

# **G**OVERNANCE **M**ANUAL

# **KCCDMFI**

KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND  
MICROFINANCE FOUNDATION, INC.

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## **A. Background**

The Board of Trustees, officers, managers, and employees of Kasanyangan Center for Community Development and Microfinance Foundation, Inc. (KCCDMFI) hereby commit themselves to the fundamental principles of sound corporate governance provided in this Manual of Corporate Governance and acknowledge that the same shall aid in the fulfillment and realization of the organization's Vision, Mission and Social, Financial and Governance, and KCCDMFI's commitment to protect its clients.

This Manual is adopted in pursuit of KCCDMFI's mission to ameliorate the living conditions of the poor, disadvantaged, marginalized, vulnerable and underprivileged individuals and their families in order to attain improved quality of life and well-being and shall formalize and institutionalize the principles of good governance in KCCDMFI.

The will to uplift the lives of the poor in Region IX by providing financial services in a sustainable manner prompted Kasanyangan Foundation, Inc. (KFI) to implement Microfinance Program following a modified Group Liability Banking System or Grameen Banking Approach (GBA). It was conceptualized by Mr. Rodolfo T. Quinday Sr., the founding General Manager after attending the Savings and Credit Training at the Center for Agriculture and Rural Development (CARD) in Tranca Bay, Laguna in August, 2001. The program started its operation on October of the same year with two hundred twenty five (225) members in West Coast Area of Zamboanga City.

The program expanded on April 16, 2002 to other areas such as Isabela, Basilan; Jolo, Sulu; Bongao, Tawi-Tawi; Tungawan, Zamboanga Sibugay; Molave, Zamboanga del Sur and Siocon, Zamboanga del Norte.

Then on December 1, 2005, the program had spin-off from its mother institution - the Kasanyangan Foundation, Inc. (KFI) and was duly registered with the Securities and Exchange Commission (SEC) as KFI Center for Community Development Foundation, Inc. (KCCDFI) under Registration No. CN200530521.

After more than three (3) years of operation using the modified Grameen Approach, it was noted that the system was not fitted for expansion because members are resigning due to "tapal" system (group liability). On the other hand, Association for Social Advancement (ASA) is an individual liability where "tapal" system is not allowed. Moreover, ASA is cost effective due to its standardized operation. Hence, management decided to adopt the latter methodology.

### **OUR VISION:**

A leading, sustainable and reliable partner of empowered organized poor communities in the Philippines.

### **OUR MISSION:**

In partnership with allied institutions, KCCDMFI will continuously provide responsive and competitive microfinance products and services for the empowerment of its partner-organized communities.

## **CORE VALUES:**

### **COMPASSION**

*The heart and soul of KCCDMFI is compassion for the poor. This means having sympathy for the hard life of poor people; sharing their fears and hopes; and devoted to alleviate their condition. It also means recognizing their God-given dignity and rights and having faith in their capacity to improve their lives with the right resources and opportunities.*

### **SERVICE**

*The purpose of KCCDMFI is to serve the poor, predominantly women headed households, low levels of formal education and burdened with care for their family. Staff should acquire and put to practice the knowledge, skills; and attitudes of social workers in dealing with them as unique individuals with their own life history and capacities. Staff should know them not just as clients and customers, but as partners working to improve their livelihood and living conditions.*

### **EXCELLENCE**

*We strive to be the best banker for the poor by providing them the most appropriate loans and services that can mobilize fully the assets of the poor households such as the skills, social network, savings, access to land and natural resources, ambition to feed their family, build decent housing and send their children to school for a better future. We are always looking for ways and means to improve our products and services thru continuing education, research, study, mentorship and training of staff and clients. We aim to employ the best and the brightest staff, provide good compensation and benefits and build up leaders in the community.*

### **HONESTY**

*Honesty is the best policy at all levels of the organization. Honesty is being truthful and fair in all dealings within the organization, with clients, stakeholders and government. We practice zero fraud by any staff. Fraud destroys the job and life of erring staff; destroys the organization and harms the poor we aim to serve.*

### **TEAMWORK**

*Each and everyone in the organization has a role to play and contribute to its success or failure. We achieve our goals by working together as a team. Teamwork makes the dream work.*

### **BALANCE OF WORK AND LIFE**

*KCCDMFI supports a proper balance between work and life of staff and clients. We make sure that daily and weekly working hours are reasonable to provide time for rest and home life. We should learn to*

*work smart and not hard. Work should not just be a means to earn income, but must be fulfilling and fun.*

## **B. Definition of Terms**

1. **Corporate Governance** - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

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

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

2. **Board of Trustees** - the governing body elected by the members who is primarily responsible for the governance of the organization.
3. **Management** - a group of executives given the authority by the Board of Trustees to implement the policies it has laid down in the conduct of the activities of the organization.
4. **Executive Trustee** - a trustee who has executive responsibility of day-to-day operations of a part or the whole of the organization.
5. **Non-executive trustees** - a trustee who has no executive responsibility and does not perform any work related to the operations of the organization.
6. **Stakeholders** - any individual, organization or society at large who can either affect and/or be affected by the organization's strategies, policies, business decisions and operations, in general. This includes, among others, clients, creditors, employees, investors, as well as the government and community in which it operates.
7. **Client** - any borrower or saver of a Microfinance NGO.
8. **Members** - are composed of the incorporators and trustees, appearing as signatories in the Articles of Incorporation, and those subsequently accepted into the organization as members by a majority vote of the Board of Trustees, in accordance with the organization's By-Laws, and subject to the qualifications and disqualifications therein, provided that the same shall be limited to those in good standing, according to the organization's policy thereon.
9. **Member-client** - Any member of the Microfinance NGO who is also a client thereof.

## **C. Board of Trustees**

Compliance with the principles of good governance shall start with the Board of Trustees (the “Board”). The Board is primarily responsible for the governance of KCCDFMI. Corollary to setting the policies for the accomplishment of the organization’s objectives, it shall provide an independent check on management.

It shall be the Board’s responsibility to foster long-term success of the organization and sustainability in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the organization, its members and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

### **C.1. Board Composition**

The Board shall be composed of seven (7) trustees who shall be elected by the members at a regular or special meeting in accordance with the By-Laws of the Company. Majority of the members shall be non-executive trustees and at least one (1) of the Board shall be a member-client who possess the necessary qualifications and none of the disqualifications.

The Board shall have the appropriate mix of competence, expertise and concern for the poor and the marginalized to enable it to fulfill its roles, responsibilities and social advocacies and respond to the needs of the organization based on its stated purpose or mission. It shall have a collective working knowledge, experience or expertise that is relevant to the Organization and its Vision, Mission and Social, Financial and Governance Goals.

