

Jaime V. Ongpin Microfinance Foundation, Inc.

## MANUAL OF CORPORATE GOVERNANCE

Approved by the Board of Trustees

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**JAIME V. ONGPIN MICROFINANCE FOUNDATION, INC.**  
Manual of Corporate Governance

## **I. INTRODUCTION**

Integrity is most valued by the Jaime V. Ongpin Foundation, Inc. (JVOFI). We believe that we can have integrity only if we have good governance. Without it, we cannot effectively fulfill our mission.

Since JVOFI's inception in 1980, good governance has been a strength that has enabled it to grow and mature & this is likewise expected of the Jaime V. Ongpin Microfinance Foundation, Inc. (JVOMFI) created by JVOFI.

Integrity is all the more valued by JVOMFI as it deals with enterprising poor clients who are vulnerable to poverty unless they surmount the challenges they face.

To ensure that good governance is upheld at JVOMFI, this Manual of Corporate Governance was prepared to guide current and future members, trustees, officers and management of the Foundation.

This manual consolidates the policies and practices adopted from JVOFI which were formulated from experience and practice, its amended By-laws, relevant provisions from the SEC Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) of the Philippines and, best practices for non-profit organizations. For the latter, references were obtained from BoardSource, a US-based non-profit organization formed in 1988 to strengthen NGO boards.

Non-profit organizations such as JVOMFI are not required to have its own Manual of Corporate Governance. However, having one will enable the Foundation to promote good governance consistently. This manual may be improved, as deemed fit, for the Foundation to be proactive & attuned to the changing times.

## **II. DEFINITION OF TERMS<sup>1</sup>**

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

**Board of Trustees** – the governing body elected by the Members that exercises the corporate powers of a foundation, conducts all its business and controls its properties;

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

**Executive Director** – full-time staff appointed by the Board of Trustees to manage the day-to-day affairs of the Foundation;

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<sup>1</sup> Adapted from SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

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

**Internal control system** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Foundation is exposed;

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

### III. BOARD GOVERNANCE

Board members are stewards of public trust, must act for the good of the organization & ensure that the Foundation is not exposed to risk.<sup>2</sup> The Board of Trustees (the “Board”) is primarily responsible for the governance of the Foundation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.<sup>3</sup>

#### A. Membership

1. Composition - The members of the Foundation shall consist of the Trustees named in the Articles of Incorporation and such other members as may be admitted from time to time, by a majority vote of the members of the Board of Trustees.
2. Applications for Membership - Should an applicant for membership in the Foundation be a partnership, firm, corporation or association, it shall upon admission to membership communicate in writing to the Secretary of the Foundation the name, title and address of the person authorized to represent it. Any changes of such representation shall be likewise communicated in writing to the Secretary.
3. Rights – Members shall have the following rights:<sup>4</sup>
  - a. Right to nominate candidates and be nominated to the Board of Trustees;
  - b. Right to elect members to the Board of Trustees;
  - c. Right to remove a Trustee;
  - d. Right to Financial Statements;
  - e. Right to vote on fundamental corporate changes;
  - f. Right to propose the holding of meetings and include agenda items ahead of the scheduled Annual and Special Membership Meeting;
  - g. Right to have a Nomination Process; and,
  - h. Right to have Voting Procedures that will govern the Annual and Special Members’ Meeting.

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<sup>2</sup> 101 Board Basics: Fiduciary Responsibilities. [www.boardsource.org](http://www.boardsource.org)

<sup>3</sup> Adapted from SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

<sup>4</sup> Code of Good Governance for Microfinance NGOs – draft presented at the Microfinance Council of the Philippines General Assembly on July 27-28, 2017, Century Park Hotel, Manila

