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SEDMFI MBA

**CORPORATE
GOVERNANCE MANUAL**

Surigao Economic Development and Microfinance Foundation, Inc.
Mutual Benefit Association (SEDMFI MBA), Inc.
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Surigao Economic Development and Microfinance Foundation, Inc.
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CHAPTER I. INTRODUCTION

SECTION 1. INSTITUTIONAL BACKGROUND / HISTORY

The **Surigao Economic Development and Microfinance Foundation, Inc.** (SEDMFI), which is formerly known as Surigao Economic Development Foundation, Inc. (SEDFI), is a private, non-profit, non-stock and non-political service organization established on 12 January 1985 and duly registered with the Securities and Exchange Commission (SEC) on 07 June 1985. It is a duly registered institution under provisions of BIR-NEDA Regulation No.1-81.

SEDFI was organized by a group of Surigaonons for the rehabilitation and development of Surigao del Norte from the immense devastation of the Super Typhoon Nitang on September 1984. In January 2017, the Foundation's corporate name was changed, from SEDFI to SEDMFI, to conform with the Republic Act 10693 or the Microfinance NGO Act.

Sometime in 2019, The Program Management Committee headed by Ms. Imelda Wines of SEDMFI spearheaded the idea of starting SEDMFI's own microinsurance as a response to their clientele's need after experiencing issues with previous insurance partners in processing claims. The 5-year journey with the help of MiMAP paved the way for the approval of the Insurance Commission for SEDMFI to start their own MBA. The journey was paved with challenges but the passion of the people behind the creation of SEDMFI MBA did not falter.

SEDMFI MBA has still a long way to go. The journey to new beginnings and a stronger SEDMFI and SEDMFI MBA has just began. *Dajong!*

SECTION 2. SEDMFI MBA VISION, MISSION, GOALS, CORE VALUES

The creation of SEDMFI MBA was deeply rooted from the values and mission of SEDMFI which is to advance and promote the welfare of the poor and the country. The MBA has the following goals in mind as stated in its Articles of Incorporation:

1. To extend financial assistance to its members including their spouse, children, and parents in the form of death benefits, total and permanent disability (TPD), sickness benefits, provident savings and loan redemption assistance;
2. To ensure continued access to benefits/ resources by actively involving the members in the management of the association that will include implementation of policies and procedures geared towards growth, sustainability and improved services;
3. To provide benefits in-kind trainings, and other relevant financial assistance to its members;
4. To ensure compliance with administrative and regulatory issuances, rulings and directives by professionalizing the association, management, research and development, and technical services operations;
5. To adopt a prudent cash management program and to invest cash, in excess of current disbursement requirements, in bonds, equities, and other financial/investment products that will earn additional income for the corporation; and lastly
6. To finance and/or implement social development projects in the communities of its members that will promote self-reliance, resilience, and sustainability as part of its corporate social responsibility.



2.1 Vision

The leading and sustainable MBA in providing quality and affordable microinsurance services in CARAGA and neighboring regions.

2.2 Mission

To provide timely, quality and relevant microinsurance products and services to poor and vulnerable sectors.