In identifying, screening and evaluating nominees to the Board of Trustees through the Governance Committee, the organization shall not discriminate on the basis of gender, race, ethnicity, religion, age or disability but will seek to promote diversity and balance in skills and experience in the Board. A diverse Board will strengthen KCCDMFI governance integrity and competence in carrying out its duties and responsibilities.

The Board shall be headed by a competent and qualified Chairperson who shall be separate from the President.

### **C.2. Qualifications**

Every qualified Trustee must be a member of the MF NGO and elected by the members in a general assembly. The following are the qualifications of a Trustee:

- a. Shall be at least twenty-five (25) years of age at the time of his appointment;
- b. Possesses college education or the skills needed to effectively carry out his function as a Trustee;
- c. Possesses the necessary integrity, skills, competence and experience, in terms of management capabilities preferably in the field of microfinance or related disciplines.
- d. Possesses strong adherence to legal and moral principles, and a person of good moral character and of good standing in the community
- e. Must have attended a special seminar on corporate governance conducted by a training provider accredited by the Microfinance NGO Regulatory Council (MNRC).
- f. Must not have been convicted by final judgement of an offense punishable by imprisonment for a period exceeding six (6) years or of any crime involving moral turpitude.
- g. Must be a member of KCCDMFI in good standing.
- h. In the case of member-client, he/she must be a client of KCCDMFI for at least three (3) consecutive years and has good standing.
- i. Must share the vision, mission, purpose and core values of KCCDMFI.
- j. Other qualifications as the Microfinance NGO Regulatory Council may provide.

The Nomination Committee may consider and recommend to the Board such other qualifications which are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

### **C.3. Disqualifications**

The following are grounds for the disqualification of a trustee:

#### **C.3.1. Permanent Disqualifications**

- a. Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- b. Any person who has been adjudged by final judgement or order of the MNRC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the MNRC or competent administrative body;

- c. Any person judicially declared as insolvent;
  - d. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;
  - e. Conviction by final judgement of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and
  - f. Immoral behaviour, disregard of conflict of interest policy, disloyalty
  - g. Other grounds as the MNRC may provide.
- C.3.2. Temporary Disqualifications
- a. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;
  - b. Dismissal or termination for cause as trustee of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
  - c. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final; and
  - d. Other grounds as the MNRC may provide.



#### **C.4. Election**

The Board of Trustees shall be elected by the General Assembly. Elections are held annually during the Annual Meeting of Members.

#### **C.5. Terms and Term Limits**

Trustees can serve a maximum of nine (9) cumulative years from the date of first appointment, which shall be without prejudice to the provision on term and election of trustees in KCCDMFI's By-Laws. After serving for the abovementioned maximum period, a minimum cooling-off period of one (1) year shall be required before a Trustee can be re-elected.

Service in the Board for a long duration may impair a trustee's ability to act independently and objectively. Hence, after serving continuously for nine (9) years, the trustee shall have a cooling-off period to distance himself/herself from the organization and to prevent an entrenched Board.

The Trustees' terms of office shall be staggered. For the initial set of Trustees, one-third (1/3) of those garnering the highest number of votes shall hold office for three (3) years, the next one-third (1/3) having the second highest number of votes shall hold office for two (2) years, and the last one-third (1/3) of the Trustees having the least number of votes shall hold office for one (1) year. Elections shall be held annually to fill up the resulting vacancies. Except for the aforesaid initial set of Trustees, succeeding Trustees shall hold office for three (3) years.

#### **C.6. Removal of a Trustee**

Any Trustee of the corporation may be removed from office by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at the regular meeting of the corporation or at a special meeting called for that purpose, and in either case, after previous notice to members of the corporation of the intention to propose such removal at the meeting. A special meeting of the members of a corporation for the purpose of removal of Trustees, or any of them, must be called by the Secretary on order of the President or on the written demand of a majority of the members entitled to vote.

In case of cessation of any Trustee except for removal by the members or by expiration of term, the vacancies may be filled by the vote of at least a majority of the remaining Trustees, if still constituting a quorum; otherwise, said vacancies must be filled by the members in a regular or special meeting called for that purpose.

Trustees appointed by the Board to fill vacancies occurring before the expiration of a particular term shall hold office until the next election.

Trustees elected by members in a special meeting called for that purpose shall hold office only for the unexpired portion.

### **C.7. Fees and Compensation**

No fees or any form of compensation shall be given to any Trustee during their term other than reasonable per diem.

### **C.8. Roles and Responsibilities**

The Board of Trustees shall conduct itself on a fully informed basis, in good faith, with due diligence and care, and in the best interest of KCCDMFI and all its members and other stakeholders. A Trustees' office is one of trust and confidence. He/she shall act in a manner characterized by transparency, accountability, integrity, and fairness.

To ensure a high standard of best practice for KCCDMFI and its stakeholders, the Board shall have the following duties and functions:

- a. Oversee the development of and approve KCCDMFI's Vision, Mission, Social and Financial, and Governance Goals (VMSFGG), focusing on low income and marginalized sectors as target clientele.
- b. Review the VMSFGG and monitor the implementation of the goals, in order to sustain the organization's long-term viability.
- c. Review and adopt a strategic plan for KCCDMFI.
- d. Articulate a corporate culture and ensure that it is lived.
- e. Set a high moral tone and deep social responsibility.
- f. Ensure compliance with all applicable laws and their mechanisms, such as the Magna Cara for Women and all environmental laws.
- g. Oversee the conduct of the MF NGO's business to ensure that the business is being properly managed and dealings with borrowers, claimants and creditors are fair and equitable.
- h. Identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the financial and operational risks of the company.
- i. Establish and oversee the MF NGO's enterprise-wide risk management system.
- j. Review and approve business plans and set up a mechanism for performance monitoring and evaluation.
- k. Approve corporate policies in core areas of operations, specifically lending, collection and capital build-up and claims management.
- l. Attend at least 50% of Board meetings and in all annual/special membership meetings.
- m. Ensure and adopt an effective succession planning program for trustees and management to ensure KCCDMFI's sustainability and continued assistance to its chosen sector/community.
- n. Review the adequacy and the integrity of the company's internal control system and management information systems including systems for

- compliance with the Microfinance NGOS Act and other applicable laws, regulations, rules, directives and guidelines.
- o. Set-up rules/guidelines in case of cessation of any trustee from the Board.
  - p. Align the remuneration of management with the nature, objectives and long term interests of KCCDMFI.
  - q. Approve the selection and assessment of Key Management Officers.
  - r. Review and approve material transactions not in KCCDMFI regular course of business.
  - s. Establish a system of check and balance which applies to the Board and its members.
  - t. Have an appropriate system so that the Board can monitor, assess and control the performance of Management.
  - u. Present to all its members a balanced and understandable assessment of the MF NGO's performance and financial condition.
  - v. Evaluate the performance of the President.
  - w. Oversee that an appropriate internal control system is in place, including setting up a policy and mechanism for monitoring and managing potential conflicts of interest in situations and transactions of management, Board of Trustees and members;
  - x. Oversee that a sound risk management framework is in place to effectively identify, monitor, assess and manage key risks; and
  - y. Attend an orientation program for first-time trustees and relevant annual continuing training for all trustees and key officers.

