

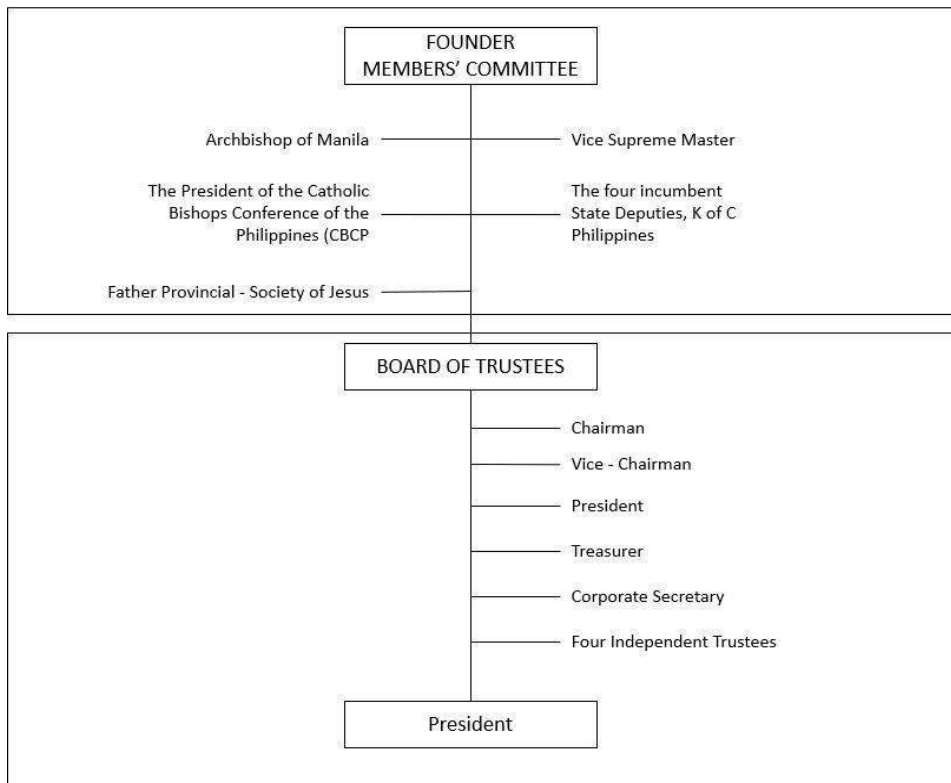
# Knights of Columbus Fraternal Association of the Philippines, Incorporated

## REVISED MANUAL ON CORPORATE GOVERNANCE

### I. INTRODUCTION

The Members of the Board of Trustees, Officers and Employees of the Knights of Columbus Fraternal Association of the Philippines, Incorporated (KCFAPI), as well as All who work for it or any of its departments or agencies in a non-employee category such as, but not limited to, the field representatives, including outsourced services, and those enumerated in Articles XI and XII of the Revised KCFAPI Code of Ethics are committed to the finest principles and best practices contained in this Manual and acknowledge that the same is their guide in the attainment of KCFAPI's Corporate Mission and Vision.

### Organization Structure



**II. DEFINITION OF TERMS**

1. Affiliates or affiliated companies – refer to an organization duly established by KCFAPI to attain its benevolent and charitable activities. These are the Knights of Columbus Fr. George J. Willmann Charities, Inc. and the KC Philippines Foundations, Inc., or such other benevolent or charitable organization that KCFAPI may establish.
2. Board of Trustees – refers to the collegial body that exercises the corporate powers of the KCFAPI under the Corporation Code of the Philippines. It conducts all business and controls or holds all properties of KCFAPI.
3. Business Risk – means the threat of an event or action which may adversely affect KCFAPI’s ability to successfully and effectively achieve its business objectives and execute its strategies.
4. Corporate Governance – a system and a model by which the KCFAPI is directed and managed. It influences how the objectives of KCFAPI are set and achieved, how risks are monitored and assessed, and how performance is optimized.
5. Executive Trustee – refers to a Trustee who is at the same time appointed to head a department/unit within the organization.
6. Founder Members – are the sixty-four (64) individual and council members of the Order of the Knights of Columbus in the Philippines which organized and put their initial capital or seed money for the KCFAPI and reserved unto themselves the voting rights. They are represented by the Founder Members Committee (FMC) in the annual Founder Members’ Meeting.

