



# Armed Forces and Police Mutual Benefit Association, Inc.

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## References:

1. By-Laws as of 6 Feb 2019
2. Revised Corporation Code of the Philippines (R.A. 11232)
3. Insurance Commission Circular No. 71-2020, The Revised Code of Corporate Governance
4. Insurance Commission Circular No. 72-2020, Annual Corporate Governance Report
5. Board Resolution No. 012, Series of 2022 on Process of BOT Meeting without the Executive Trustee

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## AMENDED MANUAL OF CORPORATE GOVERNANCE (as of 22 February 2022)

### I. Introduction

The AFPMBAI is a non-stock, non-profit Association of the men and women in uniform, the personnel and officers of military and civil defense agencies, namely the Armed Forces of the Philippines (AFP) including the Citizen Armed Forces Geographical Unit Active Auxiliary (CAFGUAA) and Special CAFGUAA (SCAA), the Philippine National Police (PNP), the Bureau of Jail Management and Penology (BJMP), the Bureau of Fire Protection (BFP), the Philippine Coast Guard (PCG), the AFP Reservists, and other related agencies or organizations.

Ownership corresponds with membership to AFPMBAI. As such, each individual member is deemed an owner of the Association. Corporate governance shall ensure the paramount importance of the interest of the members by instituting strict internal and external controls. In this regard, the Management and the Board of Trustees shall ensure that there is no conflict of interest in all its transactions and undertakings.

Good governance shall be the main responsibility of the Board of Trustees and its Committees. Thus, the Board of Trustees and the Management of the ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION, INCORPORATED (AFPMBAI) hereby commit themselves to the principles and best practices contained in this Manual of Corporate Governance (Manual), and acknowledge that the same shall guide the attainment of its corporate goals.

This Manual shall institutionalize the principles of good corporate governance in the AFPMBAI in order to enhance its corporate accountability and transparency, as well as promote the interests of its members and their families and other stakeholders. This manual shall also be subject to periodic review.

### II. Definition of Terms

**Board of Trustees** – the governing body elected by the members that exercises the corporate powers of the Association, conducts all its businesses and controls all its properties.

**Corporate Governance** – refers to the system of stewardship and control to guide the Association in fulfilling its long-term economic, moral, legal and social obligations towards its stakeholders. It 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 to the benefit of its members, stakeholders, and

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

**Independent Trustee** – a person who, apart from shareholdings and fees received from the corporation, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgement in carrying out the responsibilities as trustee.

**Management** - refers to 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.

**Executive Trustee** – a trustee who has executive responsibility of day-to-day operations of a part or the whole of the Association.

**Non-Executive Trustee** – A trustee who has no executive responsibility and does not perform any work related to the operations of the Association.

**Internal Control** – a process designed and effected by the Board of Trustees, senior management, and all levels of personnel to provide reasonable assurance on the achievement of the Association's objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the Association's policies and procedures.

**Enterprise Risk Management** – a process, effected by the Association's Board of Trustees, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the Association, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of the Association's objectives.

**Related Parties** – shall cover the IC –CI's subsidiaries as well as affiliates and special purpose entities that the CI exerts direct/indirect control over or that exerts significant influence over the CI; directors; officers; stockholders and related interests and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the CI, hence, is identified as a related party.

**Related Party Transactions** are transactions or dealings with related parties of the CI, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited to the following:

- On-and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);

- Construction arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

**Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the Association’s strategies, policies, business decisions and operations, in general. This includes, among others, members, customers, creditors, employees, suppliers, investors, other third parties, as well as the government and community in which it operates.

### **III. Commitment to Good Governance and Sustainability**

The AFPMBAI, through the Board of Trustees, Management, and employees recognizes the value of sustainability and responsible business practices as a standing commitment for the benefit of its stakeholders. To this end, the Association follows the established globally recognized standards of reporting under the principles of economic, environmental, social and governance sustainability. This is also regularly reported to the stakeholders through its governance and sustainability reports as published in the AFPMBAI Website.

### **IV. Board of Trustees**

#### **A. Commitment to a Common Purpose for AFPMBAI**

The Board of Trustees commits to serve and promote the best interest of AFPMBAI.

They shall owe their duty and responsibility to AFPMBAI, and in the process promote the long-term success of Association and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its members and other stakeholders, as well as with international corporate governance best practices.

#### **B. The Governance Style of the Board**

The Board will govern with an emphasis on:

- Outward vision rather than an internal preoccupation;
- Strategic leadership more than administrative detail;
- Clear distinction of board and chief executive roles;
- Collective rather than individual decisions;
- Future rather than past or present; and
- Proactivity rather than reactivity.