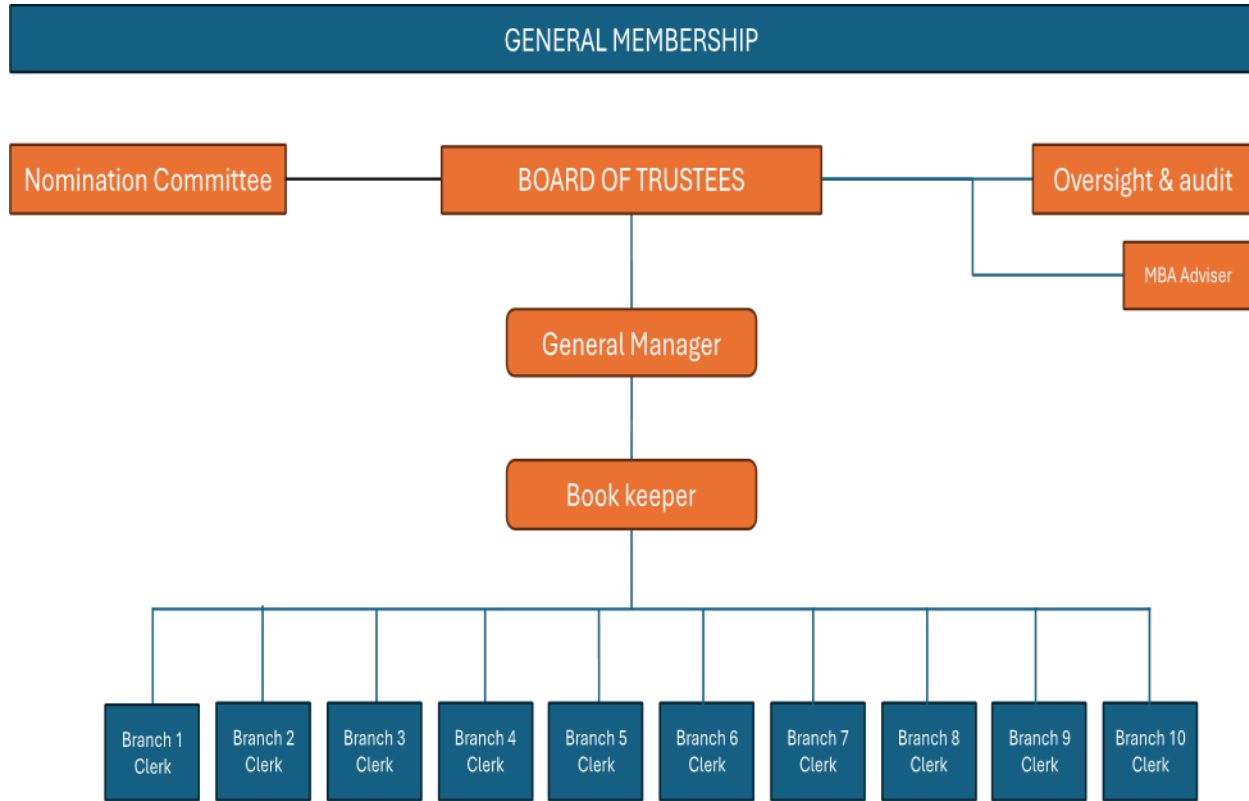
2.3 Goals

To ensure quality and responsive social protection programs to all members.
To align SEDMFI MBA's performance and quality of service to industry standards.

2.4 Core Values

- ❖ **Dedicated**
- ❖ **Adaptability**
- ❖ **Joyful Service**
- ❖ **Oneness**
- ❖ **Nobility**
- ❖ **God-fearing**

SECTION 3. ORGANIZATIONAL STRUCTURE



SECTION 4. OVERVIEW OF PROGRAMS

1. PRODUCT FEATURES

SEDMFI MUTUAL BENEFIT ASSOCIATION, INC. (SEDMFI MBA) provides life insurance coverage to its members and his/her legal dependents in accordance with a schedule of benefits agreed upon by the Board of Trustees (BOT), and general assembly, and with the written approval of the Insurance Commission (IC).

The table below summarizes the key product features of SEDMFI MBA. The MBA shall pay the benefits under the Certificate of Membership to its member or his/her beneficiary/ies in accordance with the following provisions:

SEDMFI MBA BLIP TABLE OF BENEFITS					
Length of Continuous Insurance Coverage	Contingent Event	Member	Dependents		
			Spouse or Common-Law Partner	Parents	Children
Less than three (3) months	Natural or Non-Accidental Death	10,000	5,000	5,000	2,000
	Accidental Death	100,000	50,000	50,000	20,000
	TPD	10,000	5,000	5,000	2,000

SEDMFI MBA BLIP TABLE OF BENEFITS					
Length of Continuous Insurance Coverage	Contingent Event	Member	Dependents		
			Spouse or Common-Law Partner	Parents	Children
Three (3) months to less than six (6) months	Natural or Non-Accidental Death	25,000	12,000	12,000	5,000
	Accidental Death	100,000	50,000	50,000	20,000
	TPD	25,000	12,000	12,000	5,000
Six (6) months or more	Natural or Non-Accidental Death	50,000	25,000	25,000	10,000
	Accidental Death	100,000	50,000	50,000	20,000
	TPD	50,000	25,000	25,000	10,000

SECTION 5. COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Board of Trustees, the Management (Officers and Staff) of Surigao Economic Development and Microfinance Foundation, Inc. Mutual Benefit Association (SEDMFI MBA), Inc. are committed to the principles and best practices of good corporate governance contained in this manual, and accept that it will serve as a guide in the attainment of its corporate goals.

SECTION 6. OBJECTIVE OF THE MANUAL

This Manual is primarily intended to implement the objectives of the Code of Corporate Governance issued by the regulatory bodies such as Insurance Commission (IC)/Securities & Exchange Commission for the enhancement of the corporate accountability of Association's Trustees, management and employees and promote the interests of the stakeholders specifically those of the policyholders, claimants and members.

This Manual also institutionalizes the principles of good corporate governance in the entire organization. It provides general guidelines that would ensure that the Association's Management continues to enhance the value of the SEDMFI MBA as it competes in an increasingly global market place.

The Association's Board of Trustees and Management, employees, and policyholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management, and will therefore undertake every effort necessary to create awareness within the organization of the importance of good corporate governance.

SECTION 7. DETERMINATION OF TERMS

Corporate Governance – the framework of rules, systems and processes in the association that governs the performance by the Board of Trustees and Management of their respective duties and responsibilities to the stakeholders;

Members - refers to the clients and at the same time the owner of the Association.

Association - as referred to in this Manual is Surigao Economic Development and Microfinance Foundation, Inc. Mutual Benefit Association Inc.

Board of Trustees– the governing body elected by the member’s that exercises the corporate powers of the SEDMFI MBA, conducts all its business and controls its properties;

Management – the body given the authority by the Board of Trustees to implement the policies it has laid down in the conduct of the business of the association;

President - also acts as Chairman of the Board of Trustees. He/She is independent from the Association as he/she holds no executive position;

General Manager - refers to a person who is appointed to head the overall operation of the Association;

Stakeholders - refer to group of company, persons who has an interest with the Association.

Independent Trustee – is independent of management and free from any business or other relationships which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a trustee;

Internal control – the system established by the Board of Trustees and Management for the accomplishment of the association’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;

Internal audit – an independent and objective assurance activity designed to add value to and improve the corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

Internal Auditor – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

CHAPTER II. GOVERNANCE STRUCTURE

SECTION 1. THE BOARD OF TRUSTEE

The Board of Trustees shall be the governing body of the Association. A Trustee's office shall be a position of trust and confidence. He shall act in a manner characterized by transparency, accountability, fairness and for the best interest of the members and stakeholders. Trustees shall primarily responsible for approving and overseeing the implementation of the Associations' policies and procedures, action plans corporate governance and corporate values. They shall also be responsible in overseeing the performance of senior management towards attainment of the Association's short and long-term strategic objectives.