4. Duties of Members – Every member must agree to comply with the rules of the Foundation as set forth in its By-Laws, or elsewhere, and the decisions of the general membership meeting or of the Board of Trustees. He must agree to promote the aims and purposes of the Foundation and the success of its operations.
5. Termination of Membership – Membership in the Foundation shall be from year to year, it being understood that the year referred to is the Foundation’s fiscal year which is from July 1 to June 30. Said membership shall be automatically self-renewing unless the member, at least sixty (60) days before the end of the fiscal year, gives due notice in writing to the Secretary of the Foundation of his intentions to terminate membership at the end of the said fiscal year, or unless the Board of Trustees by two-thirds (2/3) vote terminates an individual member’s membership in writing for valid cause.
6. Founding Members of the Foundation – Those members who have signed the Articles of Incorporation of the Foundation, those who signed the founding scroll and those who are admitted as such members within the first 365 days from the date of its incorporation, shall be known as the founding members of the Foundation.
7. Annual Meeting – The annual meeting of the members of the Foundation for the election of the Board of Trustees and for the transaction of such other business as may properly come before the meeting shall be held on the second working day of October of each year at the place and time designated by the Board of Trustees.
8. Special Meetings – Special meetings of the members may be called by the Chairman of the Foundation or by the Secretary upon written request of a majority of the Board of Trustees. Such request shall state the purpose or purposes of the proposed special meeting. No other business shall be transacted at special meetings except that named in the notice of such meeting.
9. Notice of Members’ Meeting – Written notice stating the place, day and hour of annual or special meeting of the members shall be given either personally or by mail, addressed to each member of record entitled to vote at the address left by such member with the Secretary of the Foundation or at last known post-office address at least seven (7) days before the date set for such meeting.
10. Voting at Meetings of Members – Every member of good standing shall vote in person or through its duly authorized representatives on all questions before any and all members’ meetings. Each member shall have only one (1) vote.
11. Proxies – A member may vote by proxy executed in writing. Such proxy shall be filed with the Secretary of the Foundation at least forty-eight (48) hours before the time of the meeting. Said proxy shall be invalid if the member concerned is present at the meeting.
12. Quorum – A quorum for any meeting of the members shall consist of a majority of the total number of members entitled to vote and a majority of such quorum shall decide any question at the meeting, save except in those matters where the corporation law requires the affirmative vote of a greater proportion.

## B. Composition of the Board

1. Trustees - The powers of the Foundation shall be exercised, its property controlled and its affairs conducted by a Board of Trustees, composed of seven (7) civic-spirited citizens from communities where the Foundation maintains its affairs and operations. Our initial Articles only have 6.
2. Term of Office – The Trustees shall be elected from among the members<sup>5</sup> and shall hold office for a term of one (1) year or until their successors are duly elected and qualified provided, that if a member of the Board of Trustees shall absent himself for any reason whatsoever for three (3) successive regular meetings of the Board, then this shall be interpreted as an automatic resignation from the Board of Trustees and the vacancy so created shall be filled in the manner herein below provided.
3. Vacancies – Vacancies in the Board of Trustees shall be filled by election by a majority of the remaining Trustees constituting a quorum. A Trustee chosen to fill a vacancy shall serve the unexpired term of his predecessor.
4. Quorum – The majority of the Board of Trustees shall constitute a quorum for the transaction of business at all meetings of the Board and a majority of the quorum shall be sufficient for the validity of any corporate act.

## C. Officers of the Foundation<sup>6</sup>

### 1. Chair & Chief Executive Officer

The Chairman who shall be elected from among the Trustees shall be the Presiding Officer of the Board of Trustees and all meetings of the members and shall perform such other duties as the Board of Trustees may authorize.

The duties and responsibilities of the Chair in relation to the Board may include, among others, the following:<sup>7</sup>

- a. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Foundation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

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<sup>5</sup> As practiced. Trustees are elected from among the members of the Foundation.

<sup>6</sup> Article VI. Officers of the Foundation & Their Duties. Amended By-Laws of the Jaime V. Ongpin Foundation, Inc.

<sup>7</sup> Memorandum Circular No. 6., Series of 2009. SEC Revised Code of Corporate Governance.

SEC Memorandum Circular No. 19, Series of 2016. Code of Corporate Governance for Publicly-Listed Companies.

- d. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assure the availability of proper orientation for first-time Trustees and continuing training opportunities for all directors; and
- f. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

2. Vice-Chairperson<sup>8</sup>

The Vice Chairman who shall be elected from among the Trustees shall have such powers and perform such duties as the Board of Trustees may from time to time prescribe or as the Chairman may delegate to him. In the Chairman's absence or inability to act, he shall temporarily act in his place.

