGMs.

3.8.3 Proxy Voters' Form and Election Documents

The Secretary shall coordinate with the Nomination and Election Committee to ensure that copies of the proxy voter's form and other required election-related documents are also sent to members with the Notice of AGMs.

CHAPTER 4

Stakeholders

4.1 Identification and Definition of Stakeholders

4.1.1 Member

A member is a policyholder who meets the qualifying requirements and has complied with KMBA's policies, and is entitled to all the rights and privileges duly set by the General Assembly. S/he shall, at all times, promote KMBA's vision, principles, and welfare.

4.1.2 Board of Trustees

The BoT is KMBA's governing body and is primarily responsible for ensuring good governance, formulating the association's strategic direction, tracking its management's performance, and ensuring that appropriate systems are in place for transparency and accountability.

4.1.3 Employees

These are individuals hired by the association to work as either full-time or part-time workers under contracts of employment duly notarized and signed, who have recognized rights and duties stated in KMBA's Personnel Manual.

4.1.4 Suppliers/Contractors

Suppliers and contractors are those individuals or organizations engaged by the association for providing services needed for its daily operations.

4.1.5 Community of Operations

These are the immediate social groups or villages to which KMBA's members belong and/or where KMBA provides its services. In any business, there is a need for the support of the community where it operates. It is with this view that KMBA acknowledges the communities' significant role in achieving its vision and mission particularly in helping people become less vulnerable.

4.1.6 Environment

This refers mainly to the physical and natural things, factors, and interactions that constitute the site or context for KMBA's activities and operations.

4.1.7 Partner Associations

Other microfinance organizations and related partners which are the primary sources of KMBA's membership and which maintain good relationship with their respective members. They are the fund mobilization partners of KMBA and play important roles especially in collecting premiums and contributions.

4.1.8 Creditors

Refers to the banks, suppliers, other MBAs, KMBA sister organizations, or individuals who have provided credit to KMNBA and thus has legal right to demand or recover said amount from the latter, whether the credit arises because of a contract or for a tort, a penalty or a forfeiture.

4.1.9 Regulatory Agencies

These include agencies and bodies that provide the framework within which microfinance and mutual benefit associations 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 of microfinance and mutual benefit associations.

4.1.10 Technical Service Providers

These are individuals or businesses that have technical expertise in planning and designing a variety of activities that can support the association.

4.2 Procurement Policy

To ensure that engagements with suppliers and contractors will be impartial and transparent, the association will conduct a bidding process for projects. The KMBA Board of Trustees shall set a minimum for contract amounts to be covered by the association's bidding processes, and shall promulgate other rules and guidelines as part of KMBA's procurement policy.

Among other things, such policy shall provide for a minimum of three (3) suppliers to submit their respective proposals and profiles to the association for each bidding process. Selected suppliers or contractors shall be issued contracts or memoranda of agreement which will be duly notarized and signed by KMBA's principals to make the engagement binding (see Annex for the detailed bidding process).

KMBA shall appoint its General Manager or Operations Manager, and one (1) of its independent board member to lead the bidding and selection process. All decisions and selections shall be approved by the Board of Trustees.

4.3 Review of Related Party Transactions

KMBA shall seek the assistance of its Independent Trustees to review the materials and significant Related Party Transactions RPTs to determine whether they are in the best interest of the KMBA and their members.

4.3.1 Responsible Committee and Focus of Review

The Audit Committee shall be responsible for the review and approval of any material or significant RPTs or conflict of interest issues involving members of the Board and Management Team to ensure that these are conducted or resolved in the best interest of KMBA and its members. Based also on further

policies that it may adopt to support these provisions, the BoT may require the Audit Committee to conduct similar reviews of any impending transactions between KMBA and its partner organizations. A member of the Board of Trustee who is involved in the impending transactions of Related Party, whether direct or indirectly, shall not be allowed to participate in any point of the proceedings while the transaction is under vetting.

In the event that the association or related parties enter into or participate in transactions involving possible conflict of interest or that require prior review and approval of the Audit Committee, as outlined here, the said transaction upon discovery shall immediately be referred to the committee for review. In doing any transaction review, the Audit Committee shall properly take into account the following factors or considerations:

- a. KMBA's mission and resources;
- b. Terms of the proposed transaction compared with possible alternative arrangements that could be secured with other potential parties;
- c. Whether the proposed transaction or identified conflict may result in any direct/indirect excessive, undue, impermissible benefit to RPTs.