The Board should endeavor, whenever practicable, to ensure diversity in its composition. Diversity may be brought about by differences in age, educational background, skills, competence, and knowledge, gender or culture among the members of the Board of Trustees.

In view of the above, the Board commits to:

1. Deliberate in many voices, but govern in one.
2. Cultivate a sense of group responsibility.

The Board, not Management, will be responsible for excellence in governing. The Board will be an initiator of policy, not merely a reactor to Management initiatives. The Board will use the expertise of individual members to enhance the ability of the Board as a body, rather than to substitute the individual judgments for the Board's values.

3. Direct, control and inspire the Association through the careful establishment of broad written policies reflecting the Board's values and perspectives.

The Board's major policy focus will be on the intended long-term impact outside the operating organization, not on the administrative or programmatic means of attaining those effects.

4. Enforce upon it whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuity of governance capability.
5. New members of the Board shall undertake an orientation program for a minimum of eight (8) hours. All members of the Board shall undergo continuing education throughout their tenure as Trustees of the Association.
6. Monitor and discuss the Board's process and performance periodically.

Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process.

7. Participate actively in Board and Board Committee Meetings.

### **C. Powers of the Board**

The Board of Trustees shall have management and control over the affairs and properties of AFPMBAI. In addition to the above general powers, the Board of Trustees shall have the following specific powers:

1. To determine AFPMBAI's corporate purpose, its vision and mission and strategies to carry out its objectives;
2. To formulate and define the policies, guidelines and controls necessary to carry out its corporate purposes in accordance with existing laws, rules and regulations, its Articles of Incorporation and By-Laws, and best governance practices;
3. To have overall supervision and control, including the power to hire and fire, promote and discipline, and fix the remunerations and terms of employment, of the officers and personnel of the AFPMBAI, and to delegate such powers to the management of AFPMBAI as may be proper or necessary;
4. To determine the organization of the Association and establish rules and regulations for its operation;
5. To examine, approve and adopt an annual budget of expenditures for the operation of the Association and appropriate funds therefor;
6. To prescribe the amount and mode of distribution or disposal of surplus;
7. To suspend business operations in time of war and/or major catastrophe;
8. To delegate any of its powers to officers of the Association as may lawfully be authorized;
9. To perform such acts and exercise such powers as necessary to accomplish the purposes of the Association; and
10. To exercise such powers as embodied in the Corporation Code and Bylaws.

#### **D. Responsibilities of the Board**

1. To meet regularly to discharge the functions of the Board;
2. To authorize the investments of the funds of the Association in such a class of investment or securities, properties and business in accordance with law; and
3. To adopt a system of internal checks and balances and to ensure that its actions comply with all laws, rules and regulations, its Articles of Incorporation and By-Laws, and the business practices.
4. To institute corporate governance best practices that uphold the rights of the members of AFPMBAI, as well as its stakeholders.



## **E. Composition of the Board of Trustees and Board Diversity Policy**

The Board of Trustees shall consist of fifteen (15) members, all of whom shall be elected during the Annual Membership Meeting from among the regular members of the Association. The Board shall be composed of one (1) each from the Office of the Chief of Staff, AFP; the Philippine Army, the Philippine Navy, the Philippine Air Force, the Philippine Coast Guard, the Bureau of Fire Protection, the Bureau of Jail Management and Penology, the Joint Staff of GHQ AFP, and the Office of the AFP Sergeant Major; two (2) from the Philippine National Police; one (1) at large; and three (3) independent trustees at least one (1) of whom shall be a retired member of the uniformed services. Trustees must possess the necessary education, competence and experience in business, preferably in insurance operation to qualify for election to the Board.

The representatives from the Office of the AFP Chief of Staff, the Joint Staff of the AFP, and the Office of the Sergeant Major AFP shall be nominated by the Chief of Staff of the AFP. The Chief of Staff AFP may also nominate independent trustees and a candidate from the general membership (at large). The representatives from the Major Service Commands, the PNP and other Uniformed Services shall be nominated by their respective Commanding Generals/Chiefs of the PNP, BFP, BJMP and PCG. Per Nomination and Election Policy (Annex A), all nominees shall be screened by the Nomination Committee/Nomination and Remuneration Committee, who will ensure that all fields of expertise are present in the Board, and approved by the Board of Trustees or elected during the Annual General Membership Meeting.

AFPMBAI acknowledges that diversity is a significant factor in ensuring that the Board operates with a wide range of perspectives, experience and expertise. The Association also recognizes that diversity in the Board of AFPMBAI is derived from its composition, as provided in the Bylaws, of having a representation from the different branches in the uniformed services: the Philippine Army, Philippine Navy, Philippine Air Force, General Headquarters, Philippine National Police, Philippine Coast Guard, Bureau of Fire Protection, and Bureau of Jail Management and Penology. Further diversity is provided by the presence of a representative from the enlisted personnel, as well as a representative of retired members. All members of the Board are elected based on merit, with qualifications as specified in this Manual.