7. Founder Members Committee (FMC) – a committee composed of eight (8) members which was created when fifty-five (55) out of sixty-four (64) Founder Members transferred their membership certificates in the KCFAPI to Fr. George J. Willmann, SJ, then Philippine Deputy of the Knights of Columbus in the Philippines by virtue of a Deed of Trust entitled “Assignment of Transfer of Founder Membership Certificates of the Knights of Columbus Fraternal Association of the Philippines, Incorporated” which effectively vested control of KCFAPI.
8. Independence – refers to an environment which allows the person to carry out his task freely, impartially and objectively.
9. Independent Trustee – refers to a member of the Board of Trustees of the KCFAPI who is not an officer or employee of KCFAPI, or who does not have any relationship with KCFAPI and also will not interfere with the exercise of independent judgment in carrying out the responsibilities of a Trustee. An Independent Trustee should be independent of the KCFAPI management and free from any business or other relationship which can materially interfere with the exercise of his independent judgment.
10. Internal Control – refers to the process effected by the KCFAPI Board of Trustees, Management and other personnel, which is designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and the internal policies of KCFAPI.

11. Management – refers to the body given the authority and responsibility to implement the policies determined and promulgated by the Board of Trustees in directing the course and business activities of the KCFAPI.
12. Non-Executive Trustee – refers to a Board member with non-executive functions.
13. Objectivity – refers to unbiased mental attitude that requires the person to carry out his/her work in such manner that he/she has an honest belief in his/her work product and that no significant quality compromises are made. Objectivity requires the person not to subordinate his/her judgment to that of others.
14. Related interests – means individuals related to each other within the fourth civil degree of consanguinity or affinity, whether legitimate or common-law, and two or more companies owned or controlled by a single individual or by the same family group or the same group of persons.
15. Risk Management – refers to a procedure to minimize the adverse effect of a financial loss by (a) identifying potential sources of loss; (b) measuring the financial consequences of a loss occurring; and (c) using controls to minimize actual losses or their financial consequences.
16. Stakeholders – refers to Benefit Certificate (BC) Holders, Trustees, Officers and Employees of the KCFAPI as well as those who work for the KCFAPI or for any of its departments or agencies in a non-employee category and those enumerated in Articles XI-XII of the Revised KCFAPI Code of Ethics, and suppliers and creditors.

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17. Wholly-owned or majority-owned corporation – means a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly through one or more intermediaries by KCFAPI. These are the Keys Realty and Development Corporation, Mace Insurance Agency, Inc., Kompass Credit and Financing Corporation or any other corporation that may hereafter be established by KCFAPI.

### III. OBJECTIVE

This Revised Manual shall institutionalize the principles of sound corporate governance and accountability in the entire KCFAPI including its wholly-owned or majority-owned corporations and Foundations.

### IV. BOARD OF TRUSTEES

#### A. Qualifications

##### 1. Trustees

- a. Each Trustee, who is at least a 3rd Degree member of the Knights of Columbus, shall possess the necessary skills, competence and experience, in terms of investment and financial management capabilities preferably in the field of insurance or insurance-related disciplines such as but not limited to administration, claims and underwriting. In view of the fiduciary nature of insurance obligations, he must be a person of integrity, probity and credibility.

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- b. Each Trustee shall possess the necessary maturity, adequacy of experience and exposure to corporate management.
- c. Each Trustee must have earlier attended, or must attend within six (6) months upon election as such Trustee, a special seminar on Corporate Governance and Anti-Money Laundering and Counter-Terrorism Financing conducted by a training provider accredited by the Insurance Commission. He must be a Benefit Certificate Holder of the KCFAPI; and if not, he must within six (6) months from election be covered with insurance protection from KCFAPI.

The Board of Trustees shall establish a Performance Evaluation System in lieu of establishing a maximum age policy.

**2. Independent Trustees**

- a. An independent Trustee shall be one who has not been and is not an officer or employee of the KCFAPI at least three (3) years immediately preceding his election as such.
- b. He is not related within the fourth civil degree of consanguinity or affinity, whether legitimate or common-law, to any Trustee or officer of the KCFAPI or to any of the Directors or officers of KCFAPI's wholly-owned or majority-owned corporations.
- c. He is free from any business or other relationships with KCFAPI which could materially interfere with the exercise of his judgment, i.e., has not

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engaged and does not engage in any transaction with KCFAPI or any of its wholly-owned or majority-owned corporations or any of its substantial stakeholders, whether by himself or with other persons or through a business entity of which he is a partner director or a shareholder.

**3. Conflict of Interest**

The Trustees of the KCFAPI shall avoid conflicts of interest in performing official duties. They shall exercise utmost diligence and prudence in being aware of such conflicts and, insofar as Trustees are concerned, disclose the same to the Board of Trustees and terminate them as soon as they arise.