1. Composition of the Board of Trustee

The Board of Trustees of SEDMFI Mutual Benefits Association Inc. shall consist of nine (9) members namely the following: seven (7) trustees shall be elected by the active members with existing loans funded by the SEDMFI MBA, INC.; two (2) independent trustees, to be elected by the active members with existing loans funded by the SEDMFI MBA, INC.

2. Qualifications, Duties, Term and Compensation of Directors or Trustees

- a) A person shall be disqualified from being a director, trustee or officer of any corporation if, within five (5) years prior to the election or appointment as such, the person was:
 - (a) Convicted by final judgement:
 - (1) Of an offense punishable by imprisonment for a period exceeding six (6) years;
 - (2) For violating this Code; and
 - (3) For violating Republic Act No. 8799, otherwise known as "The Securities Regulation Code";
 - (b) Found administratively liable for any offense involving fraudulent acts; and
 - (c) By a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b) above.

Directors shall be elected for a term of one (1) year from among the holders of stocks registered in the corporation's books, while trustees shall be elected for a term not exceeding three (3) years from among the members of the corporation. Each director and trustee shall hold office until the successor is elected and qualified. A director who ceases to own at least one (1) share of stock or a trustee who cease to be a member of the corporation shall cease to be such.

- b) The corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation be controlled and held by the board of directors or trustees to be elected from among the holders of stocks, who shall hold office for one (1) year and until their successors are elected and qualified.
- c) The directors or trustees shall not receive any compensation, as such directors or trustees, except for reasonable per diems. Any compensation may be granted to directors or trustees by the vote of the stockholders representing at least a majority of the outstanding capital

stock or by majority of the members at a regular or special meeting, In no case shall the total yearly compensation of directors, as such directors, exceed ten (10%) percent of the net income before income tax of the corporation during the preceding year.

3. Disqualifications of the Board of Trustees

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

4. The manner of election of appointment, qualification and the term of office of all officers other than directors or trustees

Immediately after their election, the directors or trustees of a corporation must formally organize by the election of the PRESIDENT, who shall be a director or member, a TREASURER who must be a resident, a SECRETARY who shall be a citizen and resident of the Philippines, and such other officers as may be provided in the by-laws. Two (2) or more positions may be held concurrently by the same officer, however no one shall act as PRESIDENT and SECRETARY or as PRESIDENT and TREASURER at the same time. The officers of the corporation shall hold office for one (1) year and until the successors are elected and qualified. The officers shall manage the corporation and perform such duties as may be provided in the by-laws and/or as resolved by the board of directors or trustees.

6. Internal Control Responsibilities of the Board

The control environment of the Association consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The minimum internal control mechanisms for the Board is to ensure the separation of duties are perform in accordance to the defined control environment of the association.

7. Disclosure of Third Party Transactions and Other Conflict of Interest

Members of the Board ensures proper disclosure of all approved Related Party Transactions (RPTs) in accordance with applicable legal and regulatory requirements and

confirmation by majority vote on the Annual General Meeting the Association's significant transactions with related parties.

8. Vacancy in the Board

In case an office becomes vacant due to death, resignation, retirement, disqualification, incapacity or any other cause, of the incumbent, the Board of Trustees, a majority vote, may elect/appoint a successor, who shall hold the unexpired term, provided, further, that in case of the temporary absence of any officer for any reason, the Board may delegate the powers and duties of such officer to another qualified person.

9. Performance Evaluation

The Board of Trustees shall conduct an annual evaluation of their performance through a self-assessment conducted by the individual Trustees by evaluating their respective individual performance and peer assessment.

The Board of Trustees and Board Committees as a body, shall be evaluated annually. This assessment will help the Board of Trustees improve their performance that the Association and Stakeholders will be benefited.

SECTION 2. INDEPENDENT TRUSTEE

Independent Trustees shall be a person who, apart from his fees is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of any independent judgment in carrying out his responsibilities as a director in the Association.

The Independent Trustee shall be elected by the majority of its members upon the nomination of the Nomination Committee of the Board of Trustees. Notwithstanding the forgoing, for the duration that the SEDMFI MBA, INC. is under a conservatorship of the Insurance Commissioner, the Independent Trustee shall be appointed by, and shall serve at the pleasure of the Insurance Commissioner.

The Independent Trustees are deemed members of SEDMFI MBA, INC. and shall pay the usual membership fees and members contribution. They have the same obligation, rights and privileges as regular members in good standing.

Independent Trustees shall serve a term of three (3) years for a maximum of three (3) consecutive terms which make a cumulative term of nine (9) years. After which, the Independent Trustee shall be perpetually barred from serving as an Independent Trustee of SEDMFI MBA, Inc.