## **F. Qualifications of a Trustee**

Each trustee shall have the qualifications and none of the disqualifications herein provided:

### **1. Qualifications**

- a. A regular member of AFPMBAI;
- b. Possesses qualities of integrity and probity; and
- c. Possesses necessary skills and experience in terms of management capabilities, and preferably in the field of insurance, legal, finance/investment management, audit/accounting or related disciplines;

## 2. Disqualifications of a Trustee

The following are the grounds for the disqualification of a trustee:

### a. Permanently Disqualified

1. Any person convicted by final judgment or order by a court, or competent administrative body for an offense involving moral turpitude, dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft, counterfeiting, misappropriation, bribery, false affirmation, perjury or other fraudulent acts;
2. Any person convicted by final judgment or order by a court of any drug-related case or national security issue, even if granted amnesty;
3. Any person who has been adjudged by final judgment or order of the SEC, the Insurance Commission, the BSP, court or other competent administrative body to have violated, or aided, abetted, induced or procured the violation of any provision of the Revised Corporation Code, the Insurance Code, the Securities Regulation Code, or any other law, rule, regulation or order administered by the SEC, IC, or BSP or under Section 26 of the Revised Corporation Code.
4. Any person judicially declared to be insolvent, spendthrift or unable to enter into a contract;
5. Any person found guilty by final judgment of order of a court or financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
6. Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code, committed within five (5) years prior to the date of his election or appointment;
7. Directors, trustees, officers or employees of closed insurance companies or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission;
8. Any independent trustee who becomes an officer or employee of AFPMBAI; and,
9. Those who may be disqualified based on other grounds that the Securities and Exchange Commission, the Insurance Commission, or other related agencies may provide.

### b. Temporarily Disqualified

1. Any person who refuses to fully disclose the extent of their business interests when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Insurance Commission and the Securities and Exchange Commission, BSP, and other regulators. This disqualification shall be in effect as long as the refusal persists;

2. Those who have been absent, or who have not participated, for whatever reason, in more than fifty percent (50%) of all meetings, both regular and special of the Board of Trustees and its Committees during their incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident or other unforeseen or fortuitous events. This disqualification shall render the person ineligible for any allowance. This shall also apply for purposes of the succeeding election;
3. Directors/Trustees or officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
4. Those who failed to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification by the Insurance Commission;
5. Those who failed to attend the seminar/training on corporate governance. This disqualification applies until the director/trustee concerned has attended said activity;
6. Persons dismissed/terminated from employment or directorship in another corporation for cause. This disqualification applies for purposes of the succeeding election;
7. Persons with derogatory records with the NBI, court, police, involving violation of any law, rules and regulations of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of an insurance trustee. This disqualification applies for purposes of the succeeding election;
8. Those holding the position of trustee, director or officer in more than four (4) other corporations and/or in any corporation having the same business interests as AFPMBAI. A trustee should notify the Chairman of AFPMBAI before accepting a directorship/trusteeship in another company;
9. Those under preventive suspension by the Head of represented agencies;
10. Persons convicted for offenses referred to in the grounds for disqualification of trustees but whose conviction has not yet become final and executory; or
11. Persons who are delinquent in the payment of their obligations as defined hereunder:
  - i. Delinquency in the payment of obligations with the Association or its related companies where he/she is a director or officer; or at least two obligations with other insurance companies, under different credit lines or loan contracts;
  - ii. Obligations shall include all borrowings from an insurance company, or its related companies obtained by:
    - A trustee or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorsers, or surety for loans from such institutions;
    - The spouse or child under the parental authority of the trustee or officer; or
    - Any person whose borrowings or loan proceeds were credited to the amount of, or used for the benefit of a trustee or officer.

This disqualification remains in effect as long as the delinquency persists.

### **G. Independent Trustees**

The Board shall ensure that its independent trustees possess the necessary qualifications and none of the disqualifications for an independent trustee. An Independent Trustee refers to a person who:

1. Is not, or has not been a senior officer or employee of the Association;
2. Is not or was not a regular trustee, officer or employee of the Association, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment;
3. Has not been appointed as Chairman “Emeritus”, “Ex-Officio” Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities in the Association, its subsidiaries, associates, affiliates or related companies within three (3) years immediately preceding his election;
4. Is not a relative of a trustee or officer of the Association or any of its related companies. For this purpose, relatives shall include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
5. Is not acting as a nominee or representative of any trustee or director of the Association or any of its related companies;
6. Is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the Association, any of its related companies, either in his personal capacity or through a firm within the three (3) years immediately preceding the date of his election;
7. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial stakeholder, in any transaction with the Association or any of its related companies, other than such transaction that are conducted at arm’s length and could not materially interfere with or influence the exercise of his independent judgment;
8. Is not affiliated with any non-profit organization that receives significant funding from the Association or any of its related companies; and,
9. Is not employed as an executive officer of another company where any of the Association’s executives serve as trustee or director.