A conflict of interest exists when the objective ability or independence of judgment in performing official duties by a Trustee is impaired or may reasonably appear to be impaired; or when one or his immediate family or business or other financial interest would derive financial gain, directly or indirectly, because of his official act.

Where a potential conflict of interest arises, Trustees must adhere to the procedures provided by law and the KCFAPI's By-Laws in dealing with such problems.

Should the Trustee's involvement have a continuing conflict of interest of a material nature in connection with KCFAPI's business interest or transactions, he should consider not accepting the nomination to the Board or of resigning as Trustee.

B. Disqualifications

**1. Permanent Disqualification**

The following are permanently disqualified from holding a Trustee position:

- a. Persons who have been convicted by final judgment by a court of crimes or offenses involving dishonesty or breach of trust such as, but not limited to, estafa, malversation, bribery, falsification, extortion, robbery, theft, graft and corruption, and other crimes or offenses involving moral turpitude;
- b. Persons who have been convicted by final judgment by a court for violation of insurance laws;
- c. Persons who have been judicially declared bankrupt, insolvent, spendthrift or unable to enter into a contract; or
- d. Directors, officers or employees of any closed insurance company or any insurance intermediaries who were responsible for such institution's closure as determined by the Insurance Commission.

**2. Temporary Disqualification**

The following are disqualified from holding a Trustee position for a specific and/or indefinite period of time:



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- a. Persons who refuse to fully disclose the extent of their business interests when required pursuant to a provision of law, or of a circular, memorandum or rule or regulation of the Insurance Commission. This disqualification shall be in effect for as long as the refusal persists;
- b. Trustees who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Trustees during their incumbency. This disqualification applies for purposes of the succeeding elections;
- c. Persons convicted of offenses involving dishonesty, breach of contract or violation of insurance laws but whose conviction has not yet become final and executory;
- d. Directors and officers of closed insurance companies and insurance intermediaries pending clearance from the Insurance Commission;
- e. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing rules and regulations. This disqualification applies until the expiration of the specific period of disqualification by the Insurance Commission;
- f. Persons dismissed/terminated from employment for cause. This disqualification shall remain in effect until such persons have cleared themselves of involvement in the alleged irregularity;
- g. Those under preventive suspension;

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- h. Persons with derogatory records with the NBI, court, police, and Interpol involving violation of any law, rule or regulation of the Government or any of its instrumentalities that adversely affect the persons' integrity and/or ability to discharge the duties of a Trustee. This disqualification applies until such persons have cleared themselves of involvement in the alleged irregularity; and
- i. Persons who are delinquent in the payment of their obligations as defined hereunder:
- Delinquency in the payment of obligations with KCFAPI or its wholly-owned or majority-controlled corporations where he is a director or officer; or with at least two obligations with other insurance companies under different credit lines or loan contracts.
  - Obligations shall include all borrowings from KCFAPI or its wholly-owned or majority-owned corporations obtained by:
    - i. A Trustee for his own account or as the representative or agent of others or where he acts as a surety, guarantor, or endorser, for loans from the Association or such corporations ;
    - ii. The spouse or a child under the parental authority of the Trustee;
    - iii. Any person whose borrowings or loan proceeds were credited to the account, or used for the benefit, of a Trustee;

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- iv. A partnership of which the Trustee, or his spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- v. A corporation, association or firm wholly-owned or majority of whose capital is contributed by any of or a group of persons mentioned in the foregoing items i, ii, and iv.

This disqualification shall remain in effect for as long as the delinquency persists.

**C. Duties and Responsibilities**

Trustees shall:

- a. Conduct fair business transaction with KCFAPI and its wholly-owned or majority-owned corporations to ensure that personal interest does not influence board decisions.
- b. Whenever possible, should avoid situations which give rise to a conflict of interest. If transactions with KCFAPI cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the association than those offered to others. The basic principle to be observed is that a Trustee shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He shall avoid situations that would compromise fairness, impartiality.
- c. Act honestly, in good faith and with loyalty, all to the best interest of KCFAPI, its Benefit Certificate Holders, investors, borrowers, other clients and the

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general public. A Trustee must always act in good faith and with care which an ordinarily prudent man would exercise under similar circumstances. He shall always strive to promote, the interest of all stakeholders of the KCFAPI and give due regard to their rights and interests.