4.3.2 Access to Records and Information

The Board Secretary shall give the Audit Committee members access to the register of material personal interests or declared conflict of interest of the Board and Management Team whenever necessary to the transaction review process outlined under Section 4.3.1 above. Persons with an interest in the transaction/s under review are not allowed to be present or to participate in deliberations and voting of the Audit Committee, but may be called upon to give information at appropriate points in the process.

4.3.3 Decision-Making and Reporting in Relation to the Review

Decisions of the Audit Committee in relation to the review of RPTs outlined above shall require the approval of at least a majority of its members present and voting at a meeting called for such a purpose. The committee shall keep detailed minutes of its meetings or deliberations during the review process, which shall include as attachments all documents reviewed by its members. The committee shall also submit to the Board of Trustees a full report on its findings/recommendations which may involve and/or include the following:

- a) Approval or ratification of the transaction;
- b) Modification of the transaction's terms;
- c) Propose disciplinary actions; and/or,
- d) Suggest changes in KMBA's procedures.

4.4 Anti-Corruption, Feedback and Grievance, Complainant Protection and Whistle Blower Policy

KMBA trustees, employees, suppliers, partners, and other parties must avoid giving or receiving gifts or entertainment if these may improperly influence their decisions, or may be perceived to do so, and thus compromise KMBA's integrity and/or impact negatively on its operations. They must not also offer or take any form of illegal or improper payments. These rules shall be strictly enforced by the association.

KMBA shall encourage all its stakeholders to play their part in improving the overall effectiveness and success of the association particularly in terms of strengthening its integrity. All stakeholders, including employees and client-beneficiaries, are free to communicate their concerns or complaints about illegal and/or unethical practices to KMBA's Board of Trustees. The association shall set up a hotline for such feedback or complaints, and actively disseminate information about the mechanism.

A mechanism on whistleblowing or reporting of illegal activities or misuse of financial and non-financial assets of KMBA shall be governed by KMBA's Whistle blowing Policy. KMBA shall ensure protection to the employee (the whistleblower) who suspected illegal conduct or conduct involving misuse of KMBA assets or in violation of the law, against any form of harassment, intimidation, discrimination or retaliation for making such a report of good faith. Any event of whistle blowing shall be managed by the Ethics Committee and reported immediately to the Board of Trustees for proper deliberation of involved personnel.

Rights of members, employees, and other stakeholders shall not be compromised after reporting or communicating such concerns or complaints. The association shall take all proper measures to ensure that stakeholders who lodge such feedback or complaints are protected from any form of retaliation by reported parties.

4.4.1 Procedures for Handling Complaints

The Board and the Management Team shall come out with and implement a robust set of procedures to:

- a) Encourage and enable all KMBA stakeholders including its employees to provide feedback and report any serious concern about suspected illegal and unethical practices within/involving the association;
- b) Ensure formation of a Grievance Committee for any concern or question regarding working conditions, and the promulgation, definition, and/or implementation of policies about operations and employees' welfare.
- c) Ensure proper receipt, documentation, and referral of any feedback and complaint about suspected illegal or unethical activities to the Grievance

Committee and other appropriate bodies of KMBA (e.g., the BoT, Ethics Committee, Audit Committee, and/or Management Team).

- d) Implement measures to protect feedback-givers and complainants from any form of retaliation, including maintaining confidentiality if needed, ensuring that officials and/or personnel named in the complaint are not involved in bodies that are investigating and deciding on complaint, and imposing disciplinary action for any proven act of retaliation against the feedback-giver and/or complainant; and,
- e) Enhance the association's ability to address feedback and complaints on illegal and/or unethical practices in an effective and timely manner. This includes providing for proper corrective actions and/or improvements in existing accounting, financial, and operating policies/procedures.

The Board and Management Team, with inputs from the Ethics Committee, shall periodically review the association's feedback and reporting procedures to ensure that these are appropriate to any risk faced by KMBA.

4.4.2 Review and Resolution of Grievances

Illegal and unethical behavior filed before the association shall be reviewed and resolved by the Board of Trustees, guided by consideration for acts that are not inimical to KMBA's interests and does not violate Philippine laws.

4.4.3 Assessment of Partners and Contractors

The association shall include consideration of risks from bribery and other similar corrupt practices in its overall, on-going risk management processes. Through the Audit Committee, it shall carry out periodic reviews of KMBA's partnerships and contractual arrangements based on such risk assessments. In considering and approving contracts, the association shall give preference to organizations and/or contractors with similar policies and/or procedures against corrupt and unethical acts and practices.