### **H. Trustees’ Training**

Within the month after election, or at the earliest possible time, a first-time trustee must undergo at least an 8-hour orientation program that covers the following topics:

1. Introduction to AFPMBAI
  - Articles of Incorporation and By-Laws, Code of Ethics
  - Roles and Responsibilities of Trustees
  - Business Model, Operations, Products and Services

- **Rules on Parliamentary Procedure**
2. SEC and IC-mandated topics on corporate governance, such as, but not limited to:
    - Revised Code of Corporate Governance for IC Regulated Companies;
    - ACGS and IC Annual Corporate Governance Report;
    - Board Responsibilities;
    - Illegal activities of corporations/ directors/ officers;
    - Protection of minority shareholders;
    - Liabilities of directors;
    - Confidentialities;
    - Conflict of interest;
    - Related Party Transactions;
    - Enterprise Risk management;
    - Case studies and Financial Reporting and Audit; and,
    - Mandatory on-going AML/CFT training program for all directors, officers, and employees

When the course is available, the trustee must undergo a seminar on corporate governance principles offered by the Institute of Corporate Directors, or other SEC-accredited reputable training providers.

To ensure that the members of the Board remain qualified for their positions individually and collectively, and to enable them to fulfill their roles and responsibilities and respond to the needs of the Association in light of the evolving business environment and strategic direction, trustees should have an annual continuing education program (CEP) where they are informed of the developments in the business and regulatory environments, including emerging risks relevant to the Association. The CEP involves courses or dialogues with industry leaders and resource persons on corporate governance matters, including audit, internal controls, risk management, sustainability and corporate strategy.

### **I. Term of Office**

The members of the Board shall serve for a term of one (1) year or until their successors are elected and qualified: provided that no trustee shall serve for more than three (3) consecutive terms, provided further that no trustee shall serve for more than five (5) cumulative terms.

### **J. Duties and Responsibilities of a Trustee**

A trustee shall have the following duties and responsibilities:

1. To exercise his duty of care and loyalty to the AFPMBAI, to conduct fair business transactions and ensure that personal or sectoral interest does not bias his decisions during Board meetings;

2. To devote time and attention necessary to properly discharge his duties and responsibilities. As much as possible, a Trustee shall be present during all Board meetings and he shall participate productively in all discussions;
3. To act judiciously and to respect and uphold all decisions made by the Board as a collegial body. No Trustee shall undermine a decision of the Board majority. A mechanism for the airing of grievances or disagreement on certain Board decisions must likewise be set in place;
4. To exercise independent judgment;
5. To have a working knowledge of the statutory and regulatory requirements affecting AFPMBAI, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
6. To observe confidentiality and prudence in the handling of sensitive company information; and,
7. To ensure the continuing soundness, effectiveness and adequacy of the AFPMBAI's control environment.

#### **K. Trustees' Rights**

In order to discharge their duties properly, Trustees have a right to identify the information which they need and to receive it in a timely manner.

Individual Trustees have a right to obtain information necessary for them to discharge their duties from executives employed by AFPMBAI; however, the Trustees agree that if a question or request to an executive cannot be answered or be given without special attention it will be put in writing and a copy sent to the Chairman and the President.

Outside specialist advice at AFPMBAI's expense is advice to the Board as a whole and should normally be arranged by the President at the request of the Board. In exceptional circumstances, if one or more Trustees wish to obtain special advice the matter should be raised with the Chairman who may exercise a discretion to arrange for the advice to be obtained, or may refer the matter to the Board. If such advice is obtained it should be made available to the Board as a whole.

For the responsibilities and accountability they carry, Trustees have a right to reasonable allowances and per diems.

#### **L. Trustees' Benefits**

The members of the Board of Trustees shall not receive any compensation or remuneration for their services as such, except for reasonable allowance and per diem.

Trustees who are physically absent from Board meetings shall not be entitled to any meeting allowance, unless they can participate in the deliberations through video conferencing, teleconferencing, or other modes of communication that allow them reasonable opportunities to participate.

A Trustee shall not be entitled to a meeting allowance in the event he sends a representative/proxy to attend the meeting on his behalf.

No trustee shall participate in discussions or deliberations involving his own remuneration.