- d. Devote time and attention necessary to properly discharge their duties and responsibilities. They must devote sufficient time to familiarize themselves with the business and operations of the KCFAPI. They must constantly be aware of KCFAPI's condition and be knowledgeable enough to contribute meaningfully to the task and responsibilities of the Board of Trustees. They must attend and actively participate in the meetings of the Board and of the committee, request for and review meeting materials, ask questions and request explanations. If a person cannot give sufficient time and attention to the business and affairs of the KCFAPI, he should neither accept his nomination nor run for election as Trustee.
- e. Act judiciously. Before deciding on any matter brought before the Board of Trustees, each Trustee shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- f. Exercise independent judgment. A trustee shall view each problem/situation objectively and impartially. When a disagreement with others occurs, he shall carefully evaluate the situation and the issues involved and state his

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position. He shall not be afraid to take a position even though it might be unpopular. Corollary, he shall support plans and ideas that he thinks will be beneficial to the institution.

- g. Have a working knowledge of the statutory and regulatory requirements affecting KCFAPI, including the contents of its Amended Articles of Incorporation and By-Laws, the requirements of the Insurance Commission, as well as those of other government agencies whenever applicable. They shall also keep themselves informed of the industry developments and business trends in order to safeguard KCFAPI's interest and promote its competitiveness.
- h. Observe confidentiality. Trustees must observe the confidentiality of non-public information acquired by reason of their position as Trustees. They should not disclose said information to any other person without the authority of the Board of Trustees.
- i. The KCFAPI shall furnish each of the Trustees with a copy of the specific duties and responsibilities of the Board of Trustees as well as the specific duties and responsibilities of a Trustee within thirty (30) working days from the issuance of the Revised Manual on Corporate Governance, in case of incumbent trustees, and within the same period after their election in case of trustees elected after such issuance.

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The trustees concerned shall each be required to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same.

- j. Appoint a Corporate Secretary who shall be a Filipino citizen capable of carrying out the duties to which the post entails and his removal shall be a matter for the entire Board to decide. The Corporate Secretary shall include in the required report on Corporate Governance to be submitted to the Insurance Commission the attendance of Trustees during Board meetings.

**D. Elections to the Board of Trustees**

1. There shall be formal, rigorous and transparent procedures for the selection and election of new members to the Board of Trustees.
2. Election to the Board of Trustees shall be strictly based on merit and against subjective criteria.
3. Careful deliberation and consideration shall be done to ensure that those elected shall have enough time for the job.
4. Plans shall be in place for orderly succession to the Board of Trustees in order to maintain a proper balance of integrity, competence, talents and appropriate skills and experiences within the KCFAPI.

**E. Composition**

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1. The Board shall be composed of nine (9) members to be elected during the annual Founder Members meeting.
2. The KCFAPI shall ensure that there are at least two (2) Independent Trustees in the Board.
3. The Board shall endeavor to include a balance of executive and non-executive Trustees, such that no individual or small group of individuals can dominate the Board's decision-making.
4. Considering that the insurance business is imbued with fiduciary trust, the role of the Chairman and President shall in principle be separate, to ensure an appropriate sharing of skills and experiences, increased accountability and greater capacity of the Board for independent decision-making.
5. Where the roles are combined, there shall be a strong independent element on the Board. Check and balance shall be clearly provided for to help ensure that independent outside views, perspectives and judgments are given proper attention and consideration by the Board. The Chairman of the Board shall be a non-executive Trustee.

**F. Multiple Board Seats**

1. The optimum number of directorship shall be generally related to the capacity of a Trustee in performing his duties diligently.
2. Non-executive Trustees who concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities (ICREs) and publicly-listed

companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Association.

**G. Responsibilities of the Board of Trustees**

1. Identify principal business risks and ensure the implementation of appropriate risk-management systems to specifically manage the underwriting, reinsurance, investment, financial and operational risks of KCFAPI.
2. Approve corporate policies in core areas of operations, specifically underwriting, reinsurance, investment, financial and operational risks of KCFAPI.
3. Oversee the conduct of KCFAPI's business to ensure that the business is being properly managed in a fair, just and equitable manner.
4. Review and approve material transactions not in KCFAPI's ordinary course of business.
5. Establish a system of check and balance which shall apply to the Board and its members.
6. Have an appropriate reporting system so that the Board can monitor, assess and control the performance of Management.
7. Require Management to submit a balanced and understandable assessment of KCFAPI's performance and financial conditions on a regular basis and to make a report annually to all stakeholders.



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8. Appoint a Chief Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
9. The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from the Trustees, both for KCFAPI's own records and for the purpose of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies of the Government.

