

Good Governance Handbook for Microinsurance MBAs

Citi Foundation



**Good Governance Handbook
for Microinsurance MBAs
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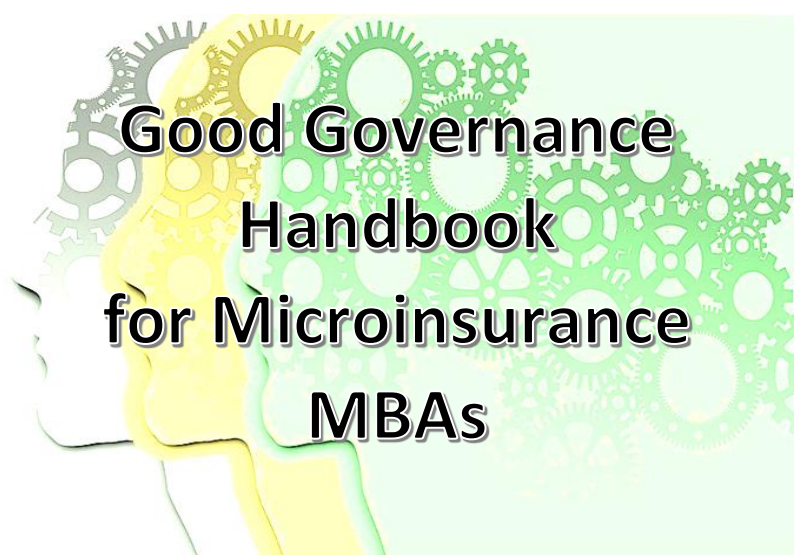
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For information and other concerns with regards to this handbook, please get in touch with the RIMANSI Secretariat or visit our website <https://rimansi.org>.



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A stylized profile of a human head facing left, filled with a yellow-to-green gradient. Inside the head, several interlocking gears of various sizes are visible, colored in shades of yellow and green. The background is a light green gradient.

Good Governance Handbook for Microinsurance MBAs

List of Acronyms

AGM	Annual General Meeting
ACGS	ASEAN Corporate Governance Scorecard
AMLA	Anti-Money Laundering Act
ARRS	Anti-Money Laundering Risk Rating System
ASEAN	Association of Southeast Asian Nations
BSP	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
CARD	Center for Agriculture and Rural Development
CARD MBA	Center for Agriculture and Rural Development Mutual Benefit Association
CARD NGO	Center for Agriculture and Rural Development Non-Government Organization
CL	Circular Letter
DOF-NCC	Department of Finance-National Credit Council
IC	Insurance Commission
ICD	Institute of Corporate Directors
ICMIF	International Cooperative and Mutual Insurance Federation
IMC	Insurance Memorandum Circular
KMBA	KASAGANA-KA Mutual Benefit Association
MBA	Mutual Benefit Association
MC	Memorandum Circular
MiMAP	Microinsurance MBA Association of the Philippines
MF	Microfinance
MFI	Microfinance Institution
Mi	Microinsurance
Mi-MBA	Microinsurance Mutual Benefit Association
NBFI	Non-Bank Financial Institution
PCNC	Philippine Council for NGO Certification
RIMANSI	RIMANSI Organization for Asia and the Pacific
RPTs	Related Party Transactions
SEC	Securities and Exchange Commission
SEGURO	Solvency and Stability, Efficiency, Governance, Understanding of the Product by the Insured, Rate of Growth and Outreach
SEGUARADO	Solvency and Stability, Earnings and Efficiency, Governance, Understanding and Member Participation, Risk Management, Affordability and Adequacy, Development and Outreach



RIMANSI Organization for Asia and the Pacific (RIMANSI) is implementing the Program: Building Microinsurers Capacities for Greater Financial Inclusion, supported by the Citi Foundation. The program aims to help Microinsurance-Mutual Benefit Associations (Mi-MBAs) achieve and sustain membership growth through capacity building interventions focused on governance and management training, developing new products and investments policies and options to sustain growth.

Participation in governance of the association is one unique practice of Mi-MBAs among insurance providers, where members coming from the enterprising poor segment of the population are democratically given the chance to elect and be elected as part of the Board of Trustees. They become the member-representatives in policy and strategy development, monitoring management's performance, and ensuring accountability.

In the last ten years, Mi-MBAs have developed their participatory processes; administering involvement of members ranging from thousands to millions.

Having member representatives involved in Governance work require that those elected are able to fully do their functions as Board Officers or simply as a member/trustee of the Mi-MBAs' Board. RIMANSI has conducted Governance and Anti-Money Laundering Act (AMLA) – Workshop for Mi-MBAs – for this purpose. However, having something in writing that serves as a reference and guide, would come in handy and easy for the officers and trustees/members of Mi-MBA Board (RIMANSI, 2017).

Purpose of this Handbook

This handbook is intended to provide Mi-MBAs with a practical reference and guide on:

1. Governance work in relation to Anti-Money Laundering Act (AMLA), SEGURO/SEGURADO Indicators (Enhanced Performance Standard), Insurance Commission/Other Regulatory Bodies' compliance requirements, ASEAN Corporate Governance Scorecard;
2. Understanding Corporate Governance concepts and principles;
3. Roles and responsibilities of the Board of Trustees;
4. Organizing the Board;
5. Effective management of Board Meetings; and
6. Board performance evaluation

Each section of this handbook is designed in a module format (Objectives, Inputs for discussion, Suggested Activities and relevant examples from specific Mi-MBAs or as generally practice) both for easy reading and at the same time as basis/reference for RIMANSI trainers in the conduct of the Governance and AMLA workshop for Mi-MBAs.

Microinsurance Defined

The amended Insurance Code (Sections 187) defines Microinsurance as a financial product or service that meets the risk protection needs of the poor where:

1. The amount of contributions, premiums, fees or charges, computed on a daily basis, does not exceed seven and a half percent (7.5%) of the current daily minimum wage rate for nonagricultural workers in Metro Manila.

2. Guaranteed benefits are not more than one thousand (1,000) times of the current daily minimum wage rate for workers in Metro Manila.

Distinct Features

Mi-MBAs are non-stock not for profit associations that are duly registered with the Securities and Exchange Commission (SEC) and regulated by the Insurance Commission (IC). Mi-MBAs are differentiated from regular MBAs by the nature of their business. They are only authorized to engage solely in the business of providing microinsurance.

Under the Philippine law, Mi-MBAs can only be considered as wholly engaged in the business of microinsurance if it has at least 5,000 members and if it only provides microinsurance policies to its members. Aside from which, the following conditions must exist:

1. It must possess and maintain a guaranty fund of not less than 5 million pesos at all times. The guaranty fund must increase every year equivalent to 5% of the Mi-MBAs annual gross premium collections until the amount reaches 12.5% of the required capital for domestic life insurance companies.
2. It must maintain free and unassigned surplus of not more than 20% of its total liabilities. Any amount in excess must be returned to the members either as dividends, enhanced equity value or in-kind benefits. A certain portion can also be allocated for member education, capacity building, research and development, subject to the approval of the IC.
3. It must subscribe to the concept of "equity value." Every membership certificate must have an equity value equivalent to 50% of the total contributions collected. The equity value applies only to life insurance and not to optional product

4. It must maintain sufficient reserves for the payment of claims and obligations and invest funds in financial instruments as approved by the IC.
5. It must be evaluated and monitored based on performance standards established by the IC that are deemed critical to their continuing growth and viability (RIMANSI, 2017).

Mi-MBAs + Mutual Organizations

The beginning of microinsurance and mutual microinsurance was an offshoot of the success of the microfinance (MF) industry in the Philippines. It started with Center for Agriculture and Rural Development Non-Government Organization (CARD NGO), the largest MFI in the Philippines, establishing an informal insurance scheme in 1994 to cover loan default risk caused by the death of a client member. After a few years of implementation, the scheme was deemed as unsustainable and would lead to Microfinance Institution's (MFIs) bankruptcy. CARD sought guidance from the regulator and upon their advice, re-organized and formalized the scheme into a legal entity as a Mutual Benefit Association (MBA). CARD MBA proved to be a success and this convinced the regulator to allow MBAs to legally engage as microinsurance providers.

CARD Inc. led a group of MFIs to put up a resource center (RIMANSI) in 2005 to replicate the CARD MBA model with other MFIs.

While Mutuals in developed countries have reported impressive performance, those in emerging countries struggle to grow. In many of these emerging markets, Mutuals were established to provide risk protection to the low income and marginalized population. This type of insurance, often referred to as microinsurance, has proven to be a valuable tool in reducing the vulnerability of poor households.

Since Mutuals are member-owned and operate on the principle of democratic control, they are seen to be more capable of offering

products suited to clients' needs, speeding up claims, controlling fraud and creating trust with its members. Unfortunately, mutual microinsurance is not being promoted as one of the better approach to serve the needs of the poor because of their inability to reach scale. However, in recent years, mutual models have emerged and shown that Mutuels can effectively reach the poor, achieve scale and be sustainable (Banzon, J., and Perez, J., n.d.).

The RIMANSI Organization for Asia and the Pacific

The Microinsurance MBA Association of the Philippines, Inc. (MiMAP) also known as RIMANSI Organization for Asia and the Pacific (RIMANSI) was established in March 2005 as a regional resource center based in the Philippines to help professionalize the management of mutual benefit associations (MBAs) and microinsurance programs that provide affordable, comprehensive, and quality risk protection to millions of poor people in Asia. Towards this purpose, RIMANSI provides assistance to mutual microinsurers in developing risk management solutions, building capacities, advocating for appropriate policy environment, as well as pursuing research and development agenda.

In 2015, MiMAP (RIMANSI) transformed into a formal Association of Mi-MBAs that share the same mission of greater financial inclusion to encourage participation in the ownership and authority of the organization. The collective mission was to reach 12 million members by 2024, insuring 48 million lives (**12*24*48**). To be able to realize this goal, the Association will pursue the following:

- Sustain the establishment of new Mi-MBAs while assisting existing ones to expand membership;
- Penetrate other segments of the poor population by looking at new distribution channels;
- **Strengthen capacity building activities for Board and personnel of Mi-MBAs in governance, management and operations;**

- o Support research and development agenda of Mi-MBAs in new products, markets and distribution channels;
- o Actively work with the industry in ensuring mutual-enabling policy environment that builds on existing gains and anchored on the growing needs of the Mi-MBAs;
- o Build up risk pooling mechanisms such as reinsurance and develop pooled services including information system and investment management; and
- o Enhance shared programs and services towards better performance and compliance management of Mi-MBAs.

As of 2016, RIMANSI is working with 19 Microinsurance MBA members and partners with a combined outreach of 4.54 million members nationwide, insuring 16.58 million Filipino individuals. The Mi-MBAs provide basic life microinsurance plans and a range of optional life plans that incorporate health and retirement-related covers. The mobilization of such membership accumulated a total of Php 2.96 billion in contributions and premiums, paid Php 787 million in claims benefits, and reserved Php 1.20 billion in refundable equity value to members. Parallel efforts were carried out in Cambodia, Fiji, Indonesia and Vietnam for foothold microinsurance programs of eight (8) MFI insurers (RIMANSI, 2016).

RIMANSI is an observer member of the International Cooperative and Mutual Insurance Federation (ICMIF), a global organization representing cooperative and mutual insurers (RIMANSI, October 2017).



Corporate Governance Concepts and Principles

Objectives

This module is intended for Mi-MBAs to be familiarized with Corporate Governance Concepts and Principles which covers the following:

- Corporate and Good Governance defined;
- Different governance structures, Board models and types and how governance functions are carried out by each Model/Type;
- Translating Good Governance principles into practice following the framework used by the Institute of Corporate Directors (ICD); and
- Governance legal framework and performance standards.

Corporate Governance, Defined

Corporate Governance has been defined in many ways. The following are the generally accepted definition in the Philippines:

Insurance Commission (IC) Circular Letter (CL) 31-2005 on Corporate Governance Principles and Leading Practices defines Corporate Governance as –

The system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized.

The Institute of Corporate Directors (ICD) and SEC Memorandum Circular No. 6. Series of 2009 defines it as:

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

Further on, Philippine Council for NGO Certification (PCNC) defines corporate governance as –

The way the organization sets directions and formulates policies or guidelines for the attainment of its Vision, Mission and Goals (PCNC Handbook).

What is Good Governance?

Governance refers to the processes, activities and relationships of your organization that make sure your organization is effectively and properly run. There is **‘good governance’** when organizations have practices and procedures in place that help them to do their work effectively and openly. As well as when the roles and responsibilities of people in the organizations are clearly understood (Australian Charities and Not-for-Profits Commission, 2013).

Roles of the board members as well as that of the management and staff are included in this. Good governance is more than the rules of your organization and the individual behaviors of the board members. The members of the governing body and all the stakeholders should have a strong relationship and works as collective rather than the individual responsibilities.

In short, good governance is embedded in the good behavior and the good judgement of those who are charged with running the organization from the level of the board, the management and all its employees (Australian Institute of Company Directors, 2013).

Why is Corporate Governance Important?