## **M. Performance Assessment of Trustees**

The Board and its Board Committees, as well as all individual trustees and key corporate officers shall be subject to a Performance Evaluation and Rating System in compliance to the requirements of regulatory agencies and to establish a performance feedback system. Below are the criteria for assessment of the Board, the Board Committees, the Trustees, the President and CEO, and the Corporate Secretary.

Performance Assessment shall be conducted at the end of each fiscal year, or by the first quarter of the following year. The members of the Association are also given an opportunity to rate the performance of the Board of Trustees during the Annual General Membership Meeting.

### **1. Board of Trustees and Board Committees**

#### Part 1

Assessment of the Board's accomplishment of its role and responsibilities by the Board Committees (25%) – Assessment Form (Annex B)

This is an average of the performance of Board Committees, based on their oversight functions and the action plans they have prioritized for the subject period.

#### Part 2:

Assessment of the Board's accomplishment of its role and responsibilities by the BOT Chairman (25%) – Assessment Form (Annex C)

This is an assessment of the Board's performance by the BOT Chairman, based on the average rating of the performance assessment of the Board Committees, among other factors.

#### Part 3:

Assessment of Board dynamics (30%), and of quality and timeliness of information provided to the Board (20%) – Assessment Form (Annex D).

This is an anonymous survey to be answered by all Board members.

Reference: Board Resolution No. 13, Series of 2018 (Annex E)

**2. Trustees**

Criteria

Ethics/Professionalism

Initiative

Service Representation

Communication Effectiveness

Meeting Participation Effectiveness

Rater

BOT Chairman

Governance Committee Chairman

**3. President and Chief Executive Officer**

Quantitative: 60%

AFPMBAI Corporate Score

Qualitative: 40%

Implementation of Board Resolutions (15 pts)

Transparency and Ethical Standards (15 pts)

Effective Relationship with the Board (10 pts)

Rater

Chairman and Members of the BOT

**4. Corporate Secretary**

Criteria

Ethics/Professionalism

Initiative

Legal Expertise

Communication Effectiveness

Meeting Participation Effectiveness

Rater

BOT Chairman

Governance Committee Chairman

**5. Treasurer**

Criteria

Ethics/Professionalism

Initiative



Financial Expertise  
Communication Effectiveness  
Meeting Participation Effectiveness

Rater  
BOT Chairman  
**Investment Committee Chairman**

#### **N. Multiple Board Seats**

The Trustees shall not hold the position of a trustee, director or officer in not more than four (4) other corporations and/or in any corporation having the same business interests as AFPMBAI.

#### **O. Vacancies**

Any vacancies occurring in the Board of Trustees other than by removal of the members or by expiration of term may be filled by the vote of at least a majority of the remaining Trustees, if still constituting a quorum, in a regular or special meeting called for that purpose.

#### **V. Board Meetings**

Board meetings shall be subject to the approved protocol (Annex F)

#### **VI. Board Committees**

The Board of Trustees shall create committees as may be necessary, proper or convenient for the interest of AFPMBAI with powers and authorities necessary to carry out their functions.

The Board Committees shall pre-screen all matters for approval and information of the Board of Trustees to guarantee an independent and objective compliance with corporate governance policies, except matters requiring immediate attention that needs ratification of the Board.

The effectiveness of the Board depends in part on the operation of these committees. The Trustees understand that committee work can impose a considerable burden and agree to share it as equitably as possible.

A Board committee member is first a Trustee. The AFPMBAI President cannot be a Chairman or Vice Chairman of a committee, nor be a member of the Audit Committee and the Risk Oversight and Related Party Transaction Committee. Each committee is supported administratively by a secretariat or technical working group (TWG).

The following are the committees of the Board, which shall be exclusively composed of Trustees. All Board Committees have their own committee Charters (see attached Annexes). The Committees shall:

1. Function as part of and under the control of the Board, not Management;
2. Have no authority that does not come from the Board;
3. Have no authority or accountability that is also delegated to Management;
4. Not relieve the full Board of its ultimate accountability for everything;
5. Not have the authority to instruct Management, unless the Committee is so authorized in accordance with their respective charters; and
6. Have authority to use funds or support personnel in the discharge of their functions only if that is granted by the Board.

Board Committee meetings shall be conducted according to the approved protocol (Annex G). Additional committees may be created by the Board when necessary.

#### **A. Governance Committee (Annex H)**

The Committee's purpose is to assist the Board of Trustees in ensuring AFPMBAI's adherence to established and accepted corporate governance principles and best practices, and its compliance with this Manual of Corporate Governance.