SECTION 3. OFFICERS OF THE BOARD

1. President

The President shall preside in all meetings of the members of SEDMFI MBA, Inc. and shall exercise the following functions:

- a. To preside in all meetings of the members of the Association.
- b. To execute all resolutions of the Board of Trustees;
- c. To be charged with directing and overseeing the activities of the association.
- d. To submit to the Board as soon as possible after the close of each fiscal year, and to the members of each annual meeting, a complete report of the activities and operations of the Association for the fiscal year under his/her term.
- e. To represent SEDMFI MBA in all functions and proceedings.
- f. To appoint, remove, suspend or discipline employees of SEDMFI MBA prescribe their duties and determine their salaries subject to confirmation by the Board of Trustees.
- g. To execute in behalf of SEDMFI MBA Inc. all contracts, agreements and other instruments affecting the interest of SEDMFI MBA Inc. which may require approval of the Board of Trustees unless otherwise directed by the Board.
- h. To perform such other duties as are incident to his/her office or are entrusted to him by the Board of Trustees.

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2. Vice-President

The Vice President, if qualified, shall exercise all powers and perform all duties of the president during the absence or incapacity of the latter and shall perform duties that maybe assigned by the Board of Trustees.

3. Board Secretary

The Secretary shall give all notices required by these by-laws and keep the minutes of all meetings of the members of the Board of Trustees in a book kept for the purpose. She/He shall keep the seal of the Association and affix such seal to any paper or instrument requiring the same. He/she shall have custody of the members' register and the correspondence files of the Association. He/she shall also perform all such other duties and work as the Board of Trustees may from time to time assign to him/her.

4. Treasurer

The Treasurer shall be in-charge of the funds, receipts and disbursements of the association. He/she shall keep all moneys and other valuables of the Association in such banks as the Board of Trustees may designate. He/she shall keep and have charge of the books of accounts. He/she shall also perform such other duties and functions as may be assigned from time to time by the Board of Trustees. He/she shall post a bond in such amounts as may be fixed by the Board of Trustees.

SECTION 4. BOARD OF ADVISERS

The Board of Advisors shall be determined by the Board of Trustees of the association by appointment and based on required policy-area competencies.

The Board of Advisors shall provide advice/guidance to the Board of Trustees and shall be invited to all meetings of the latter. However, they shall not be allowed to vote. They shall hold the position for one year and shall be confirmed by the Board of Trustees on annual basis. They may resign from their post or may no longer be confirmed by the Board of Trustees upon its discretion.

SECTION 5. COMMITTEES OF THE BOARD OF TRUSTEES

The Board of Trustees shall establish Committees to promote Good Corporate Governance of SEDMFI MBA Inc.

1. Election Committee

The Election Committee is composed of at least three (3) members elected by the General Assembly possessing all the qualifications and none of the disqualifications for the members of the Board of Trustees.

The Election Committee's tasks shall include:

- a. Shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Trustees. It should prepare a description of the roles and capabilities required of a particular appointment.
- b. The Election Committee is hereby vested sole authority to conduct and supervise the elections for the members of the Board of Trustees and other officers and proclaim the winners. The election committee shall likewise be the judge of all electoral contests, including questions on the qualification of candidates and its decision shall be final unless appealed to the Board of Trustees whose decision shall be final. Further, the SEDMFI MBA Inc. may be tasked to supervise the election of other special committees.
- c. They shall serve for a term of two years tasked to review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Trustees; conduct and supervise the elections for the members of the Board of Trustees and other officers and proclaim the winners.
- d. The election committee may deputize such personnel of the head office of the SEDMFI MBA Inc. which it may deem necessary to enable it to perform its function.
- e. The members of the election committee shall not be entitled to any salary but shall be entitled to reimbursement of travel and communication expenses for attendance of official meetings equal to those received by members of the Board of Trustees.
- f. No member elected as a member of the election committee shall be eligible for election for any position during his term of office even if he resigns or is removed from office for any reason.

2. Audit Committee

The Audit Committee shall compose of at least three (3) members, all are non-executive officers and the Chairperson must be an Independent Trustee. At least one of the members of the committee should have audit or accounting expertise and/or experience. The Audit Committee shall meet quarterly.

The Audit Committee's duties and responsibilities include the following:

- a. The Audit Committee provides oversight of the financial reporting policies, audit process and Association system of internal and external audit functions.
- b. Ensure that a review of the effectiveness of the Association's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.
- c. The Audit Committee evaluates the results of an audit with management and external auditors
- d. It is also responsible for the appointment, compensation and oversight of the work of the auditor.
- e. Audit Committee may meet separately with the external auditors if there be any matters to discuss privately.
- f. Prepares a report to the Board of Trustees summarizing the work performed in fulfilling the committee's primary responsibilities.

3. Board Risk Oversight Committee

Risk Oversight Committee shall compose of at least three (3) members headed by an Independent Trustee as the Chairperson. Risk Oversight Committee shall meet quarterly.

The Risk Oversight Committee tasks shall include the following:

- a. The committee is responsible for the development and oversight of the risk management program of SEDMFI MBA Inc.
- b. The committee shall assess the probability of each risk becoming to progress and estimate its possible effect and cost.
- c. The risk oversight committee shall conduct regular discussions on the Association's current risk exposure that is based on regular management reports.
- d. Review the risk management plans to ensure its continued applicability and effectiveness
- e. Report regularly to the Board of Trustees about the over-all risk exposures and actions taken to reduce the risks and recommend further actions or plans as required.

4. Corporate Governance Committee

Corporate Governance Committee shall be composed of at least three (3) members headed by an Independent Trustee as the Chairperson. Corporate Governance Committee shall meet quarterly.