Implementation and maintenance of good governance facilitates robust decision making and improves Strategy, Performance, Compliance and Accountability, and is characterized by ongoing monitoring and evaluation. Effective corporate governance helps an organization to achieve its objectives and desired outcomes and fulfill its obligations through sound:

- Strategic and business planning;
- Risk management;
- Financial management and reporting;
- Human resource planning and control; and
- Compliance and accountability systems.

Good governance also helps provide a framework for establishing responsibility to the people served by the organization – its members, clients and other stakeholders including funding bodies, if any. (Commonwealth of Australia, 2010).

Different Governance Structures

Governance structures can be put into two basic categories: policy boards and administrative boards.

Policy governing boards develop policy and hire an Executive Director/General Manager to implement the policy whereas administrative governing boards play a more hands-on role in managing the organization with the support of committees and staff (Davidson, C., 2014).

Within these two broad categories of governance, there are four common types of board models:

- Sometimes referred to as Management-Team Board, this model is commonly used in non-profit organizations.
 - Several committees help carry out the activities of the organization and the relationship between the board and staff is one of partnership.
- Policy Board:**

Policy Governance Board¹:

- Sometimes referred to as a 'Carver Board' after founder John Carver, this model has a more formal structure.
- The board operates as a whole, using one voice and rarely works with committees.
- The Executive Director/General Manager is given a very clear scope and role as well as limits about what she/he can undertake, and the main emphasis of the board is on policy development.

Working Board:

- Directors/Trustees on this type of board play a more hands-on role with some of the administrative functions of the organization such as public relations, financial management, program planning and personnel.
- It's not uncommon for these boards to not have any staff.

Collective Board:

- Sometimes known as a cooperative or coalition, a Collective Board also carries out many administrative functions of the organization.
- These boards are comprised of like-minded people that support a specific goal.

¹ For a more complete definition of the Policy Governance Board Model, visit www.carvergovernance.com/model.htm.

- Staff and directors/trustees operate together as a single entity.
- There is not usually an Executive Director/General Manager, and often there is no voting as everyone works within a consensus model.

No particular structure fits every organization but organizations governed by a board should have at least three basic elements: (1) A board capable of providing objective oversight (2) An independent nominating committee to ensure the appropriate succession of the board and, (3) An audit committee, whose primary responsibility is to report whether the organization is in compliance with the laws, rules, regulations and contracts that govern it.

It is recommended that after selecting its governance structure, the board seeks training to understand the model and the roles of the board within that model. Ongoing training is also important as a refresher to board members and as orientation to new members (Davidson, C., 2014).

Overview of the different functions carried out by each type of board

Using the framework of the four detailed types of boards outlined above, the following is an overview of the different functions carried out by each type of board:

Areas of Responsibility	Policy Board	Policy Governance Board	Working/ Administrative Board	Collective
Vision, Planning & Evaluation	<ul style="list-style-type: none"> Creates vision, mission Planning Committee draws up plan to be approved by Board Sets policies and ensures procedures are in place 	<ul style="list-style-type: none"> Creates vision Sets policies for ends, i.e., desired results Limits means, i.e., procedures and practices 	<ul style="list-style-type: none"> Board and staffs create plan and implement it Sets policies and general direction 	<ul style="list-style-type: none"> Shared responsibility – among the Board and staffs for setting policy
Finances	<ul style="list-style-type: none"> Volunteer Treasurer Finance Committee Board reviews financial statements May or may not be involved in fundraising 	<ul style="list-style-type: none"> Sets limits on CEO's/GM's financial decisions 	<ul style="list-style-type: none"> Financial decision-making largely in Board's hands More likely to include fundraising (than other models) 	<ul style="list-style-type: none"> Board and staff work on financial matters as a team
Human Resources	<ul style="list-style-type: none"> ED/GM reports to Chair Communications between Chair and ED/GM 	<ul style="list-style-type: none"> ED/GM = CEO Board speaks with one voice to CEO; CEO responsible to full Board 	<ul style="list-style-type: none"> May not have senior staff person Board members often act as direct service volunteer 	<ul style="list-style-type: none"> Staff, management and chairing functions often shared Little or no Management hierarchy
Organizational Operations	<ul style="list-style-type: none"> Extensive committee structure supported by 	<ul style="list-style-type: none"> No or limited committee structure; committees are only 	<ul style="list-style-type: none"> Committee support operational responsibilities 	<ul style="list-style-type: none"> Operational functions shared

Areas of Responsibility	Policy Board	Policy Governance Board	Working/ Administrative Board	Collective
	<p>staff to perform the work of the Board</p> <ul style="list-style-type: none"> • Board receives reports • Decisions made by voting 	<p>used as needed and are often charged with topics related to policy as opposed to operations</p> <ul style="list-style-type: none"> • Broad discussion leads to decisions by consensus • Individual officer roles minimized • CEO/GM attends to all operations 	<ul style="list-style-type: none"> • Heavier Board member workload 	<ul style="list-style-type: none"> • Decisions by consensus
Community Relations	<ul style="list-style-type: none"> • Marketing Committee develops awareness of agency/association in community • Interprets and reflects community needs to the organization 	<ul style="list-style-type: none"> • Defines results that the organization is trying to achieve in the community 	<ul style="list-style-type: none"> • Staff and Board represent the agency/association to the community 	<ul style="list-style-type: none"> • All members represent the agency/association to the community

Translating Good Governance Principles into Practice

The following ten principles and how they are translated into practice can be a good starting point in answering the question, “How can governance be good?” as discussed extensively by the Institute of Corporate Directors in their Corporate Governance Orientation Program (Institute of Corporate Directors, n.d).

PRINCIPLES	PRACTICES
1. Independence	1. Charter
2. Rights and Duties	2. Code of Governance
3. Original Power to Decide	3. Role of Chairman/CEO
4. Loyalty to the Corporation	4. Role of Directors
5. Long-term Sustainability	5. Strategy Role
6. Fairness	6. Policy Role
7. Transparency	7. Monitoring Role
8. Accountability	8. Audit & Risk Oversight
9. Ethics	9. Code of Ethics
10. Social Responsibility	10. Code of Social Responsibility

Principles can only point to proper actions. What actually gets practiced and done is shaped and determined by many factors other than the basic principles alone such as culture and structures of the corporation/organization.

From Independence to a Charter

Corporations/Organizations as a legal entity, may take time out to clarify and formally articulate its charter statement. This consists of at least three (3) elements:

Values

- These are the core values that shape the character of the corporation/organization, and which it wants to be known. These are solid anchors, which it should never contemplate compromising.

Mission

- This articulates what positive difference the corporation/organization aims in making. It defines the meaning for its existence, the value it seeks to add towards making the world a better place.

Vision

- Unlike the corporation/organization's mission which is never-ending and timeless, this is time-bound. By a certain date in the foreseeable future (relatively long-term so it can have stretch value), this paints and describes what the corporation/organization should become.

These three (3) elements have to be mutually consistent and reinforcing. Together, they frame up the Charter Statement, to which all decisions and actions of the corporation/organization need to be referred and with which they are to be checked for consistency.

From Rights and Duties to a Code of Governance

The rights and duties of the corporation/organization specifically those that flow out of its interaction and relationship with its different stakeholders should generally be articulated and laid out in its own Code of Governance.

The Code of Governance sets out standards of good practice in relation to issues such as board composition and development, remuneration, accountability and audit, and relations with shareholders.

From the Board of Trustees to Code for Board Practice

A *Board Protocol*, based on prevailing laws and regulations, clarifies the original decision-making authority of the Board.

It sets out in writing the duties and responsibilities (along with certain rights and prerogatives) of the Board, its President/Chairperson, the Chief Executive Officer/General Manager and members of the Board. It also sets forth the general manner in which the Board should function and work including the setting up of Board Committees.

From Loyalty to the Association to Duties of the Trustees

A *Code of Proper Practices* for Board of Trustees generally is embedded in the Board Protocol. Clear guidelines are needed for all members of the Board in the practical observance of their fiduciary duties, their duty of care, and more broadly their duty of loyalty that they owe to the corporation/organization. These guidelines are covered by the Code of Proper Practices, which generally are included in the Board Protocol.

From Long-term Sustainability to Strategy Role

Following the Institute of Corporate Directors (ICD) Model, which is largely based upon the Tricker Model of Corporate Governance, board are called upon to pay attention and spend time and resources on their *strategy role* and in the formulation of the corporation/organization's strategy map. This role calls upon Boards to focus also on longer-term issues, taking into account dynamic changes in the external environment.

From Fairness to Policy Role

The ICD Model also calls upon the Boards to articulate several *policies in the governance context* in addition to the policies they have to approve in order to guide the association's operations. Among these policies in the governance context, upon which Boards should also pay more attention and spend more time, energy and resources, are those relating to fairness in the treatment of all its stakeholders.

From Transparency to Monitoring Role

Boards already spend a considerable amount of time on *monitoring*. However, this has been limited mainly to monitoring of financial performance. Under the ICD Model, performance needs to be monitored in a more *comprehensive* manner. It should extend to the non-financial area; and it should include mainly those "metrics" directly connected with the pursuit of the association's strategy map.

From Accountability to Accountability Systems

The accountability system that Boards set up should go beyond rewarding good performance and correspondingly punishing bad performance. Under the ICD Model, it should also promote greater cohesion and teamwork by allowing departments and other operating units to have clear targets, which serve to rally teams and working

groups together and challenge them to achieve higher performance standards, both collectively and individually.

From Ethics to Code of Ethical Practices

The Board is called upon to formulate a *Code of Ethics*. It should set up a mechanism by which management is made accountable for alignment of corporate conduct at all levels and facets of corporate operations with the standards of behavior set out in such a Code.

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

From Social Responsibility to Code of Corporate Directorship

The Board should also let everyone know that it takes very seriously its subscription to a Social Responsibility Program. It extends to ensuring that all decision and actions promote the enrichment and upliftment of environmental standards in all facets of the community from the physical and cultural to the social and economic.

Legal Framework

The Insurance Commission's Circular Letter (IC's CL) – 31-2005 on the Code of Corporate Governance Principles and Leading Practices replaces an earlier issuance for adoption and compliance by all insurance companies and intermediaries authorized to do business in the Philippines.

The key features of the code are the new definitions of the role of the board, the chairman and the non-executive directors; a more rigorous procedure for the appointment of directors and the formal evaluation of the performance of the board and individual directors.

Included in the new Corporate Code of Governance is the Self-Assessment Questionnaire on the observance of the different principles of good governance for submission to the Insurance Commission within one (1) month after each semester.

Amended Insurance Code; Regulator: Insurance Commission

In addition, the amended Insurance Code with the Insurance Commission tasked as the regulator of Mi-MBAs established the following mandate:

- To ensure the solvency of insurance companies and Mutual Benefit Associations (MBAs) so that all legitimate claims of the insuring public are met promptly and equitably.
- To ensure that adequate insurance protection is available to the public at a fair and reasonable price.

Anti-Money Laundering Law

The Original AMLA under RA 9160 (September 2001)

In order to implement its continued commitment and support of the global fight against money laundering, the BSP has issued a number of

measures to bring the Philippines' regulatory regime on money laundering closer to international standards. In September 2001, the Republic Act No. 9160 was passed otherwise known as the Anti-Money Laundering Act (AMLA) of 2001. The legislation, among others, defines money laundering as a criminal offense, prescribes penalties for such crimes committed. It also formed the foundation of a central monitoring and implementing council called the Anti-Money Laundering Council (AMLC). To combat money laundering, this law imposes requirements on customer identification, record keeping, reporting of covered and suspicious transactions, relaxes strict bank deposit secrecy laws, and provides for freezing/ seizure/ forfeiture/ recovery of dirty money/property as well as for international cooperation (Banko Sentral ng Pilipinas, n.d.).

Amendatory Laws

R.A. No. 9194

- Lowers the threshold amount for covered transactions from P4 Million to P500,000.00;
- It expands the reporting requirements to include suspicious transactions regardless of the amount;
- It authorizes the AMLC, upon order of a competent court, to examine particular deposit or investment in financial institution once it is established that these transactions are related to an unlawful activity; and
- It authorizes the Banko Sentral ng Pilipinas to examine any deposit or investment in any financial institution.

R.A. No. 10167

Introduced amendments to:

- Section 10 on Freezing of Monetary Instrument or Property
- Section 11 on the Authority of AMLC to inquire into bank deposits

R.A. No. 10365

- Expanded the definition of money laundering

- Included jewelry dealers in precious metal and stone and company service providers as covered person
- Included other crimes or offenses in the list of unlawful activity which increased the number from 14 to 34
- 2016 Revised Implementing Rules and Regulations of Republic Act No. 9160, as Amended (became effective on 07 January 2017)

R.A. No. 10927

- As amended, casinos including internet and ship-based casinos, are now considered as among the covered persons under the AMLA.
- The definition of covered transaction was expanded.
- This was signed into law on 14 July 2017.