### **C.9. Board Charter**

The Board shall have a written Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties, particularly in relation to social, financial and governance goals. The Board Charter should serve as a guide to the trustees in the performance of their functions and should be publicly available and posted on the Organization's website or the website of the alliance/association to which it belongs.

## **D. Board Operations**

### **D.1. Board Committees**

The Board of Trustees shall form Board Committees to aid in ensuring compliance with the principles of good corporate governance. The members of such Committees shall be appointed by the Board of Trustees annually.

#### **a. Governance Committee**

1. Composition - The Governance Committee shall be composed of at least three members and shall assist the Board in the performance of its good governance responsibilities, including the functions of a Nomination and Remuneration Committee. It is provided technical support by the organization's Compliance Officer.

2. Duties and Responsibilities - The Governance Committee is tasked with ensuring compliance with and proper observance of good governance principles and practices. It has the following duties and functions, among others:
  - Oversees the implementation of the governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of KCCDMFI's VMSFGG, as well as the regulatory environment.
  - Oversees the periodic performance evaluation of the Board, its committees, and management, and conducts an annual self-evaluation of its performance.
  - Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas of improvement.
  - Recommends continuing education/training programs for trustees, assignment of tasks/projects to board committees, succession plan for the board members and management, and remuneration packages for management.
  - Adopts good governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance.
  - Determines the nomination and election process for the KCCDMFI's trustees and has the special duty of defining the general profile of board members that KCCDMFI may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board. Regularly review nomination and election procedures.
  - Approves the Whistleblower System prepared by management.
  - Establishes a formal and transparent procedure to develop a policy for determining the remuneration of management that is consistent with KCCDMFI's culture and strategy as well as its vision, mission and goals.
3. Charter - The Governance Committee shall have a written charter stating in plain terms its authority, functions, memberships, structures, reporting processes, resources and other relevant information. The Charter shall provide the standards for evaluating the performance of the Committee. The Charter should serve as a guide to the members of the Committee in the performance of their functions and should be

publicly available and posted on the Organization's website or the website of the alliance/association to which it belongs.

## **b. Audit Committee**

1. **Composition** - The Audit committee shall be composed of at least three appropriately non-executive trustees, at least one of whom should have relevant background on social welfare and at least another one should have relevant background, knowledge, skills, and/or expertise in the areas of accounting, auditing and finance.
2. **Duties and Responsibilities** - The Audit Committee is responsible for overseeing management and in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It is provided support by the KCCDMFI's Internal Audit Unit.

The Audit Committee has the following duties and responsibilities:

- Monitors and evaluates the adequacy and effectiveness of KCCDMFI's internal control systems, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the organization's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the organization's financial data, (d) ensure compliance with applicable laws and regulations, and (e) ensure compliance with social, financial, and governance standards.
- Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures proper coordination if more than one audit is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and the organization's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his/her duties as an External Auditor or may pose a threat to his/her independence.
- Reviews and approves the Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices

- Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- Reviews the disposition of the recommendations in the External Auditor's management letter.
  - Performs oversight functions over the organization's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
  - Coordinates, monitors and facilitates compliance with laws, rules, and regulations.
  - Recommends to the Board the appointment, reappointment, removal of fees of the External Auditor, duly accredited by the Commission. The latter undertakes an independent audit of the organization, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to stakeholders.
  - Meets with the Board at least every quarter without the presence of management.
3. Charter - the Audit Committee shall have a written charter stating in plain terms its authority, functions, memberships, structures, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committee. The Charter should serve as a guide to the members of the Committee in the performance of their functions and should be publicly available and posted on the Organization's website or the website of the alliance/association to which it belongs.

**c. Finance and Risk Committee**

1. Composition - The Finance and Risk Committee shall be composed of at least three (3) members, one of whom should have relevant knowledge and experience in finance and another one with relevant knowledge and experience in risk management. KCCDMFI's Risk Officer will provide the Finance and Risk Committee with technical support.
2. Duties and Responsibilities - The Finance and Risk Committee is tasked with the review of KCCDMFI's financial affairs and the determination and management of risk. It has the following duties and responsibilities, among others:

- Reviews and recommends to the Board the annual budget and business plan proposed by the President.
  - Authorizes investment policy.
  - Authorizes acceptable accounting and disbursement procedures for all funds under the jurisdiction of KCCDMFI.
  - Develops, implements and evaluates a risk management plan that would ensure proper determination, assessment and management of any relevant risks to KCCDMFI.
  - Advises the Board on its risk appetite levels and risk tolerance limits.
  - Reviews at least annually the organization's risk appetite levels and risk tolerance limits based on changes and developments in the microfinance sector, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have a major impact on KCCDMFI.
  - Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence.
  - Provides oversight over Management's activities in managing credit, operational, legal and other risk exposures of the organization. This function includes regularly receiving information on the risk exposures and risk management activities from Management.
  - Approves the Business Continuity Plan prepared by Management.
  - Reports to the Board on a regular basis, or as deemed necessary, the organization's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.
3. Charter - The Finance and Risk Committee shall have a written charter stating in plain terms its authority, functions, memberships, structures, reporting processes, resources and other relevant information. The Charter shall provide the standards for evaluating the performance of the Committee. The Charter should serve as a guide to the members of the Committee in the performance of their functions and should be publicly available and posted on the Organization's website or the website of the alliance/association to which it belongs.

## D.2. Officers

Immediately after the election of Trustees, they must formally organize to elect officers of the Board and corporate officers, who shall handle the day-to-day operations of the organization and carry out the policies set by the Board.

The Board officers shall be a Chairperson and Vice-Chairperson, while the corporate officers are the President, Treasurer and Corporate Secretary.