The Corporate Governance Committee shall be responsible for the following:

- a. The Corporate Governance Committee is responsible for assisting the Board of Trustees in fulfilling its oversight responsibilities in relation to the overall approach to corporate governance of the SEDMFI MBA Inc.
- b. The Committee is responsible in recommending action to the Board of Trustees for structural changes to ensure SEDMFI MBA's compliance with its legal duties.
- c. The Governance Committee shall be accountable for the Board of Trustees and the Association's governance guidelines and policies.
- d. The Committee undertakes studies regarding in-house arrangements and changes concerning the understanding, adoption and implementation of corporate governance principles by SEDMFI MBA Inc. employees and submits the results of these studies to its Board of Trustees.
- e. The CGC is in charge for updating and revising the SEDMFI MBA's manuals (AMLA Corporate Governance Manual)
- f. The CGC will periodically present key findings to the Board of Trustees during its regular Board meeting.

5. Related Party Transaction Committee

Related Party Transaction Committee shall be composed of at least three (3) members headed by an Independent Trustee as the Chairperson. Related Party Transaction Committee shall meet quarterly.

The Related Party Transaction Committee shall be primarily responsible for the following:

- a. The Related Party Transaction Committee shall assist the association in handling transactions with related parties.
- b. They review and evaluate each transaction to assess its fairness
- c. The RPT Committee set materiality threshold for each type of transactions to related parties such as investment, financial assistance, contract agreements and others.
- d. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate business.

6. Remuneration Committee

Shall be composed of at least three (3) members of the Board of Trustees, one (1) of whom must be an Independent Trustee possessing all the qualifications and none of the disqualifications for the members of the Board of Trustees. The Remuneration Committee shall meet quarterly.

The Remuneration Committee shall be primarily responsible for the following:

- a. Shall judge or make plans where to position the company relative to other companies. But such comparisons shall be used with caution in view of the risk of an upward ratchet of the level of remuneration with no corresponding improvement in performance.
- b. Shall delegate responsibilities for setting up remuneration for all executive officers and president, including pension rights or any compensation payments.
- c. Shall also recommend and monitor the level and structure of salaries including remunerations for senior management. The definition of senior management for this purpose shall be determined by the Board but would normally include first level Management and Board of Trustees level.

SECTION 6. BOARD MEETINGS

1. Board Meetings

The Board of Trustees shall meet regularly once every month at the main office of SEDMFI MBA Inc. unless otherwise previously agreed upon by the members of the Board of Trustees. A special or emergency meeting of the Board of Trustees may be called by the President or the Secretary upon request of a majority of the incumbent members of the board and may be made written notice at least two (2) days notice to all members of the board. Notice of any meeting of the board may or may not be in writing.

2. QUORUM REQUIREMENTS

In all regular or special meeting of members, at least fifty percent (50%) of all members in good standing plus one (1) must be present either physical or virtual. If no quorum is constituted, the meeting shall be adjourned until the requisite number of members shall be present.

3. ORIENTATION OF NEW BOARD OF TRUSTEES

The initial or organizational meeting of a newly elected Board of Trustees shall be held immediately after the conclusion of the General Assembly at which they are elected. Orientation for New Trustees shall be conducted by SEDMFI MBA's President and General Manager.

This is intended to familiarize the new Board of Trustees on their roles and responsibilities in the Board and Committees. The following items are discussed during the orientation of new Board of Trustees.

- a. Creation of Committee members with corresponding mandates, duties and responsibilities and number of meetings.
- b. Agreed upon regular BOT meeting once a month.
- c. Submission of Annual Self-Assessment of the Board should be submitted every second week of December.
- d. Schedule of Mandatory Trainings for new Director (e.g. Governance by AMLA c/o RIMANSI)

- e. Review of By Laws and Articles of Incorporation.
- f. Study and review the Implementing Rules and Regulations of SEDMFI MBA Inc.'s products and services.
- g. Master the Insurance Products for SEDMFI MBA Inc.'s members.
- h. Prepare needed Policies for Member's Benefits.
- i. Continuous practice of SEDMFI MBA Inc.'s Core Values.
- j. Compliance with the Code of Conduct and Ethics of SEDMFI MBA Inc.

4. NOTICE OF MEETING AND AGENDA

The notice of meeting whether regular or special meetings of the Board of Trustees and Committees, must be posted in SEDMFI MBA's website at least two (2) days before the meetings.

The agenda and information package for each Board of Trustees and Committee meeting should be also sent to them in hard or electronic copy at least two (2) days in advance, whenever possible and appropriate.

Notices of Board meetings, whether regular or special, shall include these Information:

- a. Date, time, and place of the meeting;
- b. Agenda for the upcoming meeting;
- c. Copy of minutes of previous meeting; and
- d. Copies of resolutions or any document which is subject for approval or review by Board members during the meeting.

SECTION 7. REIMBURSEMENT OF THE BOARD Development Program

SEDMFI MBA Inc. give importance for the training and development of its Board of Trustees. Board members and Officers shall be eligible for continuous development program such as local and international trainings, seminars, workshops and conferences. The development program will improve, and retain the skills, knowledge, tools, equipment, and other resources needed to do their jobs competently that make them perform at a greater capacity that members will be benefited.

Reimbursement of Actual Travel/Communications Expense

The member of the Board shall not be entitled to any salary or remuneration. To support the Board of Trustees in fulfilling its role to formulate strategy and policy and ensuring, monitoring and accountability, SEDMFI MBA Inc. shall reimburse their actual travel/communications expenses related to meeting participation.