Adoption of AML Risk Rating System (ARRS)

ARRS is an internal rating system being used by BSP to understand whether the risk management policies and practices as well as internal controls of banks and Non- Bank Financial Institutions (NBFIs) to prevent money laundering and terrorist financing are in place, well disseminated and effectively implemented. ARRS is an effective supervisory tool that ensures all covered institutions as defined under Circular No. 706 are assessed in a comprehensive and uniform manner. As well as supervisory attention is appropriately focused on entities exhibiting inefficiencies in Board of Directors and Senior Management oversight and monitoring, inadequacies in their AML framework, weaknesses in internal controls and audit and defective implementation of internal policies and procedures (Banko Sentral ng Pilipinas, n.d.).

Governance and Performance Standards

A set of Performance Standards called SEGURO (Solvency and Stability, Efficiency, Governance, Understanding of the Product by the Insured, Rate of Growth and Outreach) serves as a standard by which the microinsurance providers may be evaluated & monitored to ensure the

stability, viability and the delivery of safe and sound products as well as services to their clients (Insurance Commission, January 2011).

Last January 29, 2010- the Insurance Commission (IC), Department of Finance-National Credit Council (DOF-NCC) in collaboration with concerned government entities and private sector insurance providers launched the ***National Strategy and the Regulatory Framework for Microinsurance (IMC No. 1-2010)***.

The National Strategy for Microinsurance defines the objectives and the roles of stakeholders and the key strategies to be pursued in enhancing access to insurance by the poor. It also provides directions towards mainstreaming informal insurance and insurance-like activities as well as promoting awareness and financial literacy.

It further sets the Regulatory Framework for Microinsurance which outlines the government's thrusts and direction for the establishment of a policy and regulatory environment that will encourage, enhance and facilitate the safe and sound provision of microinsurance products and services by the private sector. It further identifies and promotes a system that will protect the rights and privileges of the insured. In ensuring the adoption of the Performance Standards, the Insurance Commission issued Circular Letter No. 5-2011 dated January 31, 2011 provides, among others:

The yearly submission together with the Annual Statement, the resulting indicators starting with the 2011 operations by using the set of the Performance Standards. These may be used as an early warning system to identify as early as possible entities with concerns and if warranted, recommend appropriate remedial measures. The Performance Standards may be subject to review at least once in every three (3) years.

On December 16, 2016, Circular Letter No. 2016-16 known as the Enhanced Performance Indicators and Standards for Microinsurance 2016 was adopted as the new microinsurance industry benchmarks in

assessing and evaluating the operations of all microinsurance providers beginning in calendar year 2017.

The performance standard covers the following components: **Solvency and Stability, Efficiency, Governance, Understanding of the Product by the Insured, Rate of Growth and Outreach (SEGURO).**

The component on GOVERNANCE, determines if the conduct of the microinsurance business complies with the principles of good governance through the adoption of the ASEAN Corporate Governance Scorecard (ACGS). Circular Letter (CL) 14-2013 of the Insurance Commission introduced the ASEAN Corporate Governance Scorecard in preparation for the 2015 ASEAN Financial Integration. It was followed by Circular Letter No. 2015-23 for instructions on how to complete the ACGS. Below are the key components of the ASEAN Corporate Governance Scorecard (ACGS) (*refer to table below*).

RIMANSI has also developed a system of monitoring its network using benchmarks consisting of a set of quantitative and qualitative measures of performance. These performance benchmarks called SEGURADO is in line with its advocacy to promote the growth of Microinsurance to be at par with international best practices and meet the standards prescribed by the Insurance Commission (RIMANSI, n.d.).

The acronym SEGURADO stands for Solvency and Stability, Earnings and Efficiency, Governance, Understanding and Member Participation, Risk Management, Affordability and Adequacy, Development and Outreach. These serves as parameters in evaluating the current organizational maturity of a Mi-MBA or an MFI interested in setting up a microinsurance program.

PART A: Rights of Shareholders

- This category aims to assess how a company recognizes all shareholders' rights in conducting its business. Shareholders should be able to exercise their ownership rights—have access to and knowledge of issues that affect the corporation as a whole; receive dividends; participate in the annual general meeting (AGM); elect directors; subscribe to new securities offerings; buy, sell, or transfer assets of the company; and inspect the records and books of the company. A well-governed company must recognize and respect shareholders' rights.

PART B: Equitable Treatment of Shareholders

- Equitable Treatment of Shareholders ensures fair treatment of controlling and minority shareholders. AGMs, for example, should facilitate the participation of all shareholders without undue complexity. Shareholders should be protected from possible tunneling actions by controlling shareholders, acting either directly or indirectly through the use of material nonpublic information and related-party transactions (RPTs).

PART C: Role of Stakeholders

- Companies should act as responsible citizens of society. While a company operates on a for-profit business model, it should also keep the well-being of its stakeholders in mind. This includes taking care of its employees, going the extra mile in serving customers, and even contributing to community projects. Philippine companies score the lowest in this category.

Part D: Disclosure and Transparency

- Companies should disclose material corporate information in a timely and cost-effective manner. RPTs, firm ownership structure, financial information, and other information about company performance are all significant items to disclose. An independent assessment from an external auditor about the financial health of the company is also an important part of disclosure and transparency practices

Part E: Responsibilities of the Board

- This category examines whether the board operates within an effective corporate governance framework. The directors must exercise their duties and obligations. Basic board responsibilities include creating and reviewing the company charter with the company's vision and mission, and even hiring and firing the company's chief executive.

Mr. Aaron Pili, RIMANSI's external consultant who developed the Performance Assessment Toolkit has emphasized that SEGURADO is an evolving performance evaluation tool. It is intended to enable Mi-MBAs to strengthen its operations and helps RIMANSI identify the technical assistance needs by its member Mi-MBAs.



Board Roles and Responsibilities

Objectives

This module is intended for Mi-MBAs to get familiarize with Board Roles and Responsibilities which covers the following:

- Roles and responsibilities of the Board in relation to organizational activities;
- Basic duties of the Board;
- Collective and individual roles and responsibilities;
- ICD's categories of Board roles and responsibilities and expanded Tricker Model; and
- Suggested job description and agreements of the Board; and, their roles in risk management.

Board Roles and Responsibilities – Organizational Activities

Cyril Houle, a governance expert and author often cited in board governance resources, defines the Board's role and responsibilities based on three different activities of organizations:

Governance: The board develops policies that give overall direction to the association.

Management: The board takes actions and makes decisions to ensure that there are sufficient and appropriate human and financial resources for the organization to accomplish its work.

Operations: These are the activities related to the delivery of services or programs of the organization. (The degree to which this occurs depends on the board governance structure.)

Basic Duties of Board Members

The duty of diligence (also referred to as fiduciary duty) — to act in good faith and in the best interest of the organization through such actions as:

- Staying informed by reading minutes, agendas and support material
- Attending meetings regularly and voting on issues brought before the Board
- Being knowledgeable about the policies and operations of the organization

The duty of loyalty— to place the interest of the organization first through such actions as:

- Avoiding and/or declaring conflicts of interest
- Representing the organization in a positive manner
- Respecting confidentiality

The duty of management—to act and make decisions in line with the governing policies and

- Understanding the scope of authority for staff and directors
- Regularly reviewing bylaws and policies

bylaws of the organization through such actions as:

- Ensuring legal requirements related to governance, incorporation, etc. are met
- Ensuring meetings are held and documented with minutes
- Understanding the requirements of laws and standards related to the clients the organization serves

A Board member who does not comply with these duties may be held liable for the outcomes and results that occur. Members can be found liable if the actions and/or decisions that they make (or do not make) result in (1) A law being broken (2) A contract being breached (3) Injuries or damage (could be physical, environmental, emotional, etc. (Community Literacy of Ontario, June 2014).

Collective and Individual Roles of the Board

The Board is legally responsible for the governance of the corporation/organization. Within this mandate is the expectation that the Board will develop, implement and monitor policies that will allow the corporation/organization to carry out its work. A Board is elected by, and accountable to, its membership. While a Board may appoint staff and/or committees to carry out specific work related to its policies, programs and services, the Board is ultimately responsible for meeting the corporation/organization's outcomes (Community Literacy of Ontario, June 2014).

There are limitless resources available that define key roles and responsibilities of Boards. While details vary from resource to resource, there are some broad-based philosophies that are consistent as follows:

Collectively, the board must:	Individually, each board members must:
<ul style="list-style-type: none"> Determine a governance model and ensure that appropriate organizational policies and structures are in place 	<ul style="list-style-type: none"> Act in the best interests of the organization
<ul style="list-style-type: none"> Participate in the development of a mission and strategic plan for the organization 	<ul style="list-style-type: none"> Understand the roles and responsibilities of being a board member
<ul style="list-style-type: none"> Hire and ensure that an effective senior management team is in place (i.e., General Manager) 	<ul style="list-style-type: none"> Be familiar with the organization's bylaws, policies and procedures, strategic plan, mission, etc.
<ul style="list-style-type: none"> Maintain effective partnerships and communication with the community, the organization's members and its stakeholders 	<ul style="list-style-type: none"> Ensure he/she avoids conflicts of interest including operating in the best interest of the organization not in self-interest or the interest of a stakeholder group
<ul style="list-style-type: none"> Maintain fiscal responsibility, including raising income, managing income, and approving and monitoring annual budgets 	<ul style="list-style-type: none"> Respect confidentiality policies that pertain to membership and Board discussions
<ul style="list-style-type: none"> Ensure transparency in all communication to members, stakeholders and the public 	<ul style="list-style-type: none"> Keep informed about the organization's financial activity and legal obligations
<ul style="list-style-type: none"> Evaluate the organization's work in relation to a strategic plan 	<ul style="list-style-type: none"> Bring his/her own skills, experience and knowledge to the organization
<ul style="list-style-type: none"> Evaluate the work of the board of directors, ensuring continuous renewal of the Board, and plan for the succession and diversity of the board 	<ul style="list-style-type: none"> Attend Board meetings regularly and arrive prepared for meetings Support board decisions once they have been voted on

Ideally, when joining a board (or perhaps before deciding to join) one should learn the:

- Governing structure the organization operates under
- Roles, responsibilities, and functions of the Board within the governing structure
- Job description for Board members
- Measurement and standard by which Board members are evaluated

ICD's Board Roles & Responsibilities - Categories

Board of Trustees may also refer to the 6 major categories of Board Roles that the ICD has grouped based on the many roles that the BSP Circular on Corporate Governance (Circular No. 283, Series of 2001) as well as the Insurance Commission's Circular on Corporate Governance Principles and Leading Practices (CL 31-2005) as follows:

Categories	Roles of the Board
Strategy Formulation	<ul style="list-style-type: none"> • Establish strategic Objectives, policies and procedures to ensure good governance • Establish objectives and draw up a business strategy
Policy Formulation	<ul style="list-style-type: none"> • Adopt written policies on all major business activities that is, investments, loans, assets and liability management, business planning and budgeting • Adopt and maintain adequate risk management
Monitoring and Oversight	<ul style="list-style-type: none"> • Establish a mechanism for monitoring management's performance. The Board of trustees is responsible for monitoring and overseeing management action. It is the primary responsibility of the Board of Directors to appoint competent management team at all times • The Board should monitor, assess and control the performance of management
Setting Accountability and	<ul style="list-style-type: none"> • Establishment of checks and balances, applicable to the Board at first instance

Categories	Roles of the Board
Risk Management System	<ul style="list-style-type: none"> • Schedule of matters and authorities reserved to the board for decision • Prescribe a clear assignment of responsibilities and decision-making authorities, incorporating a hierarchy of required approvals from individuals to the Board of Trustees • Establish in writing the limits of the discretionary powers of each office, committee, sub-committee and such other group • Assess, at least annually its performance and effectiveness as a body, as well as of its various committees, the chief executive officer and the Mi-MBA itself • Present to all members a balanced and understandable assessment of the organization's performance and financial condition
Ethics	<ul style="list-style-type: none"> • Conduct the affairs of the organization with high degree of integrity. It should prescribe values, codes of conduct and other standards of appropriate behavior for itself, the senior management and employees. • Establish and Ensure compliance with sound written policies
Social Responsibility	<ul style="list-style-type: none"> • Ensure that the organization have beneficial influence on the economy • Continuing responsibility to provide those services and facilities which will be supportive of the national economy

SEC Memorandum Circular No. 6, Series of 2009, entitled “Revised Code of Corporate Governance” uses slightly different words, but repeats the same duties for the Board of Directors (Trustees). The SEC gave greater weight to both the strategy and policy duties of the Board as follows:

- It is the Board’s responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and

profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

- The Board should formulate the corporation's vision, mission, strategic objectives, policies and procedures that may guide its activities, including the means to effectively monitor Management's performance.
- The Board may determine the corporation's purpose and value as well as strategies and general policies to ensure that it survives and thrives despite financial crises and that its assets and reputation are adequately protected.
- The Board should determine important policies that bear on the character of the corporation with a view towards ensuring its long-term viability.