**H. Specific duties and functions of the Board of Trustees**

In addition to the powers specified under the KCFAPI By-Laws (Sec. 6, Art. V – Trustees), the Board shall perform the following:

1. To meet regularly to discharge its duties effectively and efficiently.
2. To see to it that KCFAPI shall include in its Annual Report a statement of how the Board operates, types of decisions to be followed by the Board and those that are to be delegated to Management.
3. To likewise see to it that KCFAPI's Annual Report (a) identify the chairman, the vice-chairman, the independent trustee and the chairmen and members of the nomination, audit, corporate governance, remuneration, compliance, board risk oversight, related party transaction committees and other important committees; and

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(b) shall also disclose the number of meetings of the Board and those of the committees, as well as the attendance therein of its Trustees.

4. The Trustees, led by the Independent Trustee, shall meet annually or on such other occasions as deemed appropriate, without the Chairman's presence to appraise the Chairman's performance. Annually, before the end of the Columbian Year, the Board of Trustees must accomplish the Self-Assessment Scoring Sheet.
  5. All concerns of the Trustees about running the KCFAPI shall be recorded in the Minutes of the Meetings of the Board.
- I. Performance Evaluation
1. A formal and rigorous annual evaluation of the Board's own performances and that of its committees and individual Trustees shall be undertaken.
  2. The Chairman shall act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of each Trustee. He may propose the election of new members to the Board or seek the resignation of Trustees.
  3. Performance evaluation of the Board, its committees and its individual Trustees shall be conducted and reported in the Annual Report.
  4. Performance evaluation of the Chairman shall be made by the other Trustees, led by the Independent Trustee or Trustees.

J. Election/Re-election and Term of Office

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1. All Trustees of KCFAPI shall be elected by the Founder Members at the Annual Founder Members' meeting for a term of three (3) years, except for the position of the Chairman of the Board who shall be elected annually by the Founder Members. When the Luzon-North, Luzon-South, Visayas and Mindanao Deputies of the Knights of Columbus in the Philippines are elected as Trustees, they shall serve as Trustees during their incumbency as such Jurisdiction Deputy for a term of two (2) years, renewable for another two (2) years: provided, however that in no case shall their tenure as Trustees extend beyond four (4) years.
  2. No Trustee shall be eligible for re-election in the year immediately following the expiration of his term. This disqualification shall not apply to a person to be elected as Chairman of the Board of Trustees and also to the Luzon-North, Luzon-South, Visayas or Mindanao Deputy elected as a Trustee.
  3. Trustees elected to fill the vacancies occurring before the expiration of a particular term shall hold office only for the unexpired period and shall not be eligible for re-election in the year immediately following the expiration of the term of the Trustee whose vacancy he filled.
- K. Information and Professional Development
1. The Chairman shall be responsible for ensuring that the Trustees receive accurate, timely and complete information.

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2. The Chairman shall ensure that the Trustees continually update their skills, knowledge and familiarity with the company's goals and objectives in order to fulfil their roles in the Board and/or Board committees.
3. KCFAPI shall provide the necessary resources in developing and updating its Trustees' knowledge and capabilities.
4. The Corporate Secretary through the Chairman shall be responsible for advising the Board about governance matters.
5. The Chairman shall ensure that as an integral element of the process of appointing new Trustees, KCFAPI provides an orientation and education program for new recruits to the Board.
6. The Board shall ensure that Trustees, especially non-executive Trustees, have access to independent professional advice at KCFAPI's expense to discharge their responsibilities as Trustees. Committees shall be provided with sufficient resources to undertake their duties.
7. All Trustees shall have access to the advice and services of the Corporate Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the election and removal of the Corporate Secretary shall be decided by the Board.

**L. Board Meetings**

The Board shall schedule and hold regular meetings and convene for special meetings when required by business exigencies. Every Trustee shall attend

such meetings, except when justifiable causes prevent his attendance, to ensure that the quorum requirement will be complied with.

In any meeting of the Board, an Independent Trustee should always be in attendance. However, the absence of an Independent Trustee may not affect the quorum requirement if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.

Justifiable causes include, but are not limited to, grave illness, or death of an immediate family member, or serious accidents.

**M. Committees of the Board of Trustees**

**1. Nominations Committee**

- a. Shall be composed of six (6) members as follows: incumbent State Deputies, a past President or Chairman and one Independent Trustee.
- b. Duties and Responsibilities:
  - 1) It shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Trustees. It should prepare a description of the roles and capabilities required of a particular appointment. The Committee shall prescribe general guidelines for the use of all wholly-owned or majority-owned corporations.
  - 2) For the election of the Chairman of the Board, it should prepare job specifications, including an assessment of the time commitment

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expected of him, recognizing the need for his availability in the event of crisis. The Chairman's other significant commitments shall also be disclosed to the Board before his election and included in the Annual Report. Any change thereon shall be reported to the Board and included in the next Annual Report.