3. Treasurer

The Treasurer, as the Financial Officer of the Foundation, shall:

- g. Approve the receipt and deposit of funds such as grants or donations & loans in such bank or banking institutions as the Board of Trustees may designate;
- h. Act as custodian of the funds, properties and assets of the Foundation;
- i. Sign all checks and such other documents and/or papers for disbursements of funds of the Foundation, countersigned by the Chairman, President or Executive Director. The Board of Trustees may authorize additional signatories for such checks, documents or papers for disbursements of funds of the Foundation;
- j. Perform such duties with respect to the finances of the Foundation as may be prescribed by the Board of Trustees.

If for any reason whatsoever the Treasurer shall be unable to act, the Board of Trustees may designate any other officer to perform his duties. Such other designee/s shall be bonded with such amount by surety to be determined by the Board of Trustees.

4. President

The President shall be the Chief Executive Officer of the Foundation and shall:

- a. Have general supervision over the affairs of the Foundation;
- b. Perform all such duties as are incident to his office and those assigned to him by resolution duly adopted at any meeting of the Board of Trustees;
- c. Except as otherwise provided herein or by resolution of the Board of Trustees, he shall sign all deeds, agreements, and formal instruments unless delegated by him to the Executive Director.

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<sup>8</sup> Amended By-laws of the Jaime V. Ongpin Foundation, Inc.





## 5. Executive Director

The Executive Director shall be the Chief Operating Officer and shall exercise all the powers necessary for day-to-day management of the business and affairs of the Foundation. He shall report to the President and exercise such function and duties as the President may assign to him.

The Executive Director shall be appointed by the Board and shall not hold the position of Chairperson of the Board to foster an appropriate balance of power, increased accountability and better capacity for objective decision-making.<sup>9</sup>

The Executive Director/President shall have the following roles and responsibilities:

### 1. Manage the Vision of JVOMFI

The Executive Director/ President should know, project and think through the vision, and be able to project that to the staff.

### 2. Manage the Board of Trustees

The Executive Director/ President must inform the Board on their role and responsibilities, and provide them with correct, timely, relevant and appropriate data, information and opinion.

### 3. Mainstream Stakeholders

JVOMFI's reason for being is the poor and marginalized sectors. They are the stakeholders, not just members. All plans and activities start and end with them. By involving the people in JVOMFI, the staff are better able to identify their needs and thereby provide better service.

## D. **Qualifications**

### 1. Members

- a. The members of the Foundation shall consist of the Trustees named in the Articles of Incorporation and such other members as may be admitted from time to time, by a majority vote of the members of the Board of Trustees.
- b. Should an applicant for membership in the Foundation be a partnership, firm, corporation or association, it shall upon admission to membership communicate in writing to the Secretary of the Foundation the name, title and address of the person authorized to represent it. Any changes of such representation shall be likewise communicated in writing to the Secretary. (see IIIA.1 above)

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<sup>9</sup> Code of Good Governance for Microfinance NGOs – draft presented at the Microfinance Council of the Philippines General Assembly on July 27-28, 2017, Century Park Hotel, Manila.

- c. Members shall be selected on the basis of the following criteria<sup>10</sup>:
  - Commitment to the Foundation’s vision and mission;
  - Experience or exposure to the core programs &/or target areas of the Foundation.
- d. Personal characteristics to consider<sup>11</sup>:
  - Ability to: listen, analyze, think clearly and creatively, work well with people individually and in a group.
  - Willing to: prepare for and attend board and committee meetings, ask questions, take responsibility and follow through on a given assignment, contribute personal and financial resources in a generous way according to circumstances, open doors in the community, evaluate oneself.
  - Develop certain skills, such as to: cultivate and solicit funds, cultivate and recruit board members and other volunteers, read and understand financial statements, learn more about the substantive program area of the organization.
  - Possess: honesty, sensitivity to and tolerance of differing views, a friendly, responsive, and patient approach, community-building skills, personal integrity, a developed sense of values, concern for the Foundation’s nonprofit’s development, & a sense of humor.