4.4.4 Communicating Policy on Anti-Corruption

KMBA shall ensure that its policies against corrupt and unethical practice and its procedures for handling feedbacks and complaints are continuously and effectively communicated to all employees and stakeholders. It shall work to undertake training and awareness-raising activities to ensure that association staff, partners, and contractors are aware of the potential risks, the possible impact of these illegal and unethical actions, and what they should do if they encounter such situations or practice.

4.4.5 Monitoring and Evaluation

Implementation of policies on anti-corruption and procedures for handling feedback and complaints about illegal and unethical acts shall be monitored as part of the association's overall risk management and internal control systems. The Ethics Committee shall report regularly to the BoT with regards to such monitoring, including its assessments and recommendations on any improvements in existing provisions.

4.5 Right to Training and Development

The Board of Trustees shall allocate funds for workshops to orient and educate its members, employees, and Trustees on this Corporate Governance Manual. Trustees shall, before assuming the position, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution. Members of the Management Team and other employees shall likewise be encouraged to undertake applicable training on corporate good governance.

4.5.1 Training and Development Plan for Employees

In line with such policy to encourage continuous learning among KMBA staff on corporate governance and other relevant work-related topics or skills, the BoT, with assistance from the Management Team, shall prepare and adopt an annual Training and Development Plan for Employees which shall outline the following key points or areas:

- a) Assessment of individual knowledge, skills, and attitudes development requirements in line with KMBA's plans, and existing staff competencies;
- b) Available opportunities for enhancing existing staff competencies (e.g., conferences, training, workshops, formal courses, etc.) in accordance with knowledge, skills, and attitudes required by KMBA;
- c) Priorities for a given period in terms of which training opportunities will be accessed, how many employees are interested and would avail of opportunities (taking into account that all employees should have equal chances for training)), and how much resources can be allotted.

4.5.2 Staff Requests for Training

Employees who would want to avail of training and other staff development opportunities which may not have been identified or included in the Training and Development Plan but are aligned with KMBA's capacity development priorities outlined in the plan or program, could submit a written request for support to the Board. In deciding on the said request, the BoT shall consult with the General Manager to ensure:

- a) Alignment of request with KMBA's capacity development requirements;
- b) Availability of funds for proposed training;
- c) Equal opportunity for all employee in accessing KMBA's support; and,
- d) Absence of staff during the training or course will not have detrimental or significant impact on the association's operations (or that appropriate measures or arrangements can be taken to mitigate such impact).

4.5.3 Information on Training Opportunities

The KMBA BoT, through the association's General Manager, shall ensure that all employees receive relevant, timely, and sufficient information on KMBA's Training and Staff Development Plan or Program. The General Manager shall regularly report to the Board on the status of such information dissemination as well as of the training plan/program implementation. Details on progress of such implementation shall be included in KMBA's annual reports.

4.6 Customers' Welfare

KMBA's client-beneficiaries provide business for which the association is thankful. KMBA is thus committed to meet their needs by providing them with affordable insurance products and treating them with fair and quality customer service. KMBA also strives to develop new and innovative packages and/or services that meet the emerging needs of its client-beneficiaries. The association shall continuously and actively engage customers, and regularly update its policies and procedures to be at par with industry standards and good corporate governance practices.

The association shall also strengthen its relationship with the communities where it operates by disseminating information about its products and services.

4.7 Employee Health, Safety, and Welfare Policy

KMBA shall adhere to all labor laws protecting the well-being of employees. In line with this, it shall be the association's policy to build a work environment for its staff that helps them ensure and/or enhance their safety, health, and overall welfare.

4.7.1 Initiatives and Processes

Towards this end, the KMBA Board of Trustees and the Management Team shall adopt the necessary policies and programs, allocate sufficient resources and funds, and implement relevant activities to support the following:

- a) Continuous awareness-raising and training on occupational safety and health among the staff designed to level off on the expectation that it is the responsibility of all personnel to establish and maintain a safe and healthy work environment, and enhance their individual and collective capacities to identify, report on, and react to hazards at the workplace. As part of such initiative, KMBA shall endeavour to regularly disseminate information on efforts directed at employee safety, health, and welfare.