- 3) The Committee shall consider the following matters or criteria in the selection of nominees for Trustee in the Board of Trustees of the KCFAPI:
  - i. The nature of the business of the entity or firm of which he is a sole proprietor, partner, stockholder or director or employee;
  - ii. Age of the nominee;
  - iii. Number of directorships, officerships and active memberships in other business entity, corporations or organizations; and
  - iv. Possible areas of conflicts of interest.
- 4) Generally, the optimum number shall be considered vis-a-vis the capacity of the nominee to perform his duties diligently and effectively as Trustee.
- 5) The Committee shall prepare, sign and post a list of not less than five (5) eligible members as nominated candidates for trustees at least 30 days before the annual Founder Members' meeting.

**2. Executive Committee**

- a. Shall be composed of at least three (3) Trustees of the Board; shall perform such duties and exercises such power as may directed or delegated to it by the Board

from time to time, subject to and in accordance to Section 35 of the Corporation Code of the Philippines; shall meet when and as the Board may fix and determine; and shall act by majority vote of its members on such specific matters referred to as it may be within its competence.

b. Duties and Responsibilities:

1) The Executive Committee works closely with the Executive Vice President and Vice Presidents and advices on important matters.

2) The Executive Committee provide direction for the board, steering them toward the most important issues, and helping to prioritize board meeting agendas.

3) The Executive Committee is responsible for overseeing board policies and ensuring good governance practices.

4) The Executive Committee members should take responsibility for ensuring that all board members serve on at least one committee. Also, they take responsibility for ensuring that task forces and committees are necessary and productive.

5) To ensure effective leadership in governance practices, the executive board generally takes the lead on ensuring that board members learn about their responsibilities and the committee take responsibility for following through with annual board self-evaluations.

**3. The Audit, Compliance, Board Risk Oversight, Corporate Governance and Related Party Transaction Committees (please refer to respective charters of the different committees).**

**Following are the general provisions of the charters:**

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- a. Shall be composed of at least three (3) Trustees, preferably with accounting and finance background, one of whom shall be an Independent Trustee and another should have related audit experience. The Chairmen of these Committees must be an Independent Trustee.
- b. Duties and Responsibilities of the Committees:
  - 1) Provide oversight over the senior Management's activities in managing credit, market, liquidity, operational, legal and other risks of the KCFAPI. This function shall include receiving from senior Management periodic information on risk exposures and risk management activities.
  - 2) Provide oversight of KCFAPI's internal and external auditors;
  - 3) Review and approve audit scope and frequency, and the annual Internal Audit Plan;
  - 4) Discuss with the external auditor before the audit commences the nature and scope of the audit;
  - 5) Set up the internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;
  - 6) Monitor and evaluate the adequacy and effectiveness of KCFAPI's internal control system;
  - 7) Receive and review reports of the internal and external auditors and regulatory agencies, where applicable and ensure that management is



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taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;

8) Review the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:

(a) any change in accounting policies and practices

(b) major judgmental areas

(c) significant adjustments resulting from the audit

(d) going concern assumption

(e) compliance with accounting standards

(f) compliance with tax, legal and stock exchange requirements

(g) responsibility for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a Compliance Unit for this purpose

(h) And the evaluation and determination of non-audit work by external auditor and review of the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to KCFAPI's total expenditure on consultancy. The non-audit work should be disclosed in the annual report

9) Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfil its

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responsibilities. The chief audit executive shall report directly to the Chairman of the Audit Committee functionally;

- 10) Oversee the review and assessment, at least once every three (3) years or oftener as it deems necessary, of the adequacy of the Corporate Governance principles and policies of KCFAPI, including its Revised Manual on Corporate Governance, the Revised Code of Ethics, and the Money Laundering and Terrorism Financing Prevention Program (MTPP), to ensure that they are appropriate for KCFAPI and comply with applicable laws and to recommend to the Board of Trustees any desirable changes therein;
- 11) Ensure that the KCFAPI establishes and reviews, at least once every three (3) years, an implementation mechanism and structure for its Revised Manual on Corporate Governance, Revised Code of Ethics and MTPP, and related policies that may be issued pursuant thereto;
- 12) Review and advise the Board from time to time with respect to the governance structure and business practices of KCFAPI in relation to the maintenance of good governance, accountability and high ethical standards;
- 13) Recommend corporate governance training and continuing education programs for the Trustees, officers and personnel of the KCFAPI; and

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- 14) Recommend to the Board and oversee the development of corporate governance principles, structure, best practices and rules for their adoption by the KCFAPI wholly-owned or majority-owned corporations and Foundations.