#### **B. Audit Committee (Annex I)**

The Committee's purpose is to provide a structured, systematic oversight of AFPMBAI's governance and internal control practices. The Committee also assists the Board and Management by providing advice and guidance on the adequacy of AFPMBAI's initiatives for:

1. Values and Ethics
2. Governance Structure
3. Risk Management
4. Internal Control Framework
5. Oversight of the Internal Audit Office, External Auditors, and Other Providers of Assurance
6. Financial Performance and Public Accountability Reporting

#### **C. Risk Oversight and Related Party Transaction Committee (Annex J)**

The Committee's purpose is to ensure that appropriate systems for risk management and related party transactions are in place and comply with applicable laws, regulations, and relevant standards.

#### **D. Investment Committee (Annex K)**

The Committee's purpose is to ensure that an investment policy is in place and to oversee the execution of investment guidelines and decisions.

#### **E. Nomination and Remuneration Committee (Annex L)**

The Committee's purpose is to ensure that there is a Board succession plan and that the Board has a complete set of Regular and Independent Trustees based on defined competency requirements. The Committee will also implement the Board Performance Evaluation and Rating System.

#### **F. Social Services Program Committee (Annex M)**

The Committee's purpose is to ensure that policies and programs for the implementation of the Social Services Program of the Association are in place.

### **VII. Corporate Officers**

The corporate officers of the Association shall be a Chairman, a Vice Chairman, a President, a Corporate Secretary, and a Treasurer: Provided, That the majority vote of all the voting members of the Board is required for the election of the officers. The Association may also have, at the discretion of the Board of Trustees, such other officers as it shall deem necessary. Officers, other than the Chairman, the Vice Chairman and the President, need not be Trustees.

#### **A. Chairman of the Board**

The positions of Chairman of the Board and Chief Executive Officer (CEO) shall be held by separate individuals with clearly defined responsibilities.

The Chairman shall preside over the meetings of the Association and the Board of Trustees. In his absence, the Vice Chairman shall preside over such meetings. In the absence of both the Chairman and Vice Chairman, the Trustees present shall elect from among themselves an Acting Chairman for that particular meeting.

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

2. The Chairman shall exercise independent judgment, act objectively, and make certain that the meeting agenda focuses on strategic matters, including overall risk appetite of the Association, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
3. The Chairman shall guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make decisions;

4. The Chairman, with the assistance of the Corporate Secretary and the President and CEO, shall determine the annual Board Plan/Agenda and other strategic issues;
5. The Chairman shall be responsible for the integrity of the Board process, such that decisions made shall be explicit, timely, relevant to the AFPMBAI's vision and strategy, and anchored on policies, values, and ethical standards;
6. The Chairman should be guided by the following:
  - Wide experience, preferably at board level, in successful organizations;
  - Capacity for strategic thinking and ability to make quick and important decisions;
  - Working understanding of finance, accounts and reports systems;
  - Excellent leadership and communications skills; and
  - Appropriate training in corporate governance and professional Trusteeship.
7. The Chairman shall facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual trustees;
8. The Chairman shall ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
9. The Chairman shall assure the orientation of first-time trustees and continuing training opportunities for all trustees; and
10. The Chairman shall ensure that the performance of the Board is evaluated at least once a year and discussed/followed up on.

**A. Vice Chairman**

The Vice Chairman shall assist the Chairman in the performance of his duties. In the absence of the Chairman, the Vice Chairman shall preside over the meetings of the Association and the Board.

**B. President and Chief Executive Officer**

All Board authority delegated to Management is delegated through the President and CEO, a corporate officer, so that all authority and accountability of Management – as far as the Board is concerned – is considered to be the authority and accountability of the President.

The Board will specify to the President and CEO AFPMBAI's strategic directions and expects him to achieve certain results based on a set of measures/milestones and targets that had been clearly communicated and understood.

As long as the President and CEO uses any reasonable interpretation of the Board's directions, the President is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all initiatives.

Only decisions of the Board acting as a body are binding upon the President and CEO.

Decisions or instructions of individual Board members, officers, or committees are not binding on the President and CEO except in rare circumstances when the Board has specifically authorized such exercise of authority. Individual Board members must therefore refrain from participating in the day-to-day management of AFPMBAI.

In the case of Board members or committees requesting information or assistance without Board authorization, the President and CEO can refuse such requests that require – in the President's judgment – a material amount of staff time or funds, or are disruptive.