- b) Conduct of regular audits of the workplace, with guidance from experts and active involvement of KMBA staff, to identify potential risks and/or hazards, suggest appropriate mitigation measures, and design (enhance existing) plans in handling emergencies, accidents, disasters.
- c) Provision of basic health insurance to all KMBA staff including coverage for periodic medical check-ups as a preventive measure for any work-related hazards. Other interventions to promote health consciousness among KMBA staff/employees (e.g., hypertension monitoring, physical fitness, nutrition, smoking and drinking cessation, personal and/or work-related stress management, education on HIV-AIDS, etc.).
- d) Provision of other services and/or facilities, above current remuneration and benefits, that directly promote employees' physical and emotional well-being (e.g., schemes for extended leaves or gradual return to work of employees who have suffered from prolonged illness/injury, financial aid or other support for work-related activities, provision of information handbooks, provision of daycare support/childcare facilities, etc.).
- e) Periodic planning and performance assessments to ensure that these initiatives and policies on employee safety, health, and welfare are fully and effectively operationalized. This shall include the setting of targets, creation of relevant implementation bodies and mechanisms with staff participation, and set up of appropriate monitoring systems.

4.7.2 Reporting on Accomplishments

Based on findings from the performance tracking and assessment system outlined in 4.7.1 (e) above, the KMBA shall integrate in its annual reports substantive information about its accomplishments and progress in terms of implementing the foregoing policy statements on employee safety, health, and welfare. The Board of Trustees, through the General Manager, shall see to it that such reports are posted in the KMBA website and reported to members during meetings and other gatherings.

4.8 Diversity Policy

KMBA declares its commitment to contribute to building a more equitable and inclusive society. In line with this commitment, the association shall actively work to ensure that in its engagement with stakeholders mentioned above, in every aspect of its operations, and at all levels of the organization, there will be no discrimination on the basis of ethnicity, race, age, language, ability, sex, sexual or gender identity, sexual orientation, family status, income, and political and/or religious affiliation. The association shall make every effort to promote full participation and access of diverse

individuals to its services, employment, and governance structures. Such a diversity policy shall be implemented through the following:

- a. Ensuring that all discriminatory and/or oppressive behaviors and actions are not tolerated within KMBA and in its dealings with other groups;
- b. Ensuring that KMBA's programs, products, and services to target communities and marginalized groups are developed and delivered in a way that is sensitive to these groups' diverse needs and power relationships;
- c. Continuing initiatives to identify and remove barriers to full participation and/or access of marginalized individuals to KMBA's services;
- d. Ensuring that all of the association's communication materials always present a balanced portrayal or picture of people's diverse status and experiences.

All committees of the KMBA Board of Trustees, especially the Product Development and Innovation Committee, shall be required to account for their compliance to and any gains in terms of applying this policy. Such information shall be included in their reports to the BoT and shall be integrated in the corporate social responsibility or the sustainability report section of the association's annual reports.

4.9 Policy on the Environment

As part of its value chain, KMBA shall monitor all its engagements with suppliers and contractors to ensure that they practice good governance in this area and are able to protect the natural environment. KMBA shall engage only those suppliers and/or contractors that meet these standards. The association declares that its business operations do not negatively affect the environment, and that it commits to do its part in promoting environmental sustainability through various initiatives within and outside its office, among its members, employees, Trustees, and other stakeholders.

Such commitment shall include, but shall not be limited to, the following initiatives:

- a) Awareness-raising and education among employees, partners, and stakeholders on the association's impact on the environment, and on environment-friendly policies and practices that the association can adopt (or have already adopted) towards a more healthy environment;
- b) Perform regular assessments of KMBA's policies, procedures, processes, and/or systems involving its employees, BoT members, partner organizations, suppliers and contractors, communities, and other key stakeholders to ensure that these are environment-friendly and promote environmental sustainability;
- c) Adopt and implement policies to promote environmentally sustainable practices in office operations (e.g., water conservation, judicious energy use, solid waste management, recycling of office supplies and materials, etc.), in dealing with suppliers or contractors (e.g., whenever feasible, setting purchasing preferences

to favor products/services that meet environmental standards), and in engaging with communities, partner organizations, and other stakeholders;

- d) Regularly report to members and the public on KMBA's initiatives/achievements in maintaining a value chain that is environmentally-friendly and consistent with the requirements of promoting sustainable development, through the KMBA website, annual report, and other channels or media.

4.10 Partnership Policy

KMBA shall ensure fast services to partner associations, including their continued access to microinsurance benefits and other KMBA products, implement approved guidelines pertaining to other microfinance institutions and related parties, conduct products orientation and related technical services to partner organizations, conduct fair business transactions, ensure that the association's interests do not conflict with those of partners, and provide incentives to partner organizations through service or management fee. KMBA shall execute service agreements or management contracts with its partners defining the roles and responsibilities of the contracting parties.