### a. Chairperson

The Chairperson shall preside in all meetings of the members and at all meetings of the Board, at which he/she shall be present. He/She shall inform the Board of Trustees and the members of the KCCDMFI on all matters of interest to them and shall have all such other powers and duties as the Board of Trustees may prescribe from time to time. He/She shall render a report to the members on the operations of the KCCDMFI during the annual meeting of members. The Chairperson will have the following roles and responsibilities:

- Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Microfinance NGO, considering the developments in the industry and regulatory environments, key social, financial and governance concerns, and contentious issues that will significantly affect operations;
- Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions
- Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual trustees
- Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- Assures the availability of proper orientation for first-time trustees, governance training and continuing training opportunities for all trustees and key officers; and
- Makes sure that performance of the Board is evaluated at least once a year and discussed/ followed up on.

### b. Vice-Chairperson

The Vice-Chairperson, if qualified, shall exercise all powers and perform all duties of the Vice-Chairperson during the absence or incapacity of the latter and shall perform duties that may be assigned by the Board of Trustees.

### c. President



The President is the Chief Executive Officer of KCCDMFI. The President is appointed by the Board of Trustees. He/she shall be subject to the supervision of the Board of Trustees and shall have the general care and supervision of the business and affairs of the MF NGO. Unless otherwise determined by the Board of Trustees and subject to such limitations or guidelines which the Board of Trustees may issue from time to time, the President shall have full power and authority to vote, on behalf of the association, in person or by proxy at any meeting of any institution in which the MF NGO is represented. He/she shall likewise have other duties and powers as the Board of Trustees may fix by resolution.

He/she shall represent the association in and execute all contracts and agreements entered into for and in behalf of the association, by authority of the Board of Trustees, expressed in a general or special resolution.

Subject to prior authority of the Board of Trustees, he/she shall countersign all checks, drafts, notes and orders for the payment of money against the funds of the MF NGO. The Board of Trustees may authorize other officers of the association to perform these duties of the President.

d. Corporate Secretary

The Board shall be assisted in their duties by a Corporate Secretary, who shall annually attend relevant trainings, including those on good governance.

The Corporate Secretary is primarily responsible to KCCDMFI and not to its Chairman or President. He/She has the following duties and responsibilities.

- Assists the Board and the Board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual Board calendar, and assisting the Chair of the Board and Committees in setting the agenda for their meetings.
- Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the organization;
- Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Microfinance NGO, and advises the Board and the Chairman on all relevant issues as they arise;
- Works fairly and objectively with the Board, Management and members and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including members;
- Advises the Board on the establishment of Board committees and their terms of reference
- Notifies members of the Board of meetings, in accordance with the By-Laws, informs them of the agenda of their meetings at least five (5)

working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

- Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- Performs required administrative functions;
- Ensures compliance with the By-Laws;
- Performs such other duties and responsibilities as may be provided by the SEC and Microfinance NGO Regulatory Council (MNRC); and
- Performs the above duties in a timely manner.

e. Treasurer

The Treasurer shall have 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 amount as may be fixed by the Board of Trustees.

f. Compliance Officer

The Board shall be assisted in its duties by a Compliance Officer, who shall annually attend relevant trainings, including those on good governance.

The Compliance Officer is a member of the Organization's management team in charge of compliance function. Similar to the Corporate Secretary, he/she is primarily liable to the Organization and not to its Chairman or President/General Manager/Executive Director.

He/she has, among others, the following duties and responsibilities:

- Ensures proper on-boarding of new trustees and key officers (i.e., orientation on the Organization's Vision, Mission and Social, Financial and Governance Goals, Charter, Articles of Incorporation and By-Laws, among others);
- Monitors, reviews, evaluates and ensures the compliance by the Organization, its officers and trustees with the relevant laws, this Code, rules and regulations including established social and financial performance standards and all governance issuances of regulatory agencies;
- Reports violations to the Board and recommends the imposition of appropriate disciplinary action;

- Ensures the integrity and accuracy of all documentary submissions to regulators;
- Appears before the SEC or MNRC when summoned in relation to compliance with regulatory requirements;
- Identifies possible areas of compliance issues and works towards the resolution of the same;
- Ensures the attendance of Board members and key officers to relevant trainings; and
- Performs such other duties and responsibilities as may be provided by the SEC and MNRC.

### **D.3. Board Meetings**

To show full commitment to the organization, Trustees shall attend and actively participate in all Board, Committee and Annual/Special Membership meetings in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission and the organization's By-Laws, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, trustees shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

The absence of a trustee in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

Board meetings shall be held at least once every quarter. If necessary, special meetings may be called as the need arises.

Notices - Notices of the time and place shall be given either personally, through email or by special delivery mail, at least two (2) weeks before the date set.

Meeting Agenda - The Chairperson, in consultation with the President, shall prepare an agenda. The agenda folder will be sent to the rest of the Board at least one (1) week before the date of the meeting. Agenda items shall consist of committee reports, updates on programs and other relevant matters.

Quorum - A quorum shall consist of presence of majority (50% + 1) of Board members.

Meeting Process - The Chairperson shall preside over the meeting. Actions that need board decision shall be decided by majority vote of those present.

Board Minutes - The Minutes shall be attested by the Corporate Secretary and certified by the Chairperson. It shall be sent to the Board members five (5) calendar days before the meeting. Key agreements from the meeting will be sent to Board members five (5) calendar days after the meeting. Minutes shall be compiled in a single folder by the Corporate Secretary and kept in a secure place for easy retrieval.

The Board shall develop protocols to ensure the orderly, smooth, and efficient conduct of meetings.

### **D.4. Reports to the Board**

Quarterly reports, including financial, operations and program highlights, shall be submitted to the Board, including reports from the committees.

## **E. Board Development, Evaluation and Assessment**

### **E.1. Development and Training**

At the start of each term, the board shall have a Board Continuing Learning Program to orient new members on the operations of the Board. The Learning Program aims to refresh existing members and to train new board members with KCCDMFI's social, financial and governance goals. It is also a venue to strengthen relationships among the board members and the management, develops a clear understanding of the roles and responsibilities of the board and management, and discuss succession plan for Board and management.

### **E.2. Evaluation and Assessment**

The Board shall conduct a yearly self-evaluation and assessment to review how well they meet their governance responsibilities in order to ensure that KCCDMFI is well-run, sustainable, and true to its mission. The self-assessment shall be conducted before the annual meeting of members. All incumbent Board members will answer a self-assessment tool (see Annex 1).

Results of the self-assessments will be consolidated and discussed by the Board in a subsequent regular meeting. The Board will then conduct an annual assessment of the Board as a whole using the same tool, together with an assessment of the Board committees.

The Board, as a collegial body, will evaluate the performance of the President based on targets, competence, and behavior.