The ICD Expanded Tricker Model (J. Estanislao, Sonnenfeld, ICD 2012)

The listing of Board duties is certainly helpful. But it does not go far enough. Dr. Jesus P. Estanislao, FICD of the Institute of Corporate Directors (ICD) stressed that it is necessary to categorize those duties that are so much critical for a Board to focus on and give great importance to. This is where the "Tricker Model" comes in handy.

The model makes a distinction of those duties that:

- Requires Boards to focus more on the future (perhaps over the long term) rather than only on the past and present.
- Require the Boards to focus more on the external environment rather than on internal operations.

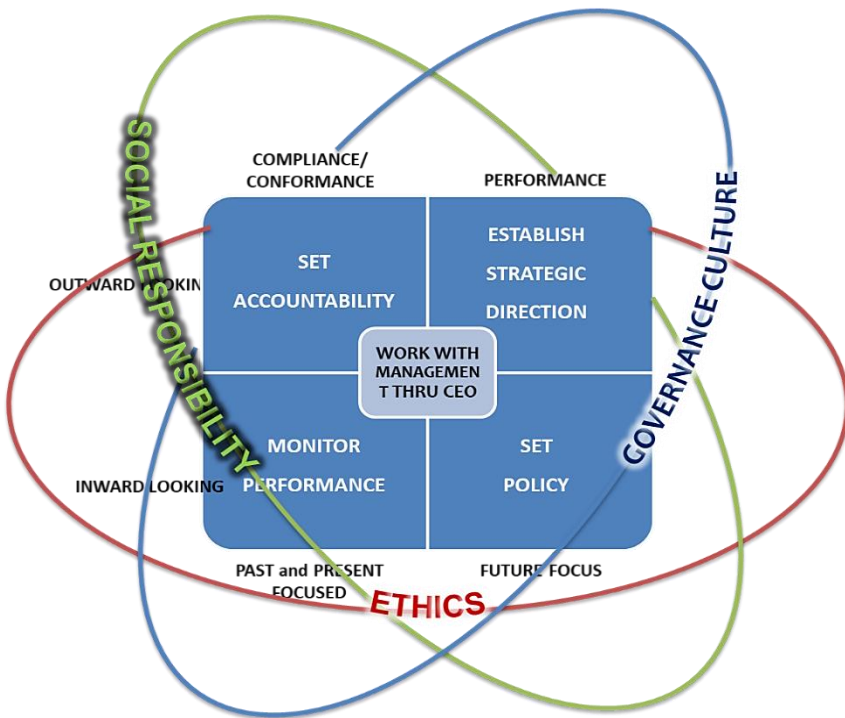
The usefulness of the model lies in stressing the **Performance Duties** of the Board.

- Strategy focuses more on the future (particularly the long term) and it takes into account external environment.

- Policy also focuses more on the future, although it takes into account mainly the internal circumstances of the corporation.

Only four of the 6 categories are included in the Tricker Model. Along with Yale Professor Sonnenfeld, ICD gave a great deal of importance to corporate culture that draws from social responsibility and ethics.

These two categories were added to expand the Tricker Model given that regulators have included them among the duties of the Board.



Importance of Social Responsibility and Ethics

The importance of the Social Responsibility and Ethics lies in the fundamental demand of corporate governance itself. This demand is

straightforward: fairness, transparency and accountability are the fundamental principles of corporate governance.

- Fairness asks boards to treat all stakeholders, starting with the company's stockholders, justly and equitably
- Transparency asks that all company's transactions be above-board and compliant with laws and regulations. In particular, its reporting standards should be truthful and adequate, in line with global reporting standards.
- Accountability asks for a system of checks and balances that also rewards good performance and punishes bad performance on the basis of well-defined delegation of authority and performance evaluation.

These fundamental principles need to govern the company's relationships with others. As a juridical person, with its own rights and duties, a company should carry out its dealing and relations with other juridical persons through adherence to the ethical and socially responsible standards of fairness (and justice); transparency (and truthfulness); and accountability (expecting rewards for goodness).

Ethics

Ethics sets forth norms of internal conduct and behavior, particularly in relating and dealing with others.

- **Fairness** presupposes openness towards others and acceptance of our obligations towards them. It generally nurtures also a participatory culture that invites others to get involved with us.
- **Transparency** adds to openness a deep sense of identification of our own well-being with the welfare of others. It calls for a spirit of solidarity with them.
- **Accountability** asks for a sense of responsibility and this includes a sense of stewardship over the assets entrusted to us and the environment we work in.

Social responsibility

Social responsibility also sets norms for taking into serious account the external environment which we are duty bound to sustain and to improve.

- Fairness asks a company to take good care of itself and of its viability so it can continue to stand on its own and in line with subsidiarity contribute positively to the progress of its wider environment (e.g. the community and the entire economy).
- Transparency asks for selflessness (a restraint on greed and selfishness) in showing a genuine spirit of service to others.
- Accountability imposes upon the company the duty for taking care of the sustainability and improvement of the wider environment itself, from its physical (environmental) to the institutional and systemic dimensions.

The broad principles of ethics and social responsibility that corporations abide by in their dealings with others are clearly and closely related to the fundamental principles of corporate governance. In this regard, ethics and social responsibility should pervade the corporate culture any company needs to foster as it tries to improve its corporate governance.

Ethics as it governs internal behavior in dealings with others, and social responsibility as it specifies duties towards the external environment can and should be added to the Tricker Model to complete it.

Without ethics and social responsibility, the regulatory initiatives and corporate governance initiatives may come up short. These provide the safe and secure guarantees once they are deeply embedded in a company's corporate culture, of actual and real improvements, in its corporate governance practices.

Board of Trustee's Job Description

Clearly written job descriptions help Board members understand and agree to the role they are expected to play in an organization². Job descriptions, which need to be approved by the Board, can also serve a purpose in evaluation and recruitment of Board members. One job description can be developed for general Board members and then specific descriptions can be developed for each Board officer - Chair, Vice-Chair, Treasurer and Secretary (Community Literacy of Ontario, June 2014).

Of course, sometimes, even when you detail the roles and responsibilities of Board members, it's no guarantee that all Board members will follow those guidelines³. What do you do when Board members are not following their job descriptions, or are not following through on their responsibilities?

Below is a starting point for the type of information you will want to include in a Board member job description:

Position:	What is the job title?
Authority:	What authority does the position carry?
Responsibility:	To whom is the position accountable? What are the broad areas of responsibility?
Term:	How are Board members elected and for how long? How do board members leave the board?
General Duties:	What are the typical duties Board members are responsible for?

² The Muttart Foundation provides an excellent and free online guide to developing board member job descriptions:
www.muttart.org/sites/default/files/downloads/publications/developing_job_description_s.pdf

³ Check out some good tips in an article called *Enforcing Board Member Responsibilities* at this link:
www.nonprofitrisk.org/library/newsletter/summer_2010.pdf

Evaluation:	How will Board members' effectiveness be assessed?
Qualifications and Skills:	What specialized or practical skills are needed to do the job?
Benefits:	What benefits can a Board member expect to receive?
Time Requirements:	What is a realistic estimate of the time required as a Board member?

Board Member Agreements

Board members are often asked to sign agreements as part of their responsibility on the Board. These reflect the organization's policies. A breach of an agreement is often grounds for a Board member's termination. Examples of such agreements include (Community Literacy of Ontario, June 2014):

Confidentiality and/or Privacy Agreement	Board member is asked to respect the confidentiality of information gained as a result of serving on a board such as client information, personnel, membership, finances, etc.
Conflict of Interest	Requires a Board member to declare if he/she has a personal interest in an area that is of interest to the organization. Being in a conflict position does not automatically disqualify a Board member, but not disclosing the conflict can lead to a breach of the agreement.
Code of Conduct⁴	Boards may develop codes of conduct that cover everything from communication protocols, use of expense accounts, dress codes and language used at Board meetings. Generally, non-profit organizations with volunteer Board members are less formal on conduct rules;

⁴ Sample templates for confidentiality and code of conduct agreements can be found at The Institute on Governance:
www.iog.ca/publications/sample_policies.pdf.

	however, there may be overall rules and expectations about respect for the organization and other members. Any such rules are often included as part of a Board member's job description.
Competition	This applies more to individuals who in their working life may be involved in the same line of business as the organization for which they are also a Board member. It protects the organization from people who may gain inside information, or skills and experience, from serving on a Board and then use that knowledge and information to compete with the organization to offer services.

While it's true that agreements may seem overly 'formal', especially when a Board is working well and there is strong communication and trust amongst members, when Boards aren't working well this is often a time when it helps to have agreements to fall back on (Community Literacy of Ontario, June 2014).

The Board and Risk Management⁵

Along with roles and responsibilities of Boards come risks and liabilities. Whether an organization is governed by a hands-on working Board or a policy-driven Board; Board members need to be aware of the legal duties that come with their positions. Board members of non-profit incorporated Boards are not usually paid for their work, but that doesn't absolve them from being liable for the decisions and actions they make.

Having clear job descriptions, help Board members stay informed of their responsibilities, but the focus is on the individual to be knowledgeable about risk management. Many volunteers mistakenly

⁵ For more information on boards, through a strong focus on governance, can work with staff to manage organizational risk, refer to "What's the Board Got to do with it?" *The Vital Link between Good Governance and Risk Management from Nonprofit Risk Management Center*: www.nonprofitrisk.org/library/articles/board091004.shtml

believe that if the organization is incorporated they are automatically protected from liabilities, but that is not the case. The governing laws of incorporation do go a long way in protecting Boards and its members, but there are duties that fall to every individual.

Board members may also assume that they do not have any liabilities or need to manage risk if there are paid staff within the organization that execute the day-to-day operations of the organization. True risk management is the result of teamwork between the Board members and its staff (Community Literacy of Ontario, June 2014).



Suggested Activity

Many Boards decide to hold retreats, focus groups, or other professional development events to help them define the roles and responsibilities of their boards and members and evaluate their performance. These events can also serve as a platform for further governance development such as creating a mission statement, drafting job descriptions and designing a strategic plan.

These questions can be a template for a similar activity you may want to organize for your Board. Here are the questions you may want to ask:

- What do you see as your Board's job?
- What do you see as not being a role of your Board?
- Name three key board responsibilities.
- What does your Board do well? Not so well?
- How do you provide Board orientation, training and ongoing support?
- What are your strategies for Board recruitment and succession planning?
- How does Board evaluation happen in your agency?
- What tools and resources have helped your Board be more effective?
- What are your tips for effective Board meetings?



Organizing the Board

Objectives

This module is intended for Mi-MBAs to get familiarize with how the Board is organized which covers the following:

- The Board in relation to the Organizational Structure, Lines of Authority and the functions of Board committees; and
- The importance of having a bylaws which should have clear policies and procedures in relation to Board Development, Remuneration, Disclosure of Related Party Transactions and other conflict of interest.

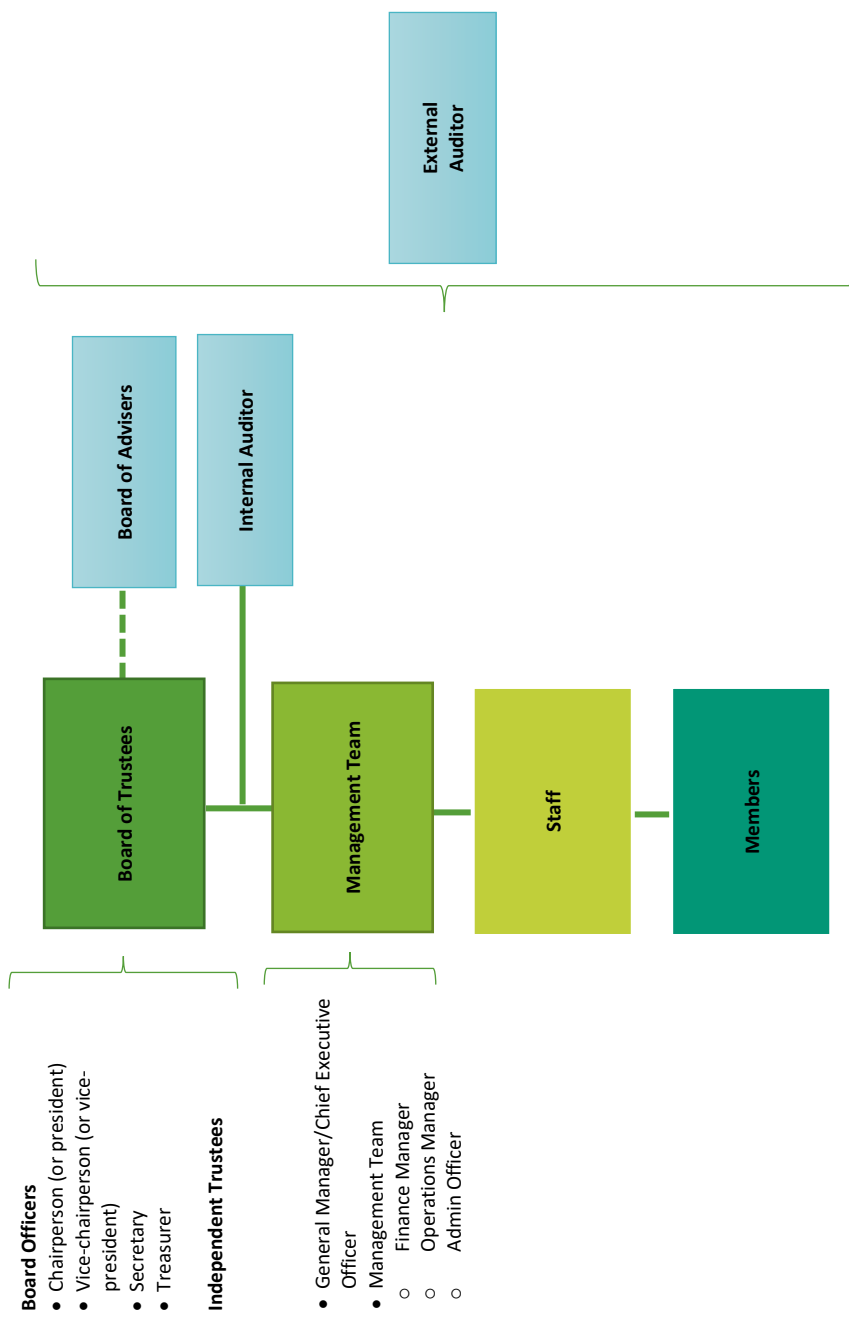
Organizational Structure

Board of Trustees

The Board of Trustees (also “BoT” or “Board”) is formally assigned the responsibility for “government, control, and general management of the affairs, funds and property of the corporation/organization.” All its members must provide active fiduciary oversight of finances, physical assets, and long range plans to ensure the corporation/organization’s abiding vitality. In order to meet that responsibility, they must have active representatives in the different BoT committees. They are expected to attend all Board meetings, participate in discussions, and vote at such meetings (KMBA, 2015).