4.11 Compliance with Regulatory Frameworks

The association shall ensure full compliance with requirements, policies, circulars, memoranda, and/or guidelines issued by relevant regulatory agencies, such as the Insurance Commission (IC), Securities and Exchange Commission (SEC), Bureau of Internal Revenue (BIR), other government agencies, and local government units.

As the KMBA's designated Compliance Officer (see Section 6.1 below), the General Manager shall ensure its timely compliance to pronouncements of said agencies.

4.12 Creditor's Right

KMBA upholds its creditor's rights by honoring contracted obligations and providing information required by the amended Insurance Code of the Philippines, including, if applicable, audited financial statements, and other periodic reports that are compliant with financial reporting standards and other regulations. In line with this general commitment, the KMBA BoT shall adopt appropriate policies and outline responsibilities of its officers and committees, and KMBA's managers and staffs, to ensure that the association will be able to comply with its financial obligations and safeguard its creditors' rights.

4.13 Corporate Social Responsibility or Sustainability Report

KMBA's compliance to its core operational values and policy statements vis-à-vis key stakeholders that were outlined under this chapter shall be continuously monitored by the Board of Trustees, supported by the Audit Committee. Compliance shall be reported to the association's stakeholders through a Corporate Social Responsibility (RE) or sustainability section in the KMBA Annual Report. This section shall include detailed reports on the implementation of policy statements under this chapter.

In reviewing and finalizing such CSR/sustainability section of KMBA's Annual Report, the BoT and Audit Committee shall be guided by the following guidelines:

- a) Said section or report should endeavour to take into account and explain how it responded to key stakeholders' interests and/or expectations, beyond outlining the association's achievements across targets;
- b) Information on performance (accomplishments and initiatives) should be placed within a broader sustainability context – i.e., how KMBA contributes to (or aims to contribute to) the improvement (or deterioration) of the social, economic, and environmental conditions or trends relative to the sector where it operates;
- c) The report should prioritize significant or material impact (positive and negative) of KMBA across the areas/stakeholders outlined in this chapter;
- d) The section or report should present a complete and reasonable description of KMBA's impact given the scope of its operations, the time frame involved for reporting, and availability of data.

CHAPTER 5

Transparency and Disclosure

5.1 General Policy on Transparency

One of the core values of corporate good governance is transparency. The Board of Trustees, together with the Management Team and other KMBA employees, commit to promoting and ensuring full disclosure and transparency of the association and its accountability to all the policy statements in this Corporate Governance Manual.

5.2 Disclosure Guidelines and Processes

The BoT commits itself at all times to complying with all disclosure requirements specifically those that involve material information, and as mandated by regulators with their prescribed standards for quality and timeliness of disclosures.

5.2.1 Information for Public Disclosure

KMBA shall provide timely, comprehensive, and meaningful information to members, stakeholders, and the general public on the following:

- a) Financial position and performance of KMBA including but not limited to the association's premium collections, assets, liabilities, fund balance, operating expenses, and claims of members and dependents;
- b) Related party transactions (RPTs) that were reviewed and approved by the Audit Committee as provided above in Section 4.3 of this Corporate Governance Manual, including but not limited to the following:
 1. Name of related party/ies and description of her/their relationship with party/ies within the association;
 2. Value of transaction as recorded in KMBA's financial statements;
 3. Nature of transaction including significant contractual obligations.
- c) Nonfinancial aspects of the association's performance, including but not limited to policies, main risks, and/or outcomes under the following:
 1. Addressing welfare and meeting the needs of KMBA's members;
 2. Environmental impact of KMBA's operations, and its contribution to environmental sustainability;
 3. Continuous training/development of employees, and promotion of their health, safety, and welfare; and,
 4. Implementation of anti-corruption policy and systems for handling complaints and feedback, including details on initiatives to protect any complainant or feedback-giver from retaliation.

d) Directorship of a Trustee to other institutions, company or organizations, prior or during the term:

1. **Prior the election.** A candidate for the Trustee position shall submit a Director's Disclosure stating any material personal interests relating to his or her affairs in another institution, company or organization, which is appropriate to avoid any conflict of interest as a prospective member of KMBA Board of Trustee, and which candidacy is subject to approval of incumbent members KMBA Board of Trustees.
2. **During the term.** An incumbent Trustee shall submit to KMBA Board of Trustees a request to approve Directorship to another institution, company or organization, which appointment shall be subject for Related Party vetting, prior his or her acceptance of the director's position to another institution, company or organization.