## **F. Members**

### **F.1. Definition of Members**

Members are individual persons who are responsible for the long-term corporate life of KCCDMFI. Membership with KCCDMFI shall be composed of the following, who must be in good standing:

- Incorporators and members of the Board of Trustees appearing in the Articles of Incorporation;
- Those subsequently accepted into the organization as members by a majority vote of the Board of Trustees.

### **F.2. Qualifications**

The Board shall determine the qualifications of an applicant for membership which are as follows:

- a. Shall be at least twenty-five (25) years of age;
- b. Possesses college education or the skills needed to effectively carry out his function as a member;
- c. Possesses the necessary integrity, skills, competence and experience, in terms of management capabilities preferably in the field of microfinance or related disciplines.
- d. Possesses strong adherence to legal and moral principles, and a person of good moral character and of good standing in the community.
- e. Must have attended a special seminar on corporate governance conducted by a training provider accredited by the Microfinance NGO Regulatory Council.
- f. Must share the vision, mission, purpose and core values of KCCDMFI.

### **F.3. Membership Selection**

The Board shall initiate the selection of members of the MF NGO based on the qualifications stated in F.2. KCCDMFI shall have a maximum of twenty-five (25) members.

To maintain membership in the association, the member should be in good standing by attendance in annual and special meetings and payment of annual dues.

### **F.4. Disqualifications**

The following are grounds for the disqualification of a member:

#### **F.4.1. Permanent Disqualifications**

- a. Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- b. Any person who has been adjudged by final judgement or order of the MNRC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the MNRC or competent administrative body;
- c. Any person judicially declared as insolvent;
- d. Any person found guilty with final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;

- e. Conviction by final judgement of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment;
- f. Immoral behaviour, disregard of conflict of interest policy, disloyalty
- g. Other grounds as the MNRC may provide.

#### **F.4.2. Temporary Disqualifications**

- a. Absence in two (2) consecutive general members' meeting meetings unless the absence is due to illness, death in the immediate family or serious accident.
- b. Dismissal or termination for cause as trustee of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- c. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final; and
- d. Other grounds as the MNRC may provide.

### **F.5. Members' Rights and Cultivating a Synergic Relationship with Members**

The Board is responsible for fostering a synergic relationship with and among its members.

All members should be treated fairly and equitably by recognizing and facilitating the exercise of their rights. The organization shall establish a policy setting a criteria for membership good standing.

The organization shall consistently and uniformly apply its policies and procedures in processing its members' applications and ensures that they are well informed or oriented of the organization's policies, programs and procedures as well as their basic rights, as follows:

- a. Attendance and participation in all deliberations, Annual and Special Members' Meetings
- b. Nominate Members to the Board
- c. Vote on all matters relating to the affairs of KCCDMFI;
- d. Use facilities of KCCDMFI;
- e. Examine all the records or books of KCCDMFI during business hours, provided that prior written notice of at least (3) three days is given to the Corporate Secretary;
- f. Availment of Alternative Dispute Mechanism

Where members' rights and/or interests are at stake, members shall have an opportunity to obtain prompt redress for the violation of their rights.

### **F.6. Duties and Responsibilities**

All members are encouraged to attend KCCDMFI's annual and special members' meeting. The annual meeting of members will be conducted every March 15 of each year. A Notice of Members' Meeting shall be sent with sufficient and relevant information at least twenty-one (21) calendar days before the meeting.

To comply with the by-laws, rules and regulations of the organization and those that may subsequently be promulgated by the organization from time to time;

To pay membership dues and other assessments of the organization, if any.

#### **F.7. Disclosure of Results of Member Meetings**

The Board shall make available the Minutes of Annual and Special Members Meetings to all its members within ten (10) business days from the date of the meeting by posting it on the KCCDMFI's website.

#### **F.8. Alternative Dispute Mechanism**

The Board shall make available, at the option of the Member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

### **G. Stakeholders**

#### **G.1. Definition of Stakeholders**

Individuals and/or organization other than clients that contribute to the fulfillment of the vision and mission of KCCDMFI such as wholesalers, local government units (LGUs), suppliers, and private companies, non-government organizations, associations, and affiliates that are partners of the organization.

#### **G.2. Fair Treatment, Respect and Protection of Stakeholders**

Stakeholders should be respected by recognizing their rights as established by law, contractual relations and through the voluntary commitment of the organization.

Where stakeholders' rights and/or interests are at stake, they shall have an opportunity to obtain prompt redress for the violation of their rights. An office or officer, depending on the size and complexity of the organization, shall be designated to allow its stakeholders to communicate with the organization and obtain redress for the violation of their rights.

#### **G.3. Transparency and Redress**

KCCDMFI shall disclose its policies, programs and procedures as well as their voluntary commitments to its external stakeholders. Where stakeholders' rights and/or interests are at stake, they shall have an opportunity to obtain



prompt redress for the violation of their rights. The Chairperson or officer of KCCDMFI shall be designated to receive and obtain redress for the violation of their rights.

#### **G.4. Stakeholder Participation**

KCCDMFI's stakeholders are encouraged to take part in the realization of the organization's goals through partnerships to create a symbiotic environment within the community where KCCDMFI operates.

### **H. Code of Conduct and Ethics**

The Board shall adopt a Code of Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The

Organization believes that having a Code of Conduct and Ethics which formalizes ethical values is an important tool to instill an ethical culture that pervades throughout the Organization.

The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Conduct and Ethics and internal policies through proper dissemination of the same to the Board, management and all employees. The Code of Conduct and Ethics shall also be disclosed and made available to the public through the website of the organization or of the alliance/association to which it belongs.

The Board adopts the following Code of Conduct and Ethics:

#### **H.1. Integrity**

All Trustees, management, employees, volunteers, and members of KCCDMFI shall act with honesty, integrity, and openness in all of their dealings as representatives of KCCDMFI. KCCDMFI shall maintain a working environment that values integrity, fairness, and respect.

#### **H.2. Governance**

The Board of Trustees is responsible for setting the mission and the strategic direction of KCCDMFI and for exercising oversight of its finances and policies. The Board of Trustees shall:

- Ensure that Board members possess the requisite skills and experience to carry out their duties and that all Trustees understand and fulfill their governance duties, acting for the benefit of and its public purpose;

- Adopt and implement a Conflict of Interest Policy so that conflicts of interest, as well as the appearance of conflicts of interest, are avoided or properly managed through disclosure, recusal, or other means;
- Be responsible for the hiring and regular performance review of the President, and ensure that the compensation of the President is reasonable and appropriate;
- Ensure that the President and appropriate staff provide the Board of Trustees with timely and comprehensive information so that it can effectively carry out its duties;
- Ensure that KCCDMFI conducts all transactions and dealings with integrity and honesty;
- Ensure that KCCDMFI promotes working relationships with Board members, staff, and volunteers based on mutual respect, fairness, and openness;
- Ensure that KCCDMFI is fair and inclusive in its hiring and promotion policies and practices for all Board, staff, and volunteer positions;
- Ensure that key policies of KCCDMFI are in writing, clearly articulated, and adopted;
- Ensure that the resources of KCCDMFI are responsibly and prudently managed;
- Ensure that KCCDMFI has the capacity to carry out its programs effectively.