**3. Human Resource and Remunerations Committee**

- a. Shall be composed of at least three (3) Trustees, one of whom should be an independent Trustee.
- b. Duties and responsibilities of the Committee:
  - 1) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and Trustees, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with KCFAPI's culture, strategy and control environment;
  - 2) Designate amount of remuneration, which shall be in a sufficient level to attract and retain Trustees and officers who are needed to run KCFAPI successfully;
  - 3) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of KCFAPI officers and employees;

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- 4) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirement for all incoming officers, which among others compel all officers to declare under penalty of perjury all their existing business interests or shareholding that may directly or indirectly conflict in their performance of duties once hired;
- 5) To disallow any Trustee to decide on his own remuneration;
- 6) See to it that Trustees shall not be entitled to the payment of compensation as such Trustee other than reimbursement of actual expenses for travel, communications, hotel accommodations and food incurred in attending meetings of the Board of Trustees or its Committees or such other official functions or activities of the KCFAPI;
- 7) Provide in KCFAPI's Annual Reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- 8) Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflicts of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements, policies of the KCFAPI and pertinent rules and regulations that must be periodically met in their respective positions.

**N. Appointment of Members of the Committees of the Board of Trustees**

1. The Board of Trustees shall appoint the Chairmen and the Members of each Committee of the Board of Trustees at the Organizational Meeting of the Board of Trustees after the annual meeting of the Founder Members at which the Trustees are elected, or subsequently thereafter as the Board may determine.

In case of any vacancy in the Committee, the Board shall at any of its meeting appoint a replacement who will fill the vacancy. Upon recommendation of a Committee, the Board may appoint as Members thereof experts in their respective fields who can assist the Committee in the performance of its duties.

**V. RELATED PARTY TRANSACTIONS**

1. Overlapping interests in the insurance entity shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.
2. Related-party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the KCFAPI, its Trustees, officers, Benefit Certificate Holders, creditors and claimants. In all cases, the provisions of Title 20, Chapter III of the Insurance Code shall be complied with.
3. Related party transactions shall be disclosed fully to the Board. Prior Board approval shall be obtained for related party transactions that are material in nature.

**VI. CORPORATE INDEPENDENCE**

Board balance and independence

1. The Board shall include a balance of mixed professional expertise such that no individual or small group of individuals can dominate the Board's decision-making.
2. Only the Committee Chairman and members are entitled to be present at committee meetings. However, upon the invitation of the committee, others may attend.
3. The Board shall identify in its Annual Report any Trustee it considers to be independent.
4. The Board shall determine whether a Trustee is independent in character and judgment or there are relationships or circumstances which are likely to affect the Trustee's character or judgment.

**VII. PUBLIC ACCOUNTABILITY**

Being in the business characterized by and impressed with fiduciary trust, the KCFAPI shall ensure that all its dealings with the public are always conducted in fair, just, honest and equitable manner.

- i. The Trustees, officers and employees of KCFAPI shall at all times avoid conflicts of interest.
- ii. The Trustees, officers and employees of KCFAPI shall not engage in any unfair or deceptive practice, acts or conduct that constitute unfair trade practices detrimental to Benefit Certificate Holders and claimants.

**VIII. RESPONSIBILITY FOR GOOD GOVERNANCE**

The Board of Trustees and the Management of KCFAPI, its wholly-owned or majority-owned corporations and Foundations commit themselves to the finest principles and leading practices contained in this Revised Manual of Corporate Governance. The KCFAPI Board, Management and employees, as well as its stakeholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management; hence it will undertake every effort necessary to create awareness thereof within the organization.

**IX. DISCLOSURE OF MATERIAL INFORMATION**

KCFAPI, its Trustees, Officers, Executives and Employees shall not communicate any material non-public information about and involving KCFAPI, including any decision, act, transaction, development or event unless the KCFAPI is ready to simultaneously disclose the material non-public information to the Insurance Commission.

This rule shall not apply if the disclosure is made to:

1. A person who is bound by a duty to maintain trust and confidence to KCFAPI, such as but not limited to KCFAPI consultants, auditors, legal counsel, investment bankers, financial advisers; and
2. A person who agrees in writing to maintain in absolute and strict confidence the disclosed material information and will not take advantage of it directly or indirectly, for his personal gain.

Any disclosure of material non-public information to securities analysts, institutional investors or other third parties who do not fall under #s 1 and 2

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above, ahead of the disclosure to be made to the Insurance Commission and the general public, shall be considered as a violation of this rule.