5.2.2 Mode of Disclosure

KMBA shall utilize different media in promoting and ensuring transparency and disclosure of information with regard to its operation and performance. These shall include, but shall not be limited to:

- a) Annual report to its members and stakeholders which shall be published and made available within 120 days after each financial year;
- b) Quarterly performance evaluation reports and/or updates to the KMBA Board of Trustees and key stakeholders;
- c) Uploaded reports, documents, and materials in the KMBA website;
- d) Official reports to regulatory bodies, including the association's audited financial statements (which shall also be disclosed to the public through KMBA's website, not later than 60 days after each financial year);
- e) Presentations during conferences, training, and/or workshops attended by members of the BoT or key officers of the association.

5.2.3 Corporate Governance Statement

Apart from the chapters on financial performance, RPTs, and the corporate responsibility/sustainability report on nonfinancial indicators (Section 4.12 of this Corporate Governance Manual), KMBA's Annual Report shall include a governance chapter or Corporate Governance Statement with these details:

- a) Statement of full compliance to provisions of this Corporate Governance Manual, summarizing in a simple table or matrix form key provisions of this Manual, status of compliance (i.e., full, partial, or no compliance), and reasons for KMBA's partial and non-compliance;
- b) Composition of the Board and its committees, including members' and officers' name, biographical details (qualifications, relevant experience,

directorships in other companies, etc.) date of their first election and/or appointment, and status (whether regular or independent member);

- c) Information on number of meetings and activities, including trainings and related learning events, of the BoT and committees during the pre-vious year, and attendance by Trustees and committee members;
- d) Strategic objectives set by the association for the year being reported and narrative reports of the Board and its committees on their major accomplishments in terms of discharging their set/assigned functions and responsibilities, including key findings and action points from any form of evaluation or assessments done on such achievements;
- e) Description of key risks faced by KMBA, results of the Audit Committee’s monitoring of the association’s risk management and/or internal control systems (as outlined in the committee’s functions, under Section 2.3.1 of this Manual), and the Management Team’s response to the identified gaps or weaknesses; and,
- f) Report on initiatives to ensure, or status of exercise of, members’ rights including their participation in Annual General Meetings, right to vote on resolutions and other acts of KMBA, right to elect (or remove and replace Trustees), access to information, and other benefits outlined under Chapter 3 of this Corporate Governance Manual.

5.2.4 Affirmation of Financial Statements and Reports

As part of the measures for ensuring truthfulness and fairness in presenting KMBA’s status and performance in its audited financial statements and the association’s annual reports, the Board, through its Audit Committee, shall review and affirm via a resolution such documents before these are disclosed to the public as outlined in the previous sections above.

5.3 Promulgation of Additional Disclosure Policies

The Board of Trustees may come out with additional policies on transparency and disclosure of information, including revisions or amendments to policy statements outlined above. These policy statements may also be integrated or reflected in the association’s Code of Ethics and Conduct (as outlined under Section 2.3.5 above).

CHAPTER 6

Ensuring Compliance and Assessing Performance

6.1 Designation of Compliance Officer

The BoT shall designate the General Manager, as Compliance Officer, to establish a monitoring and evaluation system and track compliance of Trustees, Management Team, and employees with this Manual. The General Manager may from time to time delegate her functions as Compliance Officer to other KMBA officer in order to facilitate effective and efficient performance of these tasks.

The Compliance Officer, a non-member of the Board, report annually to the BoT on the results of her monitoring on KMBA's compliance to its governance manual. The monitoring of the association's compliance shall be made in coordination with the Audit Committee, and a certification of such compliance shall be issued by the Compliance Officer to be included in the association's annual report.

6.2 Handling Violations and Non-Compliance

The responsibility of ensuring KMBA's full compliance with this Manual shall rest with the BoT, Management Team, and employees, who shall all remain accountable for its implementation. The BoT shall encourage all members, employees, partners, Trustees, and other key stakeholders of KMBA to give feedback and/or report to the Board any action, event, and/or circumstance which they believe could reasonably constitute a violation or non-compliance with the Corporate Governance Manual.

6.2.1 Receipt and Investigation of Complaints

As the association's designated Compliance Officer (see Section 6.1), KMBA's General Manager shall be authorized to receive such feedback, complaints, or reports regarding suspected violations and/or non-compliance, unless said violations or non-compliance involves the General Manager herself, in which case other members of the Board may receive the feedback or complaint.