### **H.3. Law and Ethics**

KCCDMFI shall comply with all applicable national and local laws and regulations and shall seek the advice of counsel when necessary or appropriate. Compliance with the law, however, is the minimum standard of expected behavior. KCCDMFI shall also adhere to the highest ethical standards. All resolutions and other legal actions by the Board of Trustees shall satisfy two requirements: (1) they shall be legally permissible, and (2) they shall also reflect the highest ethical standards as determined by the Board of Trustees in the exercise of its sole discretion.

### **H.4. Stewardship**

In managing its funds responsibly and prudently, KCCDMFI shall:

- Incur administrative costs adequate to ensure effective accounting and legal compliance systems, internal controls, competent staff, and other expenditures critical to professional management;

- Pay compensation, in return for services, that is reasonable but not excessive;
- Avoid accumulating KCCDMFI funds excessively;
- Draw prudently from restricted funds in a manner consistent with the restrictions;
- Follow spending practices and policies that are fair, reasonable, and appropriate to fulfill the mission of KCCDMFI.

## **H.5. Diversity**

KCCDMFI shall promote diversity and inclusiveness in its Board of Trustees, staff, and volunteers including social consciousness and gender diversity.

## **H.6. Evaluation**

KCCDMFI is committed to improve, continually, its public programs and its organizational quality. The organization shall periodically review its program and incorporate lessons learned into future programs. KCCDMFI shall be responsive to new developments in its field of activity and shall be responsive to the interests of its audiences and other constituencies. KCCDMFI shall develop and implement a three-tier evaluation procedure whereby the performance of the Board of Trustees as a whole, each Board committee, and each Trustee is evaluated periodically.

## **H.7. Fundraising**

KCCDMFI shall comply with applicable fundraising requirements. KCCDMFI shall respect the privacy concerns of individual donors and shall follow donor intent in making expenditures. KCCDMFI shall disclose important and relevant information to potential donors. In raising funds from the public, KCCDMFI shall:

- Inform donors of the mission of KCCDMFI, how resources will be used, and the integrity of KCCDMFI causing donations to be used effectively for their intended purposes;
- Inform donors of the identity of those serving on KCCDMFI's Board;
- Disclose KCCDMFI's most recent financial reports;
- Represent that contributions will be used for the purposes for which they were given;
- Provide appropriate acknowledgement and recognition of contributions;

- Treat information about donations with respect and with confidentiality to the extent provided by the law;
- Provide an opportunity for donors to delete their names from mailing lists that may be used by others;
- Encourage donors to ask questions when making a donation, and provide prompt, truthful, and forthright answers.

## **H.8. Transparency**

KCCDMFI shall provide comprehensive and timely information to the public, the media, and all stakeholders and shall be responsive in a timely manner to reasonable requests for information. All information about KCCDMFI shall fully and honestly reflect the policies and practices of KCCDMFI. All solicitation materials shall accurately represent KCCDMFI's policies and practices. All financial and program reports shall be complete and accurate in all material aspects.

## **H.9. Confidentiality**

All Trustees, officers, employees, volunteers and members have a duty to safeguard information that is proprietary to KCCDMFI. Information about KCCDMFI that is confidential or proprietary and obtained by a Trustee, officer, employee, volunteer and member as a consequence of such person's association with KCCDMFI may not be disclosed to third parties unless expressly authorized by KCCDMFI.

## **H.10. Complaints**

Any person, whether or not connected with KCCDMFI, may lodge a complaint of unethical conduct against a Trustee, officer, employee, or volunteer of KCCDMFI by filing such complaint, written or oral, with any Trustee or officer.

## **H.11. Remedies**

Any Trustee who fails to comply with this Code of Ethics may, in the discretion of the Board of Trustees, be removed from the Board. If any employee or volunteer fails to comply with this Code of Ethics, that person may be put on notice or terminated, in the discretion of the President or the Board of Trustees.

## **H.12. Affirmation Statement**

KCCDMFI shall provide a copy of this Code of Ethics to every Trustee, officer, employee, members, and volunteers. An Affirmation Statement (see Annex 2) shall be signed by each Trustee, officer, and employee, and member affirming

that such person has received a copy of this Code of Ethics, has read and understands it, and agrees to comply with it.

## **I. Disclosure and Transparency**

The Board is responsible for establishing disclosure policies and procedures that are practical and consistent with the best practices and regulatory requirements.

### **I.1. Disclosure Policies**

The organization shall adopt these disclosure policies:

#### **I.1.1. Systematic**

All documents, reports, information or disclosures processed by the organization shall be done in a systematic manner in accordance with the procedures set by the management and approved by the Board.

#### **I.1.2. Comprehensive, Accurate, Reliable and Timely**

The procedures adopted by the company shall ensure that the documents, reports, information or disclosures are comprehensive, accurate, reliable and timely disclosed. The procedures and standards for reporting should ensure that the preparation and presentation of financial and non-financial information are free from material misstatements.

#### **I.1.3. Complete**

This Manual shall be the primary reference document of all the governance policies adopted by the organization and shall be timely updated should there be any changes in any of its governance policies, programs and procedures.

All receipts of donations, grants, contributions to the organization as well as the loans granted to the management on behalf of the organization and the disbursement and/or investment of donations, grants contributions and loans made shall be accurately, efficiently and timely accounted for and fully disclosed to all its members and other stakeholders.

All relevant and material financial and non-financial information relating to its partners, donors, individual members or clients, staff or volunteers, members of the Board and key officers shall likewise be fully and timely disclosed and evaluated through procedures set by the management and approved by the Board.

Any actual or potential conflict of interest shall likewise be dealt with in accordance with the procedures set by the management and approved by the Board.

#### **I.1.4. Disseminated**

The Board shall ensure that all the material and reportable information of the organization are disclosed.

This Manual and the organization's Financial Reports required by the rules and standards shall be submitted to its regulators and shall be made available to its stakeholders through the organization's website, social media or in the website of the alliance/association to which it belongs, if any, and in the business address of the organization.