Board of Advisers

A Board of Advisers (BoA) composed of four (4) former presidents of its Board of Trustees and the Chief Executive Officer (CEO)/General



Manager may be organized as a good governance practice. The BoA have the general function of providing timely and relevant advice and support to the BoT on both financial and programmatic concerns. The BoT may recommend additional and more specific roles for the Board of Advisers from time to time, which may be subject to discussion and adoption by the latter’s incumbent members. The BoA may decide on its own rules and procedures including the frequency of its meetings and may inform the BoT President/Chairperson and Chief Executive Officer/General Manager of any such agreements (KMBA, 2015).

Board Officers

The organization Board officers will vary depending on the governance structure. Some examples of Board positions include (Community Literacy of Ontario, June 2014):

Chairperson (or president):	Chairs Board meetings; responsible for conduct of Board meetings and of Board members; sets and follows agendas; execute all resolutions of the Board of Trustees, and be responsible for directing and overseeing the activities of the organization; the spokesperson for the organization to the public; often a signing authority on legal and financial documents. The Chair submits to the BoT, as soon as possible after the close of each fiscal year and to the members during the annual meeting, a complete report on the activities and operations of the organization during the fiscal year.
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Vice-chairperson (or vice-president): Secretary:	Fulfills duties of the chairperson in his/her absence. Gives or issues all required notices and keep the minutes of all meetings of the members and of the Board in a book kept for this purpose. Keeps the seal of the organization and affix such seal to any paper or instrument requiring the same, have custody of the members' register and the correspondence files.
Treasurer:	Accounts for and reports on the funds, budget and expenditures of the organization; often a signing authority on financial documents. Keeps all monies and other valuables in such banks as the Board may designate, keep and have charge of books of accounts.

Although not as common, some Boards also have a past chairperson (or past president) as Board officer whose primary role is to mentor and support the current chairperson. Some Boards may also decide to have a shared leadership model with co-chairs taking turns chairing the meetings rather than having a chair and vice-chairperson.

Board officers may be elected and/or appointed by the Board as a whole or by the broader organizational membership. Board members can take turns in some Board positions throughout their term. When these positions exist, the Board as a whole needs to define the executives' functions and decide on the amount of authority each title brings with it.

Independent Trustee

The **Independent Trustee** is a person who has no business, relationship, or other position with the organization or its partner organizations which could, or could reasonably be perceived to, materially interfere

with the exercise of her independent judgement in carrying out responsibilities as member of the Board.

The BoT may identify and nominate individuals for election as Independent Trustees in line with its succession planning policy. Nomination for Independent Trustees may be done in conjunction with the selection of candidates as well as with the election of the BoT's regular members. All elected Independent Trustees may be required to attend the orientation and continuing education program including but not limited to sessions on the Anti-Money Laundering Act (AMLA) and the Board Governance Seminar (KMBA, 2015).

Internal Auditor

The internal auditor provides independent and objective evaluation of the organizations financial and operational business activities, including its corporate governance and/or operational efficiencies. The internal auditor reports directly to the Board of Trustees (KMBA, 2015).

External Auditor

The external auditor is independent of the organization and reports to the Board. Final selection of the External Auditor may be subject to the decision of the members in an Annual General Meeting (AGM), upon recommendation by the BoT. S/he may provide experienced opinion on the truthfulness of the organization's financial statements and performs tests to monitor the systems in place (KMBA, 2015)⁶.

General Manager and Management Team

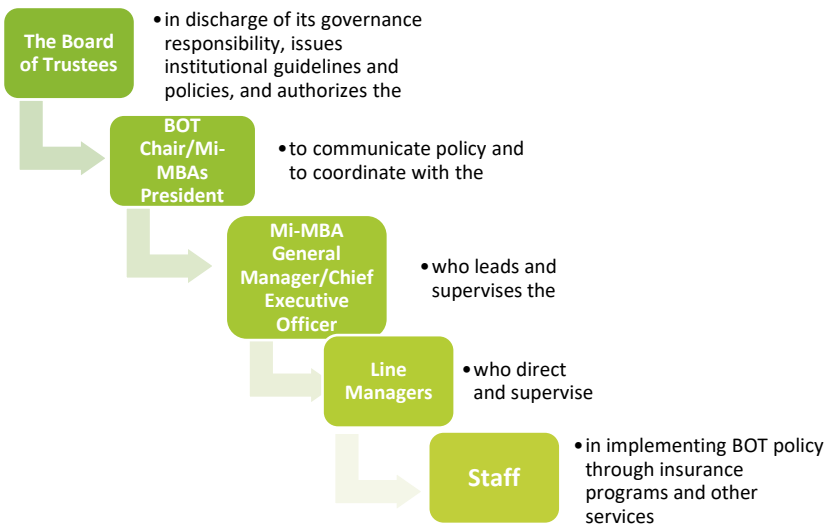
The overall responsibility for the day-to-day operations of Mi-MBA rest on the General Manager. As head of the Management Team, the General Manager provides general directions, supervision,

⁶ For details on the selection of the External Auditors, refer to IC Circular No. 29-2009 dated November 10, 2009.

management, and administrative control on all the operating units subject to such limitations as maybe set forth by the Board of Trustees or by the General Assembly (KMBA, 2015). The management team provides technical support to the organization.

Lines of Authority

The Board is responsible for the overall organizational integrity of the organization consistent with the corporation/organization’s vision, mission, and strategic plan. In the case of Mi-MBAs, the Board is accountable to the Insurance Commission and to its members in ensuring appropriate governance and prudent use of funds and the efficient running of the association’s operations by the management, with respect to lines of authority (RIMANSI, 2017) as outline below:



Example of Board Configuration

Depending on the provisions of the Constitution and Bylaws of the corporation/organization, the following are the standard provisions pertaining to Board of Trustees configuration:

Composition and Election of the Board of Trustees	<ul style="list-style-type: none"> • The Board shall be composed of at least five (5) but not more than fifteen (15) members elected by the members of the association. • There are at least two (2) independent directors/trustees in the Board. • The General Manager sits as an ex-officio member of the Board. The member-representatives to the Board are elected annually from among members. • With the exception of the independent members, the members of the Board elect from among themselves President, Vice-President, Treasurer, and Secretary.
Multiple Board Seats	<ul style="list-style-type: none"> • Members of the Board of Trustees may exercise due discretion in accepting and holding board positions in other organizations, to ensure that in holding such other positions their capacity to diligently and efficiently perform the duties and responsibilities is not compromised. • It further may its member-trustees to hold up to a maximum of five (5) full-time and two (2) part-time board positions in other organizations.
Qualification for the Board of Trustees	<ul style="list-style-type: none"> • Must be eighteen (18) to sixty-five (65) years old; • Must possess leadership skills and competence necessary to execute the duties of a trustee; • Has no conflict of interest or is not engaged in any business or activity similar to or in competition with the business of or services offered the organization or any of its partner organizations; • Has no pending administrative, civil, or criminal case; and, • Willing to perform the functions of a trustee without any remuneration.
Disqualification from the Board of Trustees	<ul style="list-style-type: none"> • No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six years or a violation of the Corporation Code of the Philippines committed within six years prior to the date of her or his election or appointment shall qualify as a trustee or officer.
Term of Office	<ul style="list-style-type: none"> • The term of office will vary depending on the provisions of the Constitution and Bylaws of the organization as decided by the Board.

Vacancy in the Board

- If a vacancy occurring in the BoT, by reason of death, incapacity, removal, or resignation of any of its members, will result in the Board not being able to meet quorum requirements during its meetings, said vacancy may be filled up through a special election. Said election may be bound by the same set of procedures provided in the association's election guidelines.

Board Committees

The Board shall constitute the proper committees to assist in maintain good corporate governance.

The **Audit Committee** may consist of at least three (3) directors/trustees, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director.

Example Provision for Audit Committee

*The **Audit Committee** may be composed of five (5) members: three (3) of which may be trustees, including the two (2) independent trustees. No member of this committee may hold any other position within Mi-MBA during her term of office. The committee may provide internal audit service, maintain a complete record of its examination and inventory, and submit a quarterly financial report, and/or as may be required by the BoT and the General Assembly. The Audit Committee will be directly accountable and responsible to the General Assembly. It may have the power and duty to continuously monitor the adequacy and effectiveness of the organization's management control system and to audit the performance of its operations.*

The Board may also organize the following committees:

A **Nomination Committee**, which may be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;

Example Provision

The Nomination and Election Committee may have five (5) members – three (3) BoT members and two (2) from management. In cases when committee members who are part of the Board will not be able to perform their functions because they are up for re-election, and no other members of the Board are available for election to the vacated post/s, staff may be selected to serve as members of the committee.

A **Compensation or Remuneration Committee**, which may be composed of at least three (3) members and one of whom should be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.

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

Bylaws

Every organization should have its own bylaws. An organization that is not incorporated may refer to its governing documents as a constitution rather than bylaws. A constitution provides an overview of the organization's purpose, mission and objectives. It often provides the framework for the Letters Patent required when an organization applies for incorporation status (Davidson, C., 2014).

An incorporated organization must have bylaws that comply with the requirements of incorporation legislation. The bylaws are literally the laws that enable organizations to carry out their activities effectively and efficiently. Boards that do not review their bylaws may sometimes find themselves working against them therefore putting the organization at risk. Bylaws can only be amended by the Board of directors, and changes must be approved by the general membership (Davidson, C., 2014).

Policies and Procedures

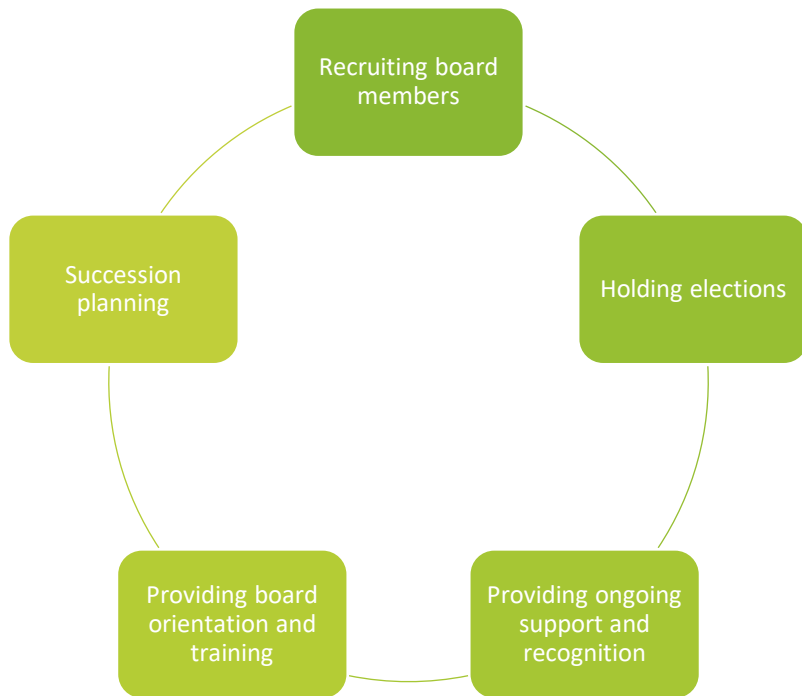
Policies and procedures in essence are the instructions for how an organization and its Board and staff adhere to its governance structure, governing documents and regulations. The policy tells an organization what to do, and the procedure tells how to do it. Each policy should have a procedure, and together these documents will direct board and staff on making decisions and working within certain limitations (Davidson, C., 2014).