The President and CEO shall have general supervision, direction and control of the business and affairs of the Association. He shall have the general powers and duties of Management usually vested in the office of the President of the Association:

1. Implement the Association's strategic plan, as approved by the Board of Trustees;
2. Communicate and implement the Association's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
3. Oversee the operations of the Association and manage human and financial resources in accordance with the strategic plan;
4. Have a good working knowledge of the Association's industry and market and keep up-to-date with its core business purpose;
5. Direct, evaluate and guide the work of the key officers of the corporation;
6. Manage the Association's resources prudently and ensure a proper balance of the same;
7. Provide the Board with accurate and timely information and interface between the Board and the employees;
8. Build the corporate culture and motivate the employees of the Association;
9. He shall submit an annual report to the Board of Trustees and to the members of the Association during the annual membership meeting;
10. Serve as the link between internal operations and external stakeholders;
11. He shall execute the resolutions of the Board, the Articles of Incorporation and By-Laws, and the policies issued by regulatory bodies;
12. He shall exercise general supervision over all officers and employees of the Association; and direct, evaluate and guide the work of key officers;
13. He shall execute on behalf of the Association all contracts and agreements entered into by the Association; and,
14. He shall sign, endorse and deliver all checks, drafts, bills of exchange, promissory notes, and orders of payment of sums of money, unless such acts are specifically assigned to other authorized signatory/ies as approved by the Board of Trustees.

### **C. Senior Vice Presidents**

The Senior Vice Presidents shall be appointed by the Chairman of the Board, duly endorsed by the members of the Board of Trustees. In case of the incapacity, illness, or death of the President and CEO, the Chairman shall appoint the next senior officer (a) until his successor is appointed, and whom so acting, he shall have all the powers of, and be subjected to the restrictions upon, the President and CEO. He shall have direct and active management of the business operations of the Association pursuant to the By-Laws, policies of the Board, instructions of the President and CEO, and according to his own directions, whenever and whatever the same is not expressly limited by such rules, policies or instructions.

### **D. Corporate Secretary**

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary, who shall be a citizen and resident of the Philippines, a member of the Bar, may not be a member of the Board, but shall be a member of the Association. The Corporate Secretary should annually attend a training on corporate governance. He shall have the following duties and powers:

1. He shall work fairly and objectively with the Board, Management and members and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including members;
2. He shall assist the Board and Board Committees in the conduct of their meetings, including preparing an annual schedule of Board and Board Committee meetings and the annual Board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
3. He shall safe keep and preserve the integrity of the minutes of meetings of the Board and its committees; as well as other official records of the Association;
4. He shall keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
5. He shall give, or cause to be given, notice of all the meetings of the members, and of the Board, required by law or by the Articles of Incorporation and By-Laws; and shall certify all minutes, records and proceedings of the Board, and of the members;
6. He shall keep the seal of the Association in safe custody, turn-over to its successor all records in his custody;
7. He shall advise on the establishment of board committees and their terms of reference;

8. He shall inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five working days in advance, and ensures that members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
9. He shall attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
10. He shall perform required administrative functions;
11. He shall oversee the drafting of the By-Laws and ensure that they conform with regulatory requirements; and,
12. He shall perform such duties as may be prescribed by the Board of Trustees or by the Insurance Commission, the Securities and Exchange Commission, and other regulatory bodies, including the By-Laws and this Governance Manual.

#### **E. Treasurer**

The Treasurer may not be a trustee but shall be a member of the Association. He shall have the following powers and duties:

1. He shall have the custody of, and be responsible for, all the funds, money and other securities of the Association;
2. He shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of the assets, liabilities, receipts, disbursements, gains, losses, reserves and surplus;
3. He shall deposit all moneys, funds, bonds, securities, and other valuables in the name and to the credit of the Association with such banks or other depositories as may be designated by the Board of Trustees;
4. He shall receive and issue receipts for all moneys paid to the Association and disburse funds as may be authorized;
5. He shall render an annual statement showing the financial condition of the Association on the 31<sup>st</sup> day of December each year and shall render an account of his transactions as Treasurer and of the financial condition of the Association at time, as may be deemed necessary; and
6. He shall put up a bond as may be required by the Board of Trustees; turn-over all records and properties under his custody to his successor; exercise such other powers and perform such other duties as may be prescribed by the Board of Trustees in these rules and regulations.

## **VIII. Control Function Heads**

In order to ensure the sustainability of the Association through sound internal control system, the Board has designated Control Function Heads following the Three Lines Model. While the frontline and support offices are directly involved in the delivery of products and services to the clients, the control functions of compliance and risk provide the assistance in monitoring and managing risks, and the internal audit renders independent assurance and advice on the adequacy and effectiveness of the Association's risk management, governance and internal control processes.

With these roles, “fit and proper standards” are applied on the selection of key personnel observing the highest level of integrity, standards of technical expertise, and vast experience in the institution's business.

### **A. Internal Auditor**

Internal auditing refers to an independent, objective assurance and consulting activity designed to add value and improve the Association's operations. It helps AFPMBAI accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management systems, control, and governance processes.