The periodic non-financial information such as the Microenterprise Development Programs and Services of the organization, updates, advisories as well as the information on the management of economic, environmental, social and governance (EESG) issues of its operations, which underpin sustainability shall be disclosed to its stakeholders through the organization's website, social media or in the website of the alliance/association to which it belongs, if any, and post it in its place of operation or where its clients are located.

## **J. Internal Control System and Risk Management System**

The Board is responsible for strengthening an effective and adequate internal control system and risk management framework of the organization.

### **J.1. The Internal Control System**

The organization shall adopt an appropriate internal control system, including a policy and mechanism for monitoring and managing potential conflicts of internal situation and transactions involving:

- (1) Management;
- (2) Board of Trustees; and
- (3) Members.

#### **J.1.1. Internal Audit**

The Microfinance NGO should have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Microfinance NGO's operation.

The internal audit shall have the following functions:

1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
2. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
3. Performs consulting and advisory services related to governance and control as appropriate for the organization;

4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
6. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
7. Evaluates specific operations at the request of the Board or Management, as appropriate; and
8. Monitors and evaluates governance processes.

A company's internal audit activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

### **J.1.2. The Risk Management Framework**

KCCDMFI shall have a separate risk management function to identify, assess and monitor key risk exposures. The organization shall adopt the following risk management framework:

- a. Risk Identification
  - Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the Microfinance NGO's strategic objectives;
- b. Risk Assessment
  - Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;
- c. Risk Management
  - Establishing a risk register with clearly defined, prioritized and residual risks;
  - Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy; and
  - Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee
- d. Risk Monitoring
  - Monitoring and evaluating the effectiveness of the organization's risk management processes.

## **K. Conflict of Interest Policy**

### **K.1. Purpose**

The purpose of the conflict of interest policy is to protect the interests of KCCDMFI when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Trustee, member, or employee of KCCDMFI or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable government laws governing conflict of interest applicable to nonprofit and charitable organizations.

### **K.2. Definitions**

1. **Interested Person:** Any Trustee, principal officer, or member of a committee with governing board delegated powers, and employees who has a direct or indirect financial interest, as defined below, is an interested person.
2. **Financial Interest:** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
  - a. An ownership or investment interest in any entity with which KCCDMFI has a transaction or arrangement, or
  - b. A compensation arrangement with KCCDMFI with any entity or individual with which KCCDMFI has a transaction or arrangement, or
  - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which KCCDMFI is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under J.2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

### **K.3. Procedures**

1. **Duty to Disclose:** In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the trustees and members of committees with governing board delegated powers considering the proposed transaction or arrangement.



2. Determining Whether a Conflict of Interest Exists: After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.
3. Procedures for Addressing the Conflict of Interest:
  - a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
  - b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
  - c. After exercising due diligence, the governing board or committee shall determine whether KCCDMFI can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
  - d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested trustees whether the transaction or arrangement is in KCCDMFI's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.
4. Violations of the Conflicts of Interest Policy
  - a. If the governing board or committee has reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.
  - b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

#### **K.4. Records of Proceedings**

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

#### **K.5. Affirmation Statements**

Each Trustee, member, and employee shall annually sign a statement (see Annex 3) which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands that KCCDMFI is a Microfinance NGO and in order to maintain its accreditation with the Microfinance NGO Regulatory Council, it must engage primarily in activities according to the requirements of the MNRC.

#### **K.7. Engagement of Outside Experts**

When conducting the periodic reviews as provided for in H.3., KCCDMFI may, but need not, engage outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

#### **K.8. Trusteeship/Directorship in another Organization/Company**

Trustees are required to notify the Board where he/she is an incumbent Trustee and before accepting a trusteeship/directorship in another organization/company.

#### **L. Client Protection**

KCCDMFI promotes the fair and respectful treatment of clients. It shall also cover the following matters:

- a. The organization shall adopt a loan policy that defines the maximum percentage of a borrower's disposable income that can be applied to debt services, including

debt from the organization and other lenders to prevent over indebtedness among clients. Said policy shall be used to determine the maximum loan amount and terms.

- b. The organization shall have a policy that clearly defines appropriate and inappropriate collection practices to be observed by both staff and collection agents.
- c. The organization shall have an effective mechanism to receive and resolve complaints from clients. Such mechanism shall include informing its clients about their right to complain and how to file a complaint.
- d. The organization shall keep the client data (personal, transactional and financial) secure and confidential through an established policy and documented processes.
- e. The organization shall inform its client about data privacy and the need to obtain their consent prior to the use of client-related data and information

**Annex 1  
Board Member Self-Evaluation**

<i>Questions</i>	<i>Yes</i>	<i>No</i>	<i>Not Sure</i>
<i>Vision and Mission</i>			
1. Do I understand and support the vision, mission and social, financial and governance goals of the organization?			
2. Do I understand board policy decisions and activities and services of the organization that reflects its vision, mission and social, financial and governance goals?			
<i>Strategic Planning</i>			
3. Do I engage in the strategic planning function of the organization?			
4. Do I review the plan and focus on strategic issues?			
<i>Monitoring and Evaluation</i>			
5. Do I monitor and evaluate programs to ensure they support the mission and objectives?			
6. Do I consider new initiatives to meet changing needs?			
<i>Financial Control</i>			
7. Do I review annual budgets, financial reports, operations reports and auditor's report?			
8. Do I ensure that resources are allocated wisely to achieve the mission?			
<i>Relationship with the President</i>			
9. Do I have a good working relationship with the President?			
10. Do I provide regular support and appraisal of the President?			
<i>Board Effectiveness</i>			
11. Do I prepare for and participate in Board meetings and committee meetings?			
<i>Public Relations</i>			
12. Do I act as good-will ambassador for the organization?			
<i>Code of Conduct</i>			
13. Do I comply with the organization's code of conduct and ethics?			

<i>Overall Assessment</i>			
14. Do I find serving on the Board to be a satisfying and rewarding experience?			

## Annex 2 Code of Conduct and Ethics Affirmation Statement

The KCCDMFI Board adopts the following Code of Conduct and Ethics:

### **Integrity**

All Trustees, management, employees, volunteers, and members of KCCDMFI shall act with honesty, integrity, and openness in all of their dealings as representatives of KCCDMFI. KCCDMFI shall maintain a working environment that values integrity, fairness, and respect.