SECTION 8. CODE OF ETHICS AND CONDUCT

SEDMFI MBA Inc., through its General Assembly, shall have a Code of Ethics and Conduct for Board of Trustees, officers, employees and members. Members of the Board of Trustees of SEDMFI MBA Inc. are committed to observing and promoting the highest standards of ethical conduct in the performance of their responsibilities on the board. To establish a set of principles and practices of SEDMFI MBA Inc. the Board of Trustees will set parameters and provide guidance and direction for board conduct and decision-making.

SEDMFI MBA's Board of Trustees, Management and Staff and General Membership are committed to the principles and best practices of good corporate governance including transparency, accountability and security. Leaders and employees of SEDMFI MBA are disciplined and committed; fairness is also being practiced inside and outside of our Association. We provide the processes, rules and regulations to our partners and members with regards to financial and operations of our Association.

The Code of Ethics and Conduct should be aligned with the values of good corporate governance. Board of Trustees, officers, management and employees must obey and follow the code of ethics and conduct to fully understand and meet the expectations and requirements needed for well-managed Association.

SECTION 9. THE MANAGEMENT

The Management is headed by the General Manager. All principal policies and directions governing the organization, management and operations of the Association shall be formulated and implemented by the management, subject to Board approval when required by existing laws.

SEDMFI MBA Management refers to the following:

1. **The General Manager** - shall be in-charge of the day-to-day operations of SEDMFI Mutual Benefit Association Inc. and has among others the following roles and responsibilities:
 - a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
 - b. Communicates and implements the corporation's vision, mission, values and overall strategy and shall promote any organization or stakeholder change in relation to the same;
 - c. Oversees the operations of the corporation and manages human and financial resources in accordance with the MBA's strategic plan;
 - d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
 - e. Directs, evaluates and guides the work of the staffs of the association;
 - f. Manage the corporation's resources prudently and ensures a proper balance of the same;
 - g. Provides the Board with timely information and interfaces between the Board and the employees;

- h. Ensures that all mandatory reports required from the MBA shall be submitted on time;
- i. Builds the corporate culture and motivates the employees of the corporation; and
- j. Serves as the link between internal operations and external stakeholders.

SECTION 10. THE INTERNAL AUDITOR

SEDMFI MBA Inc. shall have an Internal Auditor that is independent and objective. The assurance and consulting activity designed by the Internal Auditor will add value and improvement in the Association. It helps SEDMFI MBA Inc. to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. He/she shall directly report to the Board of Trustees.

In order to assess the compliance of the Association to its system, policies and procedures in all its operational areas and develop steps to mitigate risks and exposures, SEDMFI MBA Inc. should engage the service of the Internal Auditor.

The Internal Auditor of SEDMFI MBA Inc. will provide an objective assurance on risk management, governance and internal control processes of the Association.

- a. Guarantees compliance with established internal control procedures by examining records, reports, operating practices, and documentation of SEDMFI MBA Inc.
- b. Checks assets and liabilities by comparing items to documentation.
- c. Evaluates information security and associated risk exposures.
- d. Assess regulatory compliance program with consultation from the Audit Committee.
- e. Evaluate the organization's readiness in case of business interruption;
- f. Contributes to team effort by accomplishing related results as needed;
- g. Responsible to maintain open communication with management and the Audit Committee.
- h. Determine sufficiency of internal controls.
- i. Determine the physical existence of assets, investments and proper accounting over such assets.
- j. Determine that the activities of SEDMFI MBA Inc. are consistent with its purpose as established under its Articles of Incorporation and By-Laws.
- k. Give support to SEDMFI MBA Inc.'s anti-fraud programs.
- l. Recommends policies to be included in the Accounting Manual.

SECTION 11. THE EXTERNAL AUDITOR

SEDMFI MBA Inc.'s external auditor performs an audit, in accordance with specific laws or rules of the financial statements of the Association. The Association is in compliance with Insurance Commission Circular No. 29-2009 dated November 10, 2009 in the selection of external auditor.

- a. Only external auditors accredited by Insurance Commission are being engaged;
- b. The external auditor shall be changed or the lead and concurring partner shall be rotated every five years or earlier;
- c. No external auditor may be engaged if he or any member of his immediate family had or has committed to acquire any direct or indirect financial interest;
- d. The external auditor and the members of the audit team do not have any claim with the Association;
- e. The external auditor is not currently engaged nor was engaged during the preceding year in providing the following services to the Association;
- f. Internal audit functions;
- g. Information systems design, implementation and assessment;
- h. Other services which could affect his independence;
- i. The external auditor shall be appointed by the Board of Trustees during the Annual General Meeting.

CHAPTER IV. MEMBERSHIP

SECTION 1. QUALIFICATIONS FOR MEMBERSHIP

To qualify for SEDMFI MBA's membership, applicant must be:

- a. Applicants must be at least eighteen (18) years old but not more than sixty (60) years old at the time of enrollment.
- b. Applicant for insurance coverage must be an active member of SEDMFI or other organized groups defined in the Articles of Incorporation of SEDMFI.
- c. Only those applicants who accomplished the prescribed application form will be eligible for membership, provided that the first contribution has been paid.

SECTION 2. RIGHTS OF MEMBERS

A member shall have the following rights:

1. To exercise the rights to vote on all matter relating to the affairs of the SEDMFI MBA Inc.;
2. To be eligible to any elective or appointive office of the SEDMFI MBA Inc.;
3. To participate in all deliberations/annual meetings of the SEDMFI MBA Inc.;
4. To avail of all the facilities of the SEDMFI MBA Inc.;
5. To examine all the records or books of the SEDMFI MBA Inc. during business hours.