The first step, and often a difficult task, is in the development of policies and procedures. Fortunately, once a template is established it's easier to develop new policies as they arise. The governance model of an organization will dictate how the development of policies and procedures unfolds, but often the development of policies falls to the Board and the development of procedures to the Executive Director/General Manager (Davidson, C., 2014).

It is the Board's responsibility to develop, monitor and amend policies as well as to ensure that decisions are made and actions are taken that comply with policies and follow proper procedures. Regular review and revision of policies is good practice and is often conducted by a committee for Board discussion and approval (Davidson, C., 2014).

Board Development

Board development is a cycle that includes:



Recruitment

Recruitment is a key part of the organizational development cycle. Recruiting is not just about how, but who and what. Such as who do you want on your Board and what skills and qualities are you seeking to help govern your organization. Recruitment should be an ongoing process for Boards so that ideally when it's time to select new member organizations there is already a pool of skilled, appropriate and diverse individuals to draw from (Davidson, C., 2014).

While some organizations have recruiting protocols similar to hiring paid staff such as advertising and interviewing others keep the process more informal. Regardless of the approach Boards at a minimum should:

- Assess their needs in terms of skills, experience and diversity
- Have clear Board job descriptions
- Have an application and screening process

If the potential members appear to be a good match for the organization, the next steps in the selection process, which usually includes nomination and election, should be explained. Boards need to keep in mind that people who say no now may say yes in the future so they should continue to keep connected with potential Board members who are a good match for the organization and consider having them join a committee or help out at a special event (Davidson, C., 2014).

Elections

The role of selecting new Board members usually falls to the nominating committee of the Board. Even in policy-governance structured organizations with few or no committees a nominating committee often exists. Some Boards have replaced a nominating committee with a governance committee. In both situations, the work focuses on identifying gaps and recruiting skilled individuals (Davidson, C., 2014).

Nominating committees should work throughout the year, not just when there is a Board vacancy or in the conduct of the Annual General Meetings (AGM). The committee is responsible for identifying potential candidates to fill vacancies and any gaps identified. Ideally, more candidates are recruited than there are positions available so that an election, rather than acclamation, occurs. In this instance it is important that candidates are aware of the nomination and election process and that just because they have been recruited doesn't mean they will automatically be elected or appointed to the Board (Davidson, C., 2014).

Support and Recognition

Once a Board has recruited and selected Board members it will want to keep them. Building in support and recognition will make members feel valued and loyal to the organization. AGMs are often a good time to publicly recognize the work of Board members through a gift, a certificate or a thank you note. Throughout the year Board members can be recognized and supported through training opportunities which show them their contribution is valuable and worth the time and money associated with training and professional development.

Board mentorship is another way to support new members and to show how the skills and knowledge of existing members are valued. Mentoring is in addition to, and a complement to, the governance training and orientation provided to members (Davidson, C., 2014).

Orientation

Orientation occurs when a new member joins a Board, and training occurs throughout the term of the Board. Both are important for sustaining members' interest and contributing to a healthy organization.

Orientation may take the form of a meeting or workshop complemented by a manual or guidebook. This includes discussion about the values and mission of the organization, details about governance and bylaws, information about committees, and getting familiar with the organization's office and staff (Davidson, C., 2014).

Example of an Orientation Policy

Ensuring that BoT members understand the organization, the industry, and its regulatory environment, including relevant laws is important to the effective governance of the association. In view of this, the Board may implement a program to orient new Trustees and support continuing

education of its members. Board members may be actively encouraged to attend orientation and learning activities. A Trustee orientation program for new members of the Board may be developed and regularly updated and/or enhanced to provide detailed background information on the organization's vision, mission, and products/services, its governance structure and principles (including the responsibilities and roles of the Board and its committees), its strategy and operations, and its annual and quarterly financial performance/status. The Board President, Secretary, and General Manager, may explore and utilize various strategies and opportunities for said orientation program with new Trustees, including but not limited to the following:

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

Training

Boards should think outside the box when it comes to training. This can come in the form of retreats, short courses, and attending conferences. Below is an example of continuing education policy for Board members (Davidson, C., 2014):

Example of Continuing Education Policy

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

- 1. Dissemination of reading materials and other background documents in advance of scheduled BoT meetings;*
- 2. Regular updates on emerging regulatory or governance matters through the website and/or during BoT and committee meetings;*
- 3. Providing access to relevant seminars, trainings, conferences, webinars, and similar educational opportunities on Board governance;*
- 4. Board site visits to the office/s and partner communities to meet with staff and members, and discuss improvement in operations; and*
- 5. Attendance in committee meetings (of which they are not members) for more in-depth discussion on policies or issues being considered.*

The BoT may monitor implementation of its orientation program for newly elected Trustees and its continuing education initiatives for all its members, and regularly report on these to the Board. It may also conduct periodic reviews and assessments with Board members on the effectiveness of such programs, the results of which may be included in the corporate governance section of the association's annual reports.

Succession Planning

Succession planning for Board members to ensure continuity in its smooth operations and future growth is an important aspect in

ensuring good governance practice. Directors/Trustees provide effective stewardship to the corporation/organization, and it is thus critical that any gap the governance structure resulting from the resignation, retirement, or removal from office of the incumbent is addressed in a timely manner. Succession planning should also ensure that the people tapped to fill such vacancies possess the competencies required by the position (Davidson, C., 2014).

Remuneration of the Board

The members of the Board of Trustees are not entitled to any compensation or remuneration for their services rendered, except for any actual reimbursements of monitoring and transportation expenses incurred in the performance of their duties and responsibilities.

Disclosure of RPTs and Other Conflict of Interest

Members of the Board and Management Team shall be required to disclose to the association relationships or interests which could constitute Related Party Transactions (RPTs) and possible conflict of interest in the future given their functions within the association.

A Related Party Transaction or RPT may refer to any business deal, agreement, or arrangement involving the association as participant, and in which related parties have a financial interest.

Example of Related Parties

Related parties, may include the following:

1. *Board of Trustee members of the organization, its sister organization and other partner organizations;*
2. *General Manager and its key employees, including anyone who directly reports to the Board of Trustees;*
3. *Spouses or any relative, within the fourth degree of consanguinity or affinity or by legal adoption, of persons identified in (1) and (2);*

4. *Any entity/organization in which individuals mentioned in numbers (1), (2) and (3) above have a controlling or influential interest; and,*
5. *Any person whose judgement and/or decisions could be influenced as a result of a relationship between or involving themselves and any of the persons mentioned above.*

Example of a disclosure process of RPTs by BoT and Management Team members

1. *Upon being elected to the BoT, trustees may fill out and submit to the Secretary a form (Declaration of Material Personal Interests/Conflict of Interest) detailing their material personal interests in relation to the organization. The Management Team may do the same upon their appointment or hiring. Each BoT and Management Team member may be required to regularly update her form and to report to the Secretary changes in the status of such interests during her term of office. At the minimum, the said form may contain/indicate the following sets of information:*
 - a. *Nature and extent of the interest (if it is possible to cite, including the amount/value of said interest);*
 - b. *If applicable, the date upon which interest arose; and,*
 - c. *How the interest relates, or may relate, to the affairs, business, or operations of the organization.*
2. *The Board Secretary may maintain a register of BoT and Management Committee members' material personal interests consisting of collated forms (a) above and written records (minutes of meetings, formal notices, etc.) of changes in the status of the declared material personal interests/conflict of interest. For disclosure purposes, the Board Secretary may report on the register's status and any changes in the disclosed information during BoT meetings.*

Common Cases of Conflict of Interest

CASES	HOW TO HANDLE
The Board Member is a close relative of a supplier of the institution	<ul style="list-style-type: none"> • Get suppliers not connected with Board/Management • Establish benchmarks for comparison • Declare connections
The Board Chair/President and the Treasurer are husband and wife, or are parent and child	<ul style="list-style-type: none"> • Have clear policies: Decision makers must not be related by consanguinity or affinity up to the 2nd degree • Relatives in key positions could complicate decision-making thus discourage • Regular third/external party assessment and audit
A Board Member is also a paid program/project consultant	<ul style="list-style-type: none"> • S/he has to be asked to choose only one role
A Board Member or staff is closely related to a grantee and/or partner organization of the NGO	<ul style="list-style-type: none"> • Disclose and abstain from the decision-making process



Suggested Activity

Identify where you agree and disagree on the areas of authority of the Board and General Manager. It starts by listing a number of activities that must be undertaken in a successful organization. Add any activities that are specific to your organization, then use the activities to guide discussion and clarify expectations of the Board/GM relationship. The result will be the basis for a governance structure tailored to your own association.

At a Board meeting:

1. Hand out the list of major organizational activities undertaken by your association to all Board members and the General Manager.
2. Allow about 15 minutes for each person to mark in which column the decision or activity belongs.
3. Compile the answers on a master sheet, showing how many responses were put in each column.
4. Review the distribution of answers, noting the items on which:
 - a. There is consensus
 - b. There is a diversity of opinion
 - c. The consensus of the Board is different from the responses of the General Manager
5. Discuss the items in categories b and c until you reach an agreement among the board and between the Board and General Manager.

		GM may act on own. Not required to inform board	GM may act on own. Must inform board ASAP	GM responsibility but must obtain board approval.	Sole board responsibility. Board initiates.	Collaborative. GM or board may initiate. Work is shared.	Other or To Be Negotiated
1	Define and write vision, mission and values statements						
2	Set long term goals & objectives (3-5 years)						
3	Set medium term goals & objectives (2-3 years)						
4	Set annual (1 year) goals & objectives						
5	Determine what programs & services to provide						
6	Evaluate programs & services						
7	Apply for foundation & government grants						
8	Organize fundraising events						
9	Donor development						
10	Other fundraising activities						

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11	Set financial procedures & controls						
12	Prepare annual budget						
13	Monitor income & expenses						
14	Spend within budget						
15	Sign cheques						
16	Manage investments						
17	Set personnel policies						
18	Recruit, hire and set compensation for employees						
19	Accept & use the services of volunteers and reimburse expenses						
20	Discharge staff & volunteers						
21	Assign work to employees (other than ED)						
22	Supervise employees & volunteers						

		GM may act on own. Not required to inform board	GM may act on own. Must inform board ASAP	GM responsibility but must obtain board approval.	Sole board responsibility. Board initiates.	Collaborative. GM or board may initiate. Work is shared.	Other or To Be Negotiated
23	Settle grievances among staff						
24	Communicate with auditor						
25	Settle complaints from clients/ stakeholders						
26	Speak to media on behalf of organization						
27	Serve on interagency committees						
28	Plan the Annual General Meeting						
29	Allocate funds for conferences & professional development						
30	Recruit board members						
31	Plan & deliver board orientation program						
32	Evaluate board & board member performance						
33	Set agendas for board meetings						

		GM may act on own. Not required to inform board	GM may act on own. Must inform board ASAP	GM responsibility but must obtain board approval.	Sole board responsibility. Board initiates.	Collaborative. GM or board may initiate. Work is shared.	Other or To Be Negotiated
34	Take minutes at board meetings						
35	Engage expert advisors or consultants within budgeted amounts						
36	Ensure that organization operations & budgets are aligned with plans						
37	Determine methods, procedures for delivery of programs						
38	Ensure board complies with bylaws						
39	Write/update bylaws						
40	Negotiate & enter into contracts						
41	Ensure that board policies are up to date & followed						
42	Establish & manage a system for periodic review of policy						
43	Advocate with government for greater priority to agency issues						



Effective Management of Board Meeting

Objectives

This module is intended for Mi-MBAs to effectively manage Board meetings by understanding the requirements and essential tools that underpin effective Board meetings.

Board Meetings

Board meetings constitute one of the main mechanism by which Directors/Trustees could be actively engaged in governance. All members of the Board of Trustees (BoT) are required to attend and participate in the Board's regular and special meetings. The usual purposes of Board meetings are to: (1) Make decisions (2) Set policy (3) Solve problems and (4) Plan and evaluate (Davidson, C., 2014).

Frequency of Meetings

Regular meetings of Board may be held at least once a month. Apart from the regular meetings, the President or a majority of the Directors/Trustees may at any time call special Board meetings to consider and discuss urgent matters. In no case may the number of the BoT's regular meetings in a year be less than six (6) (Davidson, C., 2014).