### **Governance**

The Board of Trustees is responsible for setting the mission and the strategic direction of KCCDMFI and for exercising oversight of its finances and policies. The Board of Trustees shall:

- Ensure that Board members possess the requisite skills and experience to carry out their duties and that all Trustees understand and fulfill their governance duties, acting for the benefit of and its public purpose;
- Adopt and implement a Conflict of Interest Policy so that conflicts of interest, as well as the appearance of conflicts of interest, are avoided or properly managed through disclosure, recusal, or other means;
- Be responsible for the hiring and regular performance review of the President, and ensure that the compensation of the President is reasonable and appropriate;
- Ensure that the President and appropriate staff provide the Board of Trustees with timely and comprehensive information so that it can effectively carry out its duties;
- Ensure that KCCDMFI conducts all transactions and dealings with integrity and honesty;
- Ensure that KCCDMFI promotes working relationships with Board members, staff, and volunteers based on mutual respect, fairness, and openness;
- Ensure that KCCDMFI is fair and inclusive in its hiring and promotion policies and practices for all Board, staff, and volunteer positions;
- Ensure that key policies of KCCDMFI are in writing, clearly articulated, and adopted;

- Ensure that the resources of KCCDMFI are responsibly and prudently managed;
- Ensure that KCCDMFI has the capacity to carry out its programs effectively.

## **Law and Ethics**

KCCDMFI shall comply with all applicable national and local laws and regulations and shall seek the advice of counsel when necessary or appropriate. Compliance with the law, however, is the minimum standard of expected behavior. KCCDMFI shall also adhere to the highest ethical standards. All resolutions and other legal actions by the Board of Trustees shall satisfy two requirements: (1) they shall be legally permissible, and (2) they shall also reflect the highest ethical standards as determined by the Board of Trustees in the exercise of its sole discretion.

## **Stewardship**

In managing its funds responsibly and prudently, KCCDMFI shall:

- Incur administrative costs adequate to ensure effective accounting and legal compliance systems, internal controls, competent staff, and other expenditures critical to professional management;
- Pay compensation, in return for services, that is reasonable but not excessive;
- Avoid accumulating KCCDMFI funds excessively;
- Draw prudently from restricted funds in a manner consistent with the restrictions;
- Follow spending practices and policies that are fair, reasonable, and appropriate to fulfill the mission of KCCDMFI.

## **Diversity**

KCCDMFI shall promote diversity and inclusiveness in its Board of Trustees, staff, and volunteers including social consciousness and gender diversity.

## **Evaluation**

KCCDMFI is committed to improve, continually, its public programs and its organizational quality. The organization shall periodically review its program and incorporate lessons learned into future programs. KCCDMFI shall be responsive to new developments in its field of activity and shall be responsive to the interests of its audiences and other constituencies. KCCDMFI shall develop and implement a three-tier evaluation procedure whereby the

performance of the Board of Trustees as a whole, each Board committee, and each Trustee is evaluated periodically.

## **Fundraising**

KCCDMFI shall comply with applicable fundraising requirements. KCCDMFI shall respect the privacy concerns of individual donors and shall follow donor intent in making expenditures. KCCDMFI shall disclose important and relevant information to potential donors. In raising funds from the public, KCCDMFI shall:

- Inform donors of the mission of KCCDMFI, how resources will be used, and the integrity of KCCDMFI causing donations to be used effectively for their intended purposes;
- Inform donors of the identity of those serving on KCCDMFI's Board;
- Disclose KCCDMFI's most recent financial reports;
- Represent that contributions will be used for the purposes for which they were given;
- Provide appropriate acknowledgement and recognition of contributions;
- Treat information about donations with respect and with confidentiality to the extent provided by the law;
- Provide an opportunity for donors to delete their names from mailing lists that may be used by others;
- Encourage donors to ask questions when making a donation, and provide prompt, truthful, and forthright answers.

## **Transparency**

KCCDMFI shall provide comprehensive and timely information to the public, the media, and all stakeholders and shall be responsive in a timely manner to reasonable requests for information. All information about KCCDMFI shall fully and honestly reflect the policies and practices of KCCDMFI. All solicitation materials shall accurately represent KCCDMFI's policies and practices. All financial and program reports shall be complete and accurate in all material aspects.

## **Confidentiality**

All Trustees, officers, employees, volunteers and members have a duty to safeguard information that is proprietary to KCCDMFI. Information about KCCDMFI that is confidential or proprietary and obtained by a Trustee, officer,



employee, volunteer and member as a consequence of such person's association with KCCDMFI may not be disclosed to third parties unless expressly authorized by KCCDMFI.

## Complaints

Any person, whether or not connected with KCCDMFI, may lodge a complaint of unethical conduct against a Trustee, officer, employee, or volunteer of KCCDMFI by filing such complaint, written or oral, with any Trustee or officer.

## Remedies

Any Trustee who fails to comply with this Code of Ethics may, in the discretion of the Board of Trustees, be removed from the Board. If any employee or volunteer fails to comply with this Code of Ethics, that person may be put on notice or terminated, in the discretion of the President or the Board of Trustees.

I affirm that:

- I received a copy of the Code of Conduct and Ethics
- I read and understood the Code of Conduct and Ethics
- I agree to comply with the Code of Conduct and Ethics

Signed:

<Name of Trustee / Officer / Employee / Member / Volunteer>

<Date>

## Annex 3 Conflict of Interest Policy Affirmation Statement

### Purpose

The purpose of the conflict of interest policy is to protect the interests of KCCDMFI when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Trustee, member, or employee of KCCDMFI or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable government laws governing conflict of interest applicable to nonprofit and charitable organizations.

### Definitions

**Interested Person:** Any Trustee, principal officer, or member of a committee with governing board delegated powers, and employees who has a direct or indirect financial interest, as defined below, is an interested person.

**Financial Interest:** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- An ownership or investment interest in any entity with which KCCDMFI has a transaction or arrangement, or
- A compensation arrangement with KCCDMFI with any entity or individual with which KCCDMFI has a transaction or arrangement, or
- A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which KCCDMFI is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under J.2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

### Procedures

**Duty to Disclose:** In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the trustees and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

**Determining Whether a Conflict of Interest Exists:** After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

**Procedures for Addressing the Conflict of Interest:**

- An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- After exercising due diligence, the governing board or committee shall determine whether KCCDMFI can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested trustees whether the transaction or arrangement is in KCCDMFI's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

**Violations of the Conflicts of Interest Policy**

- If the governing board or committee has reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.
- If, after hearing the person's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

## **Records of Proceedings**

The minutes of the governing board and all committees with board delegated powers shall contain:

- The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
- The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

I affirm that:

- I received a copy of the Conflict of Interest Policy
- I read and understood the Conflict of Interest Policy
- I agree to comply with the Conflict of Interest Policy

Signed:

<Name of Trustee / Officer / Employee / Member / Volunteer>  
<Date>