The Association shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and members shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

The Internal Auditor shall be governed by an Internal Audit Office Charter (Annex N) and shall report periodically to senior management and to the Audit Committee.

### **B. Compliance Officer**

To ensure adherence to corporate principles and best practices, a Compliance Officer, separate from the Corporate Secretary, shall be designated by the Board of Trustees. He should not be a member of the Board, but should have a rank of at least Vice-President, or an equivalent position with adequate stature and authority in the Association. He shall be primarily liable to the Association and its members, and not to the Chairman or President of the Association, and shall perform the following duties, among others:

1. Monitor, review, evaluate and ensure the compliance by the Association, its officers and trustees with the relevant laws, the Revised Code of Corporate Governance, including this Manual, rules and regulations and all governance issuances of regulatory agencies;
2. Ensure the integrity and accuracy of all documentary submissions to regulators;
3. Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
4. Identify, monitor and control compliance risks;



5. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
6. Identify possible areas of compliance issues and work towards the resolution of the same;
7. Ensure proper onboarding of new trustees (i.e. orientation on AFPMBAI – charters, articles of incorporation, bylaws, among others);
8. Ensure the attendance of board members and key officers to relevant trainings;
9. Appear before the IC when summoned in relation to compliance with the Revised Code of Corporate Governance;
10. Perform such other duties and responsibilities as may be provided by SEC and IC.

The appointment of the Compliance Officer shall be immediately disclosed to the Insurance Commission. All correspondence relative to his functions as such shall be addressed to said Officer.

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Association's Compliance Officer.

**a. Alternate Compliance Officer**

The Association shall designate an Alternate Compliance Officer with the rank of at least Manager, with the authority and mandate to ensure day-to-day compliance with its AML/CFT obligations. The Compliance Officer/Alternate is responsible and accountable for all AML record keeping requirements of the Association. He will be responsible for making records of customer identification and transaction documents readily available during compliance checking or investigation by IC and/or AMLC

The performance assessment of the Compliance and Alternate Compliance Officer shall follow the Management policy on Performance and Rewards System.

**C. Risk Officer**

The company shall likewise designate a Risk Officer, who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to the company's size, risk profile and complexity of operations.

The Risk Officer has the following functions, among others:

1. Supervise the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;

2. Communicate the top risks and the status of implementation of risk management strategies and action plans to the Risk Oversight Committee or the Risk Oversight and Related Party Transaction Committee (RORPTC);
3. Collaborate with the CEO in updating and making recommendations to the RORPTC;
4. Suggest ERM policies and related guidance, as may be needed; and,
5. Provide insights on the following:
  - Risk management processes are performing as intended;
  - Risk measures reported are continuously reviewed by risk owners for effectiveness; and,
  - Established risk policies and procedures are being complied with

There should be clear communication between the RORPTC and the Risk Officer.

The performance assessment of the Risk Officer shall follow the Management policy on Performance and Rewards System.

## **IX. Financial Reporting**

All materials information, i.e., anything that could potentially affect net worth, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions and changes to ownership.

Other information that shall always be disclosed includes remuneration of all trustees and senior management corporate strategy, and off balance sheet transactions.

All disclosed information shall be published through the company website as well as through the annual report.

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

## **X. Cultivating Synergistic Relationship with the Stakeholders**

### **A. Access to Information**

The Association has various systems in place to facilitate communication with the stakeholders and is continuously incorporating the opinions of stakeholders on its management strategies. In addition, we publicly disclose our processes for understanding the feedback received, as well as the results and progress of counter measures, during regular meetings of the Board of Trustees.

Moreover, to provide safety and security to people and support dynamic business activities and a healthy and productive life, AFPMBAI listens and utilizes feedback from its stakeholders for quality improvement through the following:

- AFPMBAI Website and Chat Application
- Official Social Media Accounts – messaging apps, Facebook, Twitter, etc.
- Conventional and Electronic Mail
- Access to AFPMBAI Branches and Extension Offices nationwide
- Landline and mobile phone access

#### **B. Alternative Dispute Policy**

The AFPMBAI, in its efforts to uphold the rights of its stakeholders and members, adopts the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004 or other applicable laws, to settle disputes in an amicable and effective manner to prevent excessive litigation.

### **XI. Implementation and Enforcement**

A copy of this Manual will be sent to each Division/Department/Office to be cascaded to all employees, as well as posted in the AFPMBAI website. Compliance to the provisions of this Manual is expected from all concerned units of this Association, and any violation thereof shall be dealt with in accordance with the prescribed sanctions as enforced by the Compliance Officer with the authority of the Board of Trustees.

Approved by the Board of Trustees as of 1 March 2022, per Board Resolution No. 017, Series of 2022.