Quorum Requirements

A quorum for any Board meeting may be at least two-thirds (2/3) of its members or 50% plus one as the case may be depending on the provision of the bylaws. Where there is no quorum, the Board may still decide to go on with the meeting and discuss items set in the agenda, provided that no voting and/or action on the identified decision points

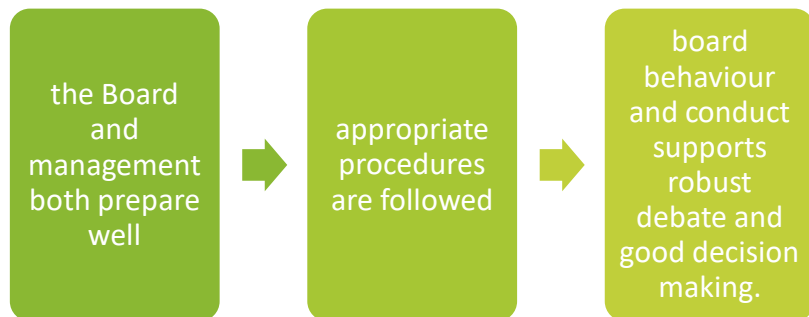
may be taken during said meeting. Provided further that the Board president, Secretary, and the Executive Director/General Manager, may ensure that key points from the ensuing discussion related to such decision points or proposed resolutions are properly documented and sent to all Board members as part of the minutes of meeting, and that final decision or voting by the Board on the proposals will be included in the agenda of the body's next meeting (Davidson, C., 2014).

Attendance Policy

BoT members are expected to attend all Board meetings. A member who will not be able to attend a Board meeting is required to notify the President in advance. The BoT may review cases of three (3) consecutive absences, or of total attendance for the year in danger of falling below 75% of total Board meetings, by any of its members to assess validity of reasons given, secure a commitment from said member to improve, and/or impose a sanction (Davidson, C., 2014).

Requirements for Effective Board Meeting

An effective board meeting requires that:



Preparation

The responsibility of planning and preparing for Board meetings usually falls to the chairperson and the Executive Director/General Manager.

The extent to which each is involved is dictated by the organization's governance structure (Davidson, C., 2014).

The President/Chairperson may meet with the Executive Director/General Manager prior to a meeting to determine Board issues versus staff issues. They can then plan an agenda only around the Board issues (Davidson, C., 2014).

The key to preparation is for everyone to be clear about the role they play and what needs to be done prior to the meeting (Davidson, C., 2014).

Examples of what needs to be done prior to a Board meeting

- *Adequate notice has been provided to Board members in a format that has been previously agreed upon (i.e., two weeks prior to the meeting all Board members are emailed a reminder and package).*
- *Copies of all documents needed prior to the meeting are distributed to members or are available on an organizational Wiki (agendas, past minutes, correspondence, proposed policies, committee reports, etc.).*
- *Facility space is booked or confirmed along with any equipment that may be needed for the meeting (i.e., flipchart, LCD projector, coffee machine).*
- *Arrangements for food and refreshments are confirmed (if applicable).*
- *Special guests (if applicable) have been confirmed and arranged to appear at an agreed upon time on the agenda.*

Planning and preparation is critical to achieve effective board meetings. Having an annual plan, a well-structured agenda and comprehensive board papers, are the cornerstones of effective decision-making (Davidson, C., 2014).

The Annual Plan

An annual schedule of meetings should be agreed for the year to (1) enable the scheduling of key events such as strategic planning, the General Manager's performance review and financial reporting and (2) ensure trustees can book meeting dates in their calendars (Institute of Directors in New Zealand, 2015).

A sample annual plan is included under the template. The venue and timings for the next meeting should be confirmed at the preceding meeting (Institute of Directors in New Zealand, 2015).

Annual plan template

Adopted from (Institute of Directors in New Zealand, 2015).

Areas included in plan for example purposes only. Plans should be tailored to organizational needs

Item	January	February	March	April	May	June	July	August	September	October	November	December
Board meetings	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place	Date/Time/Place
1.0 Strategic plan and organizational performance												
Strategic plan/strategic review												
Annual Report												
2.0 Finance Audit & Risk												
Annual budget												

Audit/financials													
Risk review													
3.0 Chief Executive Officer/General Manager													
CEO/GM performance agreement													
CEO/GM remuneration													
4.0 Board administration and planning													
Board performance review													
Director/ Trustees' Fees													
5.0 Stakeholder relations and engagement													
Annual General Meeting													

Sample Monthly Themes

Monthly Themes

Jan	Sector Situationer
Feb	Human resource issues
Mar	Risk management
Apr	Auditor's report
May	Operations audit
Jun	New programs
Jul	Resource mobilization & generation
Aug	Succession Planning
Sep	Review of Strategic Plans
Oct	Next year plans and budget presentation
Nov	Board Retreat
Dec	

Incorporated organizations are required by law to conduct members' meetings. This often translates into an Annual General Meeting (AGM) of the full membership and regular, more frequent meetings of the Board of directors. The number of meetings a Board holds in a year is outlined in its bylaws, but it's often monthly or bi-monthly although it's not unusual to only meet quarterly. Board members attend and vote at Board meetings (Davidson, C., 2014).

For Board meetings to be effective they need to (Davidson, C., 2014):

- Have a purpose
- Provide enough notice and appropriate materials for members to be prepared
- Be chaired effectively
- Follow proper meeting procedures and respect the time of board members
- Have clear supporting documents such as an agenda, minutes and other reports
- Ensure all participants have a voice and are respected
- Include some social interaction and networking time
- Accomplish results and/or have action items
- Be documented with minutes

Carter McNamara, (www.authenticityconsulting.com) author and trainer experienced in non-profit management), says the most frequent reasons for poor Board meetings are insufficient time to review materials before the meeting, insufficient member participation, and poor time management during the meeting (Davidson, C., 2014).

Procedures

A Board is typically free (subject to provisions of common law, legislation and, where applicable the body's constitution) to follow any set procedures, customs and standing orders that it decides on. Board procedures are commonly set out in the Board charter (Institute of Directors in New Zealand, 2015).

Frequency and quorum

A director/trustee should expect that regular Board meetings will be held at least quarterly and more commonly on a monthly basis. In particular extraordinary circumstances (for example a financial crisis) meetings might need to be held often until the issue is resolved. In order to hold a properly constituted Board meeting, there must be a quorum present. The quorum may be defined in legislation, the organization's constitution or company policy (Institute of Directors in New Zealand, 2015).

Practices and rules

Meeting practices varies, and can range from informal to very formal procedures, for example: (1) some Boards may instill the discipline of 'speaking through the chair' to reduce cross-talking and guide discussion back to the chair at all times or (2) other Boards may use this only in situations where a controversial matter is up for debate and discussion becomes heated (Institute of Directors in New Zealand, 2015).

Absence and abstention

All directors/trustees are jointly and severally liable for decisions made in the boardroom (Institute of Directors in New Zealand, 2015).

- Abstention does not constitute formal dissent regarding an issue or motion and even if dissent is formally registered and recorded, it does not exempt the director/trustee from liability for the decision made.
- Likewise, being absent for a part or the entirety of a meeting of the Board does not provide a director/trustee with exemption from liability for the decisions made at that meeting.

Confidentiality and security

Directors/trustees can be subject to legal, regulatory or constitutional obligations to treat confidential information with due care and

discretion. Board papers often contain sensitive information about an organization and directors/trustees should take care to ensure they are kept secure (Institute of Directors in New Zealand, 2015).

Conduct

An effective Board meeting is strongly influenced by boardroom conduct, behavior and the role of the chair. The chair is central to ensuring all Board members contribute to the discussion and are heard. There should also be a robust debate and respectful engagement. The soft skills of the chair and other Board members can make the difference between a high-functioning and a low-functioning Board (Institute of Directors in New Zealand, 2015).

An important responsibility of directors/trustees is to question management – and each other – about the items of business in front of them. These are questions that you should ask, not questions you can afford to hope someone else will ask (Institute of Directors in New Zealand, 2015).

- What issues (explicit or implicit) do the papers in front of me raise?
- Do we have the right information? (To assess performance or risks.)
- Did we get answers to what we asked last time?
- Are we dealing with issues of risk, compliance and strategy in the right balance? Is the bad news reaching the board?
- How can we measure/benchmark progress?
- How do we validate information that doesn't seem right?

Respectful engagement

The boardroom is a place of mutual respect. There should be respect for the office of the chair as well as all other people at the table, including fellow directors/trustees and any other attendees (Institute of Directors in New Zealand, 2015).

The guiding rule for boardroom debate is that all directors should 'play the issue, not the person' and avoid the discussion becoming personal (Institute of Directors in New Zealand, 2015).

Effective Participation

Members of a Board who don't play a leadership or executive role still have responsibilities to ensure the effectiveness of a meeting. This includes active participation but also to (Institute of Directors in New Zealand, 2015):

- Arrive on time and stay for the duration of the meeting
- Read materials prior to the meeting to be prepared for discussion
- Be respectful of others who are speaking and avoid interrupting, rudeness and side conversations
- Have an open mind when listening to discussion and opposing perspectives
- Ask for clarification before voting or making a decision if unsure about something
- Carefully word motions
- Volunteer to help with items that require action and follow up on action items prior to the next meeting

Board members need to feel they are accomplishing something and being recognized for the work they do. When this happens at Board meetings members are more apt to participate (Institute of Directors in New Zealand, 2015).

Role of the chair

The role of the chair is critical to the effective conduct of meetings. Effective leadership from a chair adds significant value to the Board, the CEO/General Manager and the organization. The chair also has a pivotal influence on board culture (Institute of Directors in New Zealand, 2015). The role of the chair in a Board meeting, is to (Institute of Directors in New Zealand, 2015):

- chair meetings in a manner that stimulates debate on the issues before the board
- foster a board culture that is respectful and inclusive
- limit board members who may be overly talkative while drawing out the contributions of the those who are silent
- guide discussions so that genuine disagreements can be aired and resolved
- not dominate discussions but maintain good control of proceedings
- see that decisions are reached and are properly understood and recorded
- be mindful of the potential for conflicts of interest between directors/trustees and the company/organization
- be fair but firm.

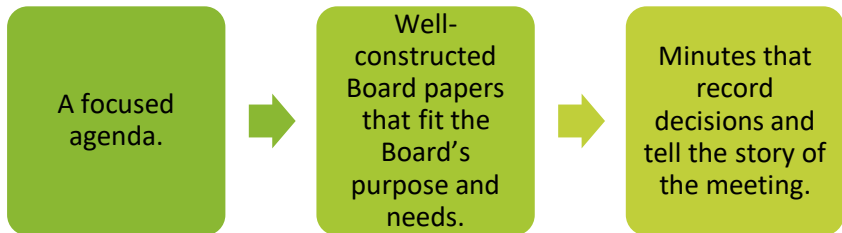
The chair should formulate the agenda and decide the amount of time spent on each item. It is the responsibility of the chair to ensure the agenda and board papers are sent out to committee members on time and that they are of a high standard (Institute of Directors in New Zealand, 2015).

Role of the Chair in the Meeting Flow

Meeting Flow	Role of the Chair
1. Welcome	Recognize all present and request the Board Secretary to do a roll call to determine presence of quorum
2. Interests register and conflicts of interest	Request board members to signify conflicts of interest as far as the agenda item is concerned.
3. Minutes of the last meeting	Resolution: <i>That the minutes of the meeting dated XXXX be accepted as a true and accurate record.</i> Moved: Seconded: Motion passed: Yes / No

Meeting Flow	Role of the Chair
	Abstentions:
4. Action items from the last meeting	Ensure that all action items of the previous meeting/s have been acted upon.
5. Matters for discussion	Refer to items in the agenda for discussion and notify the board secretary to note agreements and action items.
6. Matters for decision	Refer to items in the agenda for decision and notify the board secretary to note decisions made and the target dates for implementation.
7. Matters for information	Refer to items in the agenda for information and notify the board secretary to note clarifications made as well as items in need for additional details.
8. Management reporting	<p>Resolution: <i>That the management report for the period dated XXXX be received and approved.</i></p> <p>Moved: Seconded: Motion passed: Yes/No Abstentions: For all agenda items</p>
9. Other Matters	Ask the Board for any other matters that is not in the agenda that needs to discuss
10. Adjournment	Next meeting: The next meeting of XYZ Mi-MBA will be held on [date], [time] at [location].

Three essential tools underpin effective Board meetings:



Notices and Agenda of Board Meetings

Notices of regular and special meetings of the BoT, including other relevant papers and/or documents, should be sent to all Board members at least five (5) days before such meetings. Calls/resolution/(s) for special Board meetings may be forwarded initially to the BoT Secretary, taking into account the five-day rule on notices for meetings (Institute of Directors in New Zealand, 2015).

A focused agenda is the roadmap for a meeting and the backbone of constructive discussion. A well-constructed and formatted agenda will ensure you to get the most out of your Board meeting. The chair is the official owner of the Board agenda and should oversee its preparation (Institute of Directors in New Zealand, 2015).

Key agenda items

The agenda should include a balance of structural, compliance and performance matters. This enables the Board to deal with important administrative and short-term performance issues, while allocating sufficient time to consider of the company's strategy and long-term future (Institute of Directors in New Zealand, 2015).

the date, time and place of the meeting	minutes of the last meeting	action points from the last meeting
interests register (See the Conflicts of Interest Practice Guide)	management reports (including financial statements)	decision papers and discussion of strategic issues.