SECTION 3. DUTIES AND RESPONSIBILITIES OF MEMBERS

A member shall have the following duties and responsibilities:

1. To obey the by-laws, rules and regulations of SEDMFI MBA Inc. and those that it may promulgate from time to time;
2. To attend all meetings that may be called by the Board of Trustees;
3. To pay membership dues and other assessments of the SEDMFI MBA Inc.
4. To participate in the governance directly and indirectly of the SEDMFI MBA Inc. and to protect the funds thereof;
5. Continuously give suggestions and comments on how to better run the SEDMFI MBA Inc.

SECTION 4. VOTING RIGHTS OF MEMBERS

SEDMFI MBA Inc. respects the rights of members to have a say and meddle in the governance and management of the Association. All SEDMFI MBA members through their representatives shall have the right to participate and vote in its annual General Assembly. They also have the right to elect, remove, and replace a Trustee. Members can vote on certain Association acts, such as changes or amendments to the organization's by-laws 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. Members of SEDMFI MBA Inc. also have the power to appoint the External Auditor during its Annual General Meeting.

SECTION 5. RIGHT TO INFORMATION

Members shall be provided, upon request, the information about the Association's governance, Board of Trustees roles and responsibilities and partnership made with Cooperatives and other organized groups.

SEDMFI MBA members shall have access to any information relating to operations of the Association. Disclosure/ transparency is a must, significant information like manuals, policies, minutes of AGM and annual report should be available to all members via SEDMFI MBA's official website.

SECTION 6. OTHER MEMBERS BENEFITS

As defined in the Insurance Code, A mutual benefit association shall maintain free and unassigned surplus not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. In addition, subject to the approval of the Commissioner, a mutual benefit association may allocate a portion for capacity building and research and development such as developing new products and services, upgrading and improving operating systems and equipment and continuing member education.

SECTION 7. NOTICE OF ANNUAL GENERAL MEETING

Accurate and timely information shall be made available to SEDMFI MBA members prior to Annual General Meeting to enable them to make sound judgment on all matters that will be brought to their attention for consideration and/or approval. The Board Secretary shall issue the Notice of Annual General Meeting at least twenty-one (21) days before the date of AGM. The notice of AGM shall include the date and time of meeting and the proposed agenda. The place of AGM must be accessible to the members. SEDMFI MBA Inc. must ensure that the notice of AGM should reach all its members the notice of AGM must be posted in the website.

SECTION 8. ANNUAL GENERAL MEETING

The Board should be transparent and fair in the conduct of the annual meetings of the association. The members should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the member's favor.

It is the duty of the Board to promote the rights of the members, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the members' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the members to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all members should be treated equally or without discrimination, the Board should give members the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the association.

2. BACKGROUND INFORMATION ON AGENDA

The notice of Annual General Meeting shall include background information or explanation as to the rationale for each agenda item. Members' approval is being sought and all other details relevant to the members' proper consideration of the proposal.

3. DISSEMINATION OF PROPOSED RESOLUTIONS

Full and accurate copies of formal resolutions being put forward for adoption by members shall be provided to them as attachments to the notice of Annual General Meeting. To publicize to SEDMFI MBA's members, they can find all the attachment to the Association's website.

4. PROXY VOTERS' FORM AND ELECTION DOCUMENTS

The proxy statement and election materials are being coordinated by Board Secretary and the Nomination and Election Committee. The proxy statement is attached in the notice of Annual General Meeting and the election materials are being distributed to the members through their respective representatives. The aforementioned documents are also posted in the Association's website.

CHAPTER V. STAKEHOLDERS

SECTION 1. STAKEHOLDERS

1. Members

A member is a policyholder who meets the qualifying requirements and has complied with SEDMFI MBA's policies and guidelines. A member is entitled to all the rights and privileges duly set by the General Assembly. He/she shall, at all times, promote the vision, mission, goals, welfare and philosophy of success of the Association.

2. Board of Trustees

A Board of Trustees is an elected group of individuals that has overall responsibility for the management of SEDMFI MBA Inc. The board of trustees is typically the governing body of the Association and seeks to ensure the best interest of stakeholders in all types of management decisions. As a governing body, they are primarily responsible for ensuring good corporate governance, strategic directions, performance evaluation of management and implementation of fairness and transparency in the Association.

3. Employees

An employee is an individual who is hired by SEDMFI MBA Inc. to do a specific job. The employee is hired by the employer after an application and interview process results in his or her selection. He/she performs services to the Association with corresponding salary and wages as designated and implied on his/her employment contract.

4. Suppliers/Contractors

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

To ensure that engagements with suppliers/contractors will be impartial and transparent; the Association will conduct a bidding process for projects with contracts; where a minimum

of three (3) suppliers shall submit their proposal and business profile to the management for background check and validation of proposal. Selected supplier/contractor shall be issued a legal contract/agreement which will be duly notarized to make the engagement binding.

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

5. Community of Operations

These are the immediate social groups or villages to which SEDMFI MBA's members belong and/or where SEDMFI MBA Inc. provides its services. In any business, there is a need for the support of the community where it operates. The Association acknowledge the significant role of the community in achieving its vision mission particularly in helping people become less vulnerable.