Upon receipt of feedback or complaint, the General Manager (or concerned Board member) shall formally acknowledge such receipt through a written form or letter within three (3) working days, copy furnishing the BoT with such acknowledgement. S/he shall then promptly investigate the reported violation or non-compliance, ensuring that a written report on the results of such investigation is submitted to the BoT within five (5) working days from the formal acknowledgement of the feedback or complaint.

6.2.2 Hearing and Review by the Board

Upon receipt of the report from the General Manager (or other concerned Board members) on her initial investigation of the feedback or complaint, the Board of Trustees shall immediately review the report, conduct necessary hearings or information-gathering, and decide on proper actions which may include the imposition of appropriate disciplinary measures.

6.2.3 Penalties and Sanctions

Trustees, officers, and employees of the association who were found to have wilfully violated the provisions of this Manual in accordance with the process outlined in the preceding sections shall, after due notice, hearing, and review by the Board, be subject to penalties and/or sanctions that may be decided upon and imposed by the Board.

6.3 Regular Performance Assessment

Under the Securities and Exchange Commission, Corporate Code of the Philippines and as espoused by ASEAN Corporate Governance Scorecard, the Board of Trustees shall conduct a performance assessment to measure its compliance to principles on good corporate governance contained in this Corporate Governance Manual.

6.3.1 Performance Assessment Process

In light of the demands for greater transparency and accountability from its regulatory environment, and for improved operations and better products and services among its stakeholders, KMBA recognizes the value of regularly evaluating how effectively its existing governance structures and systems are performing in relation to the objectives and strategic directions that the association has set for itself. The KMBA BoT thus commits itself to an annual performance assessment process to evaluate its effectiveness as a governing body, including its committees, and individual Trustees/officers.

To this end, it has set the following processes for such an assessment:

- a. The BoT shall first review the objectives and design of the performance evaluation and self-assessment instruments to be used by its members and committees based on the following inputs and considerations:
 - 1) Findings from periodic or quarterly assessments of the Board with regard to implementation of plans and achievement of targets;
 - 2) Assessments of emerging demands from or challenges posed by KMBA's operating environment on the work and effectivity of the BoT, and how existing governance systems have addressed these;

- 3) Understanding and expectations of KMBA members, staff, partners and the Board members themselves with regard to the assessment and what should come out of or result from it; and,
 - 4) Relevance of criteria used in past assessments, based on realities of current operations of the association.
 - 5) Feedback of KMBA members, staff, partners and the Board members to events, activities, products and services of KMBA.
- b. Once the design and instruments for the performance assessment have been finalized, the Board may establish an adhoc committee to help it administer the assessment tools to its members and committees, collect the accomplished forms, analyze and present results to the full Board, and facilitate a Board reflection session on the assessment results and other considerations (outlined in letter a above) towards coming out with a complete picture of the Board's collective performance. In lieu of the adhoc committee, the Board may also tap the services of an external or third party facilitator to help with the aforementioned tasks.
 - c. Following the reflection session with Trustees, the adhoc committee or external facilitator shall draft the final Board performance assessment report which shall include the following information:
 - 1) Description of the process followed by the Board in conducting its annual performance assessment, including key considerations and insights at each step or stage in the process;
 - 2) Summary of results and analysis of the individual assessments using the BoT approved forms or instruments;
 - 3) Major areas of discussion, adopted resolutions and/or consensus points, and agreed actions during the BoT's reflection session; and,
 - 4) Committee's or facilitator's recommendations on how the Board's assessment process can be improved and how the KMBA BoT and its committees can move forward effectively with agreed actions.
 - d. The final performance assessment report shall be presented to the BoT for approval. The BoT President and the General Manager shall ensure that a copy of said report shall be uploaded and made available in the KMBA website within fifteen (15) days upon approval by the BoT.
 - e. The BoT President and the association's General Manager shall see to it that action points and other recommendations in the final performance assessment report are considered during the Board's strategic planning, tackled in subsequent meetings of the Board and its committees, and actually implemented and monitored within the given time frame.

6.3.2 Roles of Audit Committee

The primary function of Audit Committee is to report to the Board of Trustees (1) the state of KMBA's internal control and management mechanisms, (2) the assessment of the association's operations and performance apart from the report prepared by the Management Team, and (3) to propose enhancements to the association's governance policies and systems (see Section 2.3.1 of this Corporate Governance Manual).