Notices of Board meetings, whether regular or special, may include these information and materials/documents:

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

One of the best ways to hold effective meetings is to put thought into the agenda, distribute it prior to the meeting, and then stick closely to it during the meeting. Ideally agendas should note:

- Topics/issues to be covered at the meeting
- Action required for each topic/issue (i.e., information only, discussion, decision)
- The person responsible for leading the discussion or providing information

- A timeline associated with each item

Some organizations, in keeping with their governance structure, have standing items that appear on the agenda such as a report from the governance or nominating committee. Some organizations ensure there is time at every meeting to discuss the organization's strategic and succession plan especially in relation to goals achieved related to the plans. It can also be helpful to include the organization's mission statement on the agenda as a constant reference and focus.

Tips for an effective agenda

- Put important issues at the top of the agenda.
- If your Board receives hard copies of the agenda and papers, it can assist in ease of navigation to include an A3-size fold-out page at the back of the papers displaying the agenda of the meeting with page numbers of associated papers noted. This saves time spent flipping back and forth between the contents page and the rest of the documents.
- Use indicative timings in the agenda for each issue to encourage meeting flow. Procedures such as taking apologies, minutes and the register of interests are important but should only take a short amount of time. The Board can then focus on the issues at hand.

Be ready for the meeting

Directors/Trustees should be on time and ready to do business.

It is the responsibility of each Board member to ensure they read everything presented for discussion leading up to the meeting, to thoroughly consider the key strategic issues behind the papers.

“A helpful rule of thumb is for trustees to spend at least 1-2 hours out-of-meeting time reading the papers for each hour of in-meeting time.”

It is the duty of a director/trustee to be open-minded in their approach to decision-making. Being receptive to other arguments is a key quality of being an effective and balanced director/trustee.

Minutes and Action Items

Good record keeping is important to have an efficient functioning Board.

Meeting minutes

Directors/trustees are legally responsible for ensuring minutes are accurate and well kept. While minutes of the meetings should not quote discussions word for word, they need to be detailed; enough to ensure an accurate reflection of the meeting and illustrate the reasons decisions were taken. Minutes must demonstrate that the directors/trustees have done what is required to discharge their duty of care, diligence and skill.

Following the meeting, the minutes are first checked by the chair and then circulated to directors/trustees in draft form. This should be done within a few days of the meeting to which they refer. The minutes are then signed by the chair usually at the next board meeting.

Purpose of minutes

The minutes are designed to ‘tell the story’ of the meeting and illustrate the reasons of the decisions that are taken. Each Board will decide the style of minutes suitable to the organization but there are certain consistent elements.

Content

Views differ on the extent of detail to be included in the minutes. Minutes are usually drafted in a formal and neutral tone. While minutes of the meeting should not be so heavily detailed as to quote the meeting verbatim, they need to be detailed enough to ensure a brief and accurate reflection of the meeting.

Action list

Directors/Trustees and management may find that time can be saved if the minutes are followed by an action list. This is a list of matters arising at the meeting where an action is required, setting out who is responsible for each matter, the estimated date of completion, and a brief description of progress (Institute of Directors in New Zealand, 2015).

Minutes and action items should be distributed to Board members as soon as possible after the meeting. At a minimum, they should be distributed to the Board to provide enough time for members to review them prior to the next meeting. At each meeting, time should be allotted to raise questions, clarify items or make amendments to the previous meeting's minutes.

Ideally, the minutes should have been read and reviewed prior to the meeting. This will eliminate the need to read through them at the meeting. Any Board member who requires assistance in reading and reviewing the minutes should have the opportunity to do so prior to the meeting.

Minutes Template⁷

Minutes of the meeting of XYZ Mi-MBA held on [date], [time] at [location].

⁷ Items/motions in minutes for example purposes only. Minutes should be tailored to organizational needs.

Present:

Apologies:

1. Welcome

2. Interests register and conflicts of interest

3. Minutes of the last meeting

Resolution: *That the minutes of the meeting dated XXXX be accepted as a true and accurate record.*

Moved:

Seconded:

Motion passed: Yes / No

Abstentions:

4. Action items from the last meeting

5. Matters for discussion

6. Matters for decision

7. Matters for information

8. Management reporting

Resolution: *That the management report for the period dated XXXX be received and approved.*

Moved:

Seconded:

Motion passed: Yes/No

Abstentions:

..... For all agenda items

10. General business

Next meeting: The next meeting of XYZ Mi-MBA will be held on [date], [time] at [location].

These minutes have been accepted as a true and accurate record by the board of XYZ Mi-MBA.

Prepared by:

Reviewed by:

Approved by:

Signed: _____

Chair

Date: _____



Board Performance Evaluation

Objective

This module is intended for Mi-MBAs to understand the importance, purpose, and processes of Board performance evaluation as a function of good governance.

Importance of Board Performance Evaluation

Under the Securities and Exchange Commission, Corporate Code of the Philippines and as espoused in the ASEAN Corporate Governance Scorecard, the Board of trustees shall conduct a performance evaluation to measure its effectiveness as a governing body⁸.

The Board shall designate the executive director/general manager, as compliance officer to establish an evaluation system to determine and measure compliance of the Board, management and employees.

The importance of a strong and effective governance has been emphasized in the previous sections of this handbook. If the Board does not evaluate its performance all the good work it did will be in vain. The need to evaluate their work is the Board's responsibility to be accountable and transparent to their stakeholders/members. It is a task that is often overlooked or under-rated in the non-profit field. Non-profit Boards may feel they don't have the expertise or knowledge to

⁸ For Mi-MBAs a detailed Self-Assessment Questionnaire on the observance of different principles of good governance is included in IC-CL 31-2005 which can be a good reference or benchmark in Board Performance Assessment in relation to Good Governance practice.

carry out an evaluation, or they may tackle it only when faced with an organizational crisis or at the special request of a third-party.

The Purpose of Board Evaluation

Board evaluation is linked with planning and is directly tied to achieving the outcomes and results outlined in the Board's strategic plan. It is important to not wait until your Board is in crisis mode before doing an evaluation. An evaluation can bring to light warning signs that your Board is getting off track.

As noted above, one of the main drivers for Board evaluation is often an accountability expectation by funders. However, it's also important for the Board to evaluate its work to provide accountability to individual Board members, staff, clients, its membership, and the broader community it serves. If done properly, it is also an effective way to gain feedback and learn how to improve its work.

Organizations that work within a performance management system understand that evaluation is a key part of measuring effectiveness, efficiency and client satisfaction.

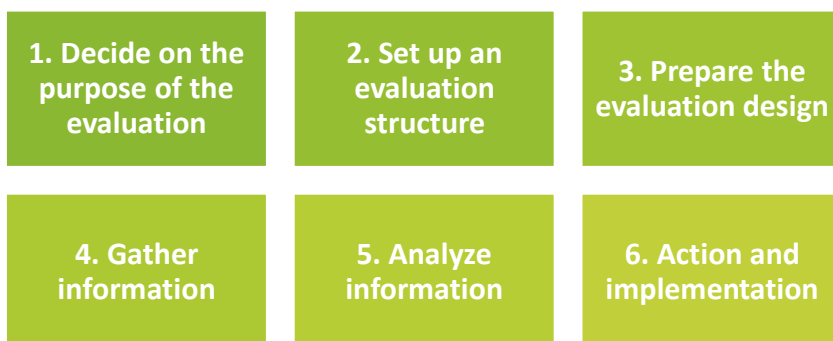
Evaluation Process

The evaluation process looks at what the Board has achieved and how it has achieved it. The Board is responsible for evaluating the areas that pertain to governance. Staff or independent consultants are usually responsible for evaluating programs and services (Davidson, C., 2014). The Board's area of evaluation responsibilities include:



Some tasks may happen more regularly, such as evaluating Board meetings and checking it with work related to the strategic plan, while other areas such as evaluating the ED/GM may occur on an annual basis. The Board may choose to hire an independent consultant to assist with the evaluation, but it is the responsibility of the Board to decide on the process and to ensure that the evaluation is implemented and the results reviewed.

United Way Canada's Board development guide suggests a six-step process:



Board Evaluation Questions

Organizations can choose a variety of tools to conduct evaluations and gather information including surveys and questionnaires, self-assessment tools, personal interviews and focus groups.

Board members should regularly conduct self-assessments. This can include a brief check-in after each meeting along with a more comprehensive one, annually or at the end of a term. An annual self-assessment may be kept confidential for the member's own personal growth and development goals. It may also be collected by the chairperson or Board development committee so that a broader perspective can be gained about possible Board training needs (Davidson, C., 2014).

Items that a Board will want to look at when evaluating its work as a whole include:

- How it operates within its mission, goals and bylaws
- Board members' understanding of their roles and responsibilities
- Board job descriptions
- The work of committees and their terms of reference
- The composition and structure of the Board
- Risk management policies and safeguards
- Recruitment and orientation practices
- Evaluation procedures for senior staff and individual Board members
- Accomplishments and actions taken that relate to the organization's strategic plan
- Board and organizational communication



Suggested Activity

This is a simplified version of Board Evaluation Checklist as a way of evaluating Board's performance that can be used by Mi-MBAs.

Instructions:

Have each Board member fill out the checklist and email the results to the Board evaluation committee (or Board chair). Compile, discuss the results, highlight and act on areas needing further development.

Board Evaluation Checklist⁹

Scale

1 - Not happening, development needed DK - Don't Know 3 - OK, development may be needed NA - Not Applicable 5 - Excellent, no development needed at this time

RATING	PERFORMANCE INDICATORS
	Board has the minimum number of members according to the bylaws.
	Majority of Board completes at least a two year term.
	Competent Board and staff leadership.
	Roles of the Board members are clearly defined and respected.
	Board members provide support for staff to carry out their roles.
	Staff provides support for Board members to carry out their roles.

⁹ Source: CLO's Board Development Committee; Mel Gill, *Governing for Results: A Director's Guide to Good Governance* (Charity Village); and Greater Twin Cities United Way Checklist.

RATING	PERFORMANCE INDICATORS
	Majority of Board attends meetings.
	Committees complete tasks in an effective and timely way.
	Committees report to the Board at least twice per year.
	Board's nominating process ensures that the board remains appropriately diverse.
	Each Board member has a board manual (or access to board information online) and can locate required information.
	New Board members are oriented to the organization.
	New policies are discussed and approved before they are implemented.
	Policies are reviewed at least annually and updated as needed.
	Agenda and materials are given to board members with time for review before meetings.
	Board prepares for meetings by reading background material.
	Board engages in strategic planning at least every two years.
	High degree of agreement and support on values and mission.
	Good financial stewardship, budgets and reports are reviewed, understood and approved by Board.
	Familiarity with business plan.
	Clear lines of accountability are in place.
	Sufficient board independence from management to make objective decisions.
	Good meeting management is in place.
	Commitment to Board self-evaluation and development.
	Constructive dispute resolution process in place.
	Organizational culture that encourages good teamwork.

RATING	PERFORMANCE INDICATORS
	Organizational culture that encourages excellence.
	Low levels of internal conflict.
	Good balance between stability and flexibility, innovative and adaptive responses to change.
	Process for handling urgent matters between meetings in place.
	Conflict of interest policy is in place and complied with by Board and staff.
	Perceived legitimacy and credibility in the community.
	Effectiveness of the Board and committees is evaluated annually.
	Effectiveness of the Board meetings is evaluated after each session.
	Comments/Concerns/Suggestions for improving the Board:

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Annex A

Sample Template of Governance bylaws

CHAPTER 1: INTRODUCTION

Objectives
Brief History
Vision and Mission
Organizational Structure
Products and Services
Commitment to Good Corporate Governance
Definition of Terms

CHAPTER 2: GOVERNANCE STRUCTURE

The Board of Trustees
Composition of the Board of Trustees
Multiple Board Seats
Qualifications of the Board of Trustees
Disqualification of the Board of Trustees
Term of Office
General Responsibility
Specific Duties and Responsibilities
Internal Control and Responsibilities
Disclosure of the Third Party Transactions and Other Conflict of Interest
Vacancy in the Board
Performance Evaluation of the Board
Independent Trustee
Board Committees
 Audit Committee
 Treasury Committee
 Product Development and Innovation Committee
 Election Committee
 Ethics Committee
 Other Committee
Officers of the Board of Trustees
 President

Secretary
Treasurer
Management Team
Internal Auditor
External Auditor

Board Meetings
Access to Information
Code of Ethics and Conduct
Remuneration of the Board

CHAPTER 3: MEMBERSHIP Qualification for Membership

Duties and Responsibilities
Voting Rights of Members
Power of Inspection
Right to Information
Other Benefits of Members
Annual General Meeting
Notice of Annual General Meeting
Related Party Transactions of Board of Trustees and
Management Team

CHAPTER 4: STAKEHOLDERS Identification and Definition of Stakeholders

Feedback and Grievance Policy for Stakeholders
Review and Resolution of grievances
Right to Training and Development

CHAPTER 5: DISCLOSURE AND TRANSPARENCY

CHAPTER 6: PERFORMANCE AND EVALUATION

CHAPTER 7: MANUAL REVIEW AND UPDATING

CHAPTER 8: PENALTIES FOR NONCOMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND THIS MANUAL