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

6. Environment

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

The Association's business operation does not directly affect the environment. However, it is still committed to do its part in promoting environmental sustainability through various initiatives within SEDMFI MBA area of operation, among its trustees, employees and stakeholders.

7. Partner Associations

SEDMFI mother company and other organized groups defined in the Articles of Incorporation of SEDMFI are the primary sources of SEDMFI MBA's membership. They are the fund mobilization partners of SEDMFI MBA Inc. and have a significant role especially in collecting weekly and annual contributions to members. SEDMFI maintains good relationship with their respective members and to SEDMFI MBA Inc. as well.

8. Regulatory Agencies

Regulatory agencies are public authority or government agencies that set standards in a specific field of activity, operations in the private sector of the economy and enforce those standards. These include agencies and bodies that provide the framework within which 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, and other stakeholders of SEDMFI MBA Inc.

SECTION 2. RELATED PARTY TRANSACTIONS

Related Party Transaction is an agreement between two parties who hold a foregoing deal, business, undertaking, and transaction or with common interest. Related Parties shall refer to SEDMFI MBA's affiliates, shareholders, stakeholders, members, Board of Trustees, Officers, other subsidiaries under common control and trusts for the benefit of employees.

Objectives

1. To ensure that RPT is consistent to SEDMFI MBA's arm's length principle, Audit and Oversight Committee shall implement and monitor this policy.
2. Transactions between related parties commonly occur in the normal course of Association, examples such as:
 - a. Products and services, sales and purchases
 - b. Services received or furnished such as accounting, management and legal services
 - c. Maintenance of compensating bank balances for the benefit of a related party.

Implementation of Related Party Transactions

1. Disclosure of Related Party Transactions is important for it may affect the assessments of SEDMFI MBA's operations and the entity's risks and opportunities.
2. The Related Party Transaction Committee shall review the RPT Policy annually and evaluate whether it fits the interest of our Association and its Stakeholders.
3. They will receive reports on transactions between the Association and its affiliates.
4. The Related Party Transaction Committee will order an investigation on documents of related party transactions.
5. Finally, the said Committee will recommend to the Board of Trustees to take corrective measures for Related Party Transactions that will violate the Association's regulations.

The Related Party Transaction Committee has responsibilities in the following areas:

1. duty of good faith
2. duty to investigate and report to the Board of Trustees on finding any related party transaction that is in violation of laws or regulations
3. duty to prepare minutes

SECTION 3. SOCIAL RESPONSIBILITY TO THE COMMUNITY

Social Responsibility to the Community refers to strategies that engage in Association's corporate governance that are ethical, societally friendly, and beneficial to its community and members. SEDMFI MBA Inc. has a firm commitment to being socially responsible and accountable to itself, members and the public.

Objectives:

1. To create awareness about SEDMFI MBA Inc. and build its good profile in the community.

2. To give back in the community the good positive way, in return to the resources.
3. To support various campaign on social, community and development issue.
4. To promote SEDMFI MBA Inc. its' products and services by participating in different social and community activities.

SEDMFI MBA Inc. is committed in participating on different activities that involve in social, environmental, and community development activities such as:

1. Environmental initiatives
2. Medical Mission
3. DRR related activities
4. Social welfare related activities

SECTION 5. ROLE OF STAKEHOLDERS

The Role of Stakeholders

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

1. The rights of stakeholders that are established by law or through mutual agreements are to be respected.
2. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.
3. Performance-enhancing mechanisms for employee participation should be permitted to develop.
4. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.
5. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.

Feedback and Grievance Policy for Stakeholders

Mechanism for Redress of Grievances

1. Have a policy that requires stakeholders' complaints to be taken seriously and outlines the steps to their investigation and resolution.
2. Consider implementing a call hotline, text message system for stakeholders' complaints.
3. Staff receiving stakeholders' complaints should be trained to handle complaints, i.e. document calls and follow institutional process to resolve the issue.
4. Flow chart – develop a process that outlines who is supposed to handle what and how complaints are elevated (e.g. step-by-step processes for time frame of resolution).

CHAPTER VI. DISCLOSURE AND TRANSPARENCY

SECTION 1. DISCLOSURE AND TRANSPARENCY

The essence of good corporate governance is transparency. The Board commits at all times to meet all disclosure requirements particularly those involving material information as mandated by regulators within the prescribed period.

It is therefore essential that all material information about the association which could adversely affect its viability or the interests of the members should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate exchange mechanisms and submissions to the Commission.

CHAPTER VII. PERFORMANCE EVALUATION

SECTION 1. BOARD AND COMMITTEE PERFORMANCE EVALUATION

Under the SEC Corporate Code and as espouse in the ACGS, the Board shall conduct a performance evaluation to measure its compliance to the governance manual. It shall be based on the Company By-Laws, IC Code of Corporate Governance Principles and Leading Practices, and other criteria that the IC may prescribe.

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

The Board of Directors shall designate the General Manager and the Compliance Officer to establish an evaluation system to determine and measure compliance of the board, management and employees with this Manual.

CHAPTER VIII. POLICY REVIEW AND UPDATING

SECTION 1. GENERAL POLICY ON THE REVIEW AND UPDATING OF EXISTING POLICIES

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

SECTION 2. MONITORING AND PERFORMANCE EVALUATION

1. Variances in financial statements
2. Variances in planned policies, practices, and procedures
3. SEGURO (IC) and SEGURADO (MiMAP) indicators