3. Material information means any information about or involving KCFAPI's affairs, events and conditions that has a significant impact in the KCFAPI's operations such as, but not limited to, those relating to KCFAPI's financial condition, prospects and development projects which, when brought to the attention of the public, is reasonably expected to induce or otherwise materially affect the market activity and the market value of KCFAPI.

4. The Board shall establish and implement internal controls that will ensure that KCFAPI, its Trustees, Officers, Executives and Employees and any other person who is privy to KCFAPI's material non-public information shall comply with the requirement of this rule.

**X. PERIODIC REVIEW OF THE REVISED MANUAL**

This Revised Manual on Corporate Governance shall be subject to periodic review, or at such other frequency as may be determined by the Board.

All business processes and practices of KCFAPI that are not consistent with the corporate governance policies set out in this Manual shall be revoked or revised to make them compliant with such policies.

**XI. COMMUNICATION PROCESS**

The Trustees, Officers, Executives and Department/Group Heads of the KCFAPI shall ensure the comprehensive dissemination of this Manual to all employees and related



third parties, and shall likewise enjoin their compliance with its provisions. An adequate number of printed copies of this Manual shall be reproduced under the supervision of the Human Resource & Corporate Communications Department with a minimum of at least one (1) hard copy thereof furnished to every department or group.

**XII. COMPLIANCE SYSTEM**

**Chief Compliance Officer**

A. The Board shall designate a Chief Compliance Officer who shall hold the position of at least a Vice President or its equivalent to ensure adherence to corporate governance principles and best practices. He/she shall have direct reporting responsibilities to the Chairman.

It shall be the duty of the Chief Compliance Officer:

1. To monitor compliance with the provisions and requirements of this Revised Manual and such other laws, circulars, rules and regulations issued in relation thereto;
2. To appear before the Insurance Commission or other regulatory agencies upon due receipt of a summon on matters relating to KCFAPI's compliance with this Revised Manual and such other laws, circulars, rules and regulations issued in relation thereto;
3. To determine violations of the provisions of this Revised Manual and recommend penalty for such violations, subject to further review and approval by the Board;

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4. To submit to the Insurance Commission the Annual Corporate Governance Report (ACGR) every 30<sup>th</sup> day of May of each year on the extent of KCFAPI's compliance with the provisions of this Revised Manual for the immediately preceding fiscal year of KCFAPI, explaining if necessary the reasons for the latter's deviation from the same; and
5. To identify, monitor and control compliance risks.

**B. Disclosure of appointment of Chief Compliance Officer**

The appointment of the Chief Compliance Officer shall be disclosed to the Insurance Commission as part of the Annual Corporate Governance Report submitted as above stated. All correspondence relative to his/her functions as such shall be addressed to said Chief Compliance Officer.

**XIII. IMPLEMENTATION AND ENFORCEMENT**

The Board of Trustees, Management and Staff are enjoined to strive to their utmost towards the best practice applications over time to raise KCFAPI's corporate governance practices to international standards.

Consistent with a disclosure-based approach to implementation and enforcement, KCFAPI shall make general disclosure report briefly describing the manner in which the corporate governance principles are applied and leading practices are observed.

The report to be prepared under the heading Annual Corporate Governance Report shall be submitted to the Insurance Commission annually or every May 30<sup>th</sup> of each year as a regulatory requirement.

**Knights of Columbus Fraternal Association of the Philippines, Incorporated**

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This Revised Manual on Corporate Governance was adopted and approved by the Board of Trustees during its meeting at Intramuros, Manila on March 24, 2022.<sup>1</sup>

**SIGNED:**

**BOARD OF TRUSTEES**

(Sgd.)

**JOSE C. REYES, JR.**  
Chairman

(Sgd.)

**RENE V. SARMIENTO**  
President

(Sgd.)

**TEOFRIDO B. LAGRIA**  
Corporate Secretary

(Sgd.)

**GERRY EUTEMIO T. MISSION**  
Treasurer

(Sgd.)

**BONIFACIO B. MARTINEZ**  
Trustee

(Sgd.)

**PROCULO T. SARMEN**  
Lead Independent Trustee

(Sgd.)

**JOVEN P. DY**  
Independent Trustee

(Sgd.)

**DANILO A. SANCHEZ**  
Independent Trustee

(Sgd.)

**GLENN P. PERGAMINO**  
Independent Trustee

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<sup>1</sup> Resolution No. 2022-31 - Revised Manual on Corporate Governance as approved and adopted last 24 March 2022.  
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