The association's Audit Committee is hereby mandated to coordinate closely with the ad hoc committee or independent facilitator to ensure that its inputs are integrated and considered during the BoT's performance assessment as outlined under Section 6.3.1 above. It is also responsible to recommend a competent and credible external auditor who shall be responsible to audit, review and prepare auditor's report on KMBA's financial statement.

6.3.3 Designation of a Risk Officer

The BoT shall designate the Compliance Officer as KMBA's Risk Officer, who shall be primarily responsible for the monitoring, integration and centralized management of KMBA's financial and non-financial risks by ensuring that it is identified, monitored and controlled. He/She shall be responsible for the overall risk management program of the association and to periodically report strategies of risk monitoring and implementation based on KMBA's risk appetite level and risk limit structure to the Board of Trustees. All risk-taking activities of KMBA shall be evaluated by the the Risk Officer consistent to KMBA's risk appetite and strategic direction

CHAPTER 7

Manual Review and Updating

7.1 Access to the Manual

This Corporate Governance Manual shall be available for inspection by any member and other stakeholder of KMBA at all times. The Board and Management Team shall make sure that it is distributed to all employees and related parties, and that proper mechanisms are established by which KMBA members and other stakeholders may be able to put forward their inputs, suggestions, and questions to its content.

7.2 Regular Reviews by the Board

This Corporate Governance Manual shall be reviewed by the Compliance Officer (as identified under Section 6.1 above) at least annually and/or as soon as it is necessary to incorporate relevant regulatory updates and the industry's best practices. Any proposed changes or additions to the policy statements contained in the Manual as a result of said review process shall be subject to discussions, endorsement, and approval by the full KMBA Board of Trustees sitting in a regular meeting.

7.2.1 Oversight Responsibility

To facilitate its review of the policy statements contained in the Manual, the BoT may assign or designate specific committees, BoT officers, or managers to take on the responsibility of reviewing specific chapters or sections of the Manual, and propose revisions or refinements in accordance with the regular review process of the Board outlined under Section 7.1 above.

BoT committees or individuals with such oversight responsibility in reviewing specific parts of the present Corporate Governance Manual shall refer their recommended changes to the Compliance Officer (see Section 7.2) who will ensure that such proposals are considered by the Board of Trustees.

7.2.2 Transitory Provision

As soon as a part or a new version of this Corporate Governance Manual is approved and adopted by the Board, any relevant previous policy statement is deemed superseded unless there is a prior Board resolution clarifying its status or effectivity, or a contract or memorandum of agreement (MOA) that obligates KMBA to a specific matter. If a conflict arises between the adopted provisions of this Manual and past BoT resolutions or policy statements, the Compliance Officer shall bring such matter to the BoT's attention during its regular meeting for proper discussion and prompt action.

7.2.3 Information Dissemination

Whenever changes to this Corporate Governance Manual are adopted by the Board, the Board President and General Manager shall ensure that revised copies of the full Manual are made available to all members, staff, Trustees, and other key stakeholders within fifteen (15) working days from the BoT's adoption and approval. This should include an electronic copy which should be easily downloadable from the KMBA website.

All copies of the Manual's new version should be properly dated. The Board Secretary and the General Manager shall ensure that copies of older versions of the Corporate Governance Manual are kept on file, both in electronic and printed formats, for future reference if needed.

7.3 Maintenance of Policy Documents

The Board Secretary, with support from the General Manager, shall ensure that all BoT resolutions and policy statements are properly dated, kept, and referenced to relevant chapters, sections, and/or provisions of this Corporate Governance Manual. Copies of these BoT resolutions and policy documents shall be compiled, provided with a cross-referencing guide vis-à-vis this Manual, and made part of the reference or orientation packets for BoT members and KMBA employees.

Regular reviews of this Corporate Governance Manual, by the Board and its legal counsel, shall include such Board resolutions and policy statements, to help ensure that these are properly aligned with the Manual's provisions as well as with existing laws and/or applicable industry regulations and guidelines.

7.4 Review by Legal Counsel

The Board of Trustees shall ensure that the contents of this Corporate Governance Manual are reviewed by KMBA's legal counsel biennially to ensure compliance with all relevant laws and regulatory guidelines. The Board shall ask the legal counsel to share or present the results and findings from such a review during its performance assessment or regular meeting of the full Board. The Board of Trustees shall ensure that any recommendation arising from the legal reviews shall be considered and/or reflected in the regular review process outlined in Section 7.2 above.