## 2. Trustees

- a. The Trustees shall be elected from among the members.
- b. Trustees shall be selected according to commitment to participate in quarterly meetings of the Board & committees he is elected to.
- c. Trustees shall be selected according to the following qualifications:<sup>12</sup>
  - i. possess the knowledge, skills, experience, and particularly in the case of non-executive trustees, independence of mind given their responsibilities to the Board;
  - ii. have a record of integrity and good repute;
  - iii. have sufficient time to carry out their responsibilities;
  - iv. have the ability to promote a smooth interaction between board members;
  - v. known to be selfless, with social conscience, magnanimous and benevolent.
- d. Trustees shall inform the Board if trusteeship/directorship in another organization/company poses a potential conflict of interest or shall prevent him/her from devoting sufficient time and attention to his/her duties and responsibilities.

## E. Disqualification of Trustees

### 1. Permanent Disqualification<sup>13</sup>

- a. Any person convicted by final judgment or order by a court or competent administrative body of any crime such as but not limited to moral turpitude, fraud, embezzlement, theft,

<sup>10</sup> undocumented practice of the Foundation

<sup>11</sup> Lifted from 101 Board Basics: Board Responsibilities and Structures – FAQs. [www.boardsource.org](http://www.boardsource.org)

<sup>12</sup> Code of Good Governance for Microfinance NGOs – draft presented at the Microfinance Council of the Philippines General Assembly on July 27-28, 2017, Century Park Hotel, Manila

<sup>13</sup> Adapted from Article 3.E, SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

- b. Any person who has been adjudged by final judgment or order of the Securities & Exchange Commission, Microfinance NGO Regulatory Council, Bangko Sentral ng Pilipinas, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;<sup>14</sup>
- c. Any person judicially declared as insolvent;
- d. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;
- e. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and
- f. Other grounds as the SEC or MNRC may provide.
- g. Any person earlier elected as independent director who becomes an officer, employee or consultant of the Foundation.

## 2. Temporary Disqualification

- a. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.<sup>15</sup>
- b. Dismissal or termination for cause as trustee of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination; and
- c. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified trustee shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

<sup>14</sup> Items b-f and 2b & c adapted from Code of Good Governance for Microfinance NGOs – draft presented at the Microfinance Council of the Philippines General Assembly on July 27-28, 2017, Century Park Hotel, Manila

<sup>15</sup> Article 3.E, SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

## F. Responsibilities, Duties and Functions of the Board<sup>16</sup>

### 1. General Responsibility

It is the Board's responsibility to foster the long-term success of the Foundation, and to sustain its relevance and sustainability in a manner consistent with its mandate and the best interests of its stakeholders.

The Board shall formulate the Foundation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

In line with this, Trustees shall be oriented on JVOMFI's social, financial and governance goals and provide relevant annual continuing training to keep trustees and key officers abreast with developments in the microfinance industry and regulatory environments, including emerging risks.

### 2. Duties and Functions

To ensure a high standard of best practice for the Foundation and its stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- a. Determine the Foundation's mission and purpose, ensure & participate in effective planning, & monitor achievement of the Foundation's mission.<sup>17</sup>
- b. Implement a process for the selection of Trustees who can add value and contribute independent judgment to the formulation of sound Foundation strategies and policies.<sup>18</sup>
- c. Appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning program for Management.
- d. Provide sound strategic policies and guidelines to the Foundation on major capital expenditures.
- e. Establish programs that can sustain its long-term viability and strength.
- f. Periodically evaluate and monitor the implementation of such policies and strategies, including the plans, operating budgets and Management's overall performance.
- g. Ensure the Foundation's faithful compliance with all applicable laws, regulations and best practices.
- h. Establish and maintain a communications program that will keep the stakeholders informed of important developments in the Foundation in an accurate, timely and effective manner.

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<sup>16</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

<sup>17</sup> 101 Board Basics: Board Responsibilities and Structures – FAQs. [www.boardsource.org](http://www.boardsource.org).

<sup>18</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

- i. Adopt a system of check and balance within the Board and undertake regular review of the effectiveness of such system to ensure the integrity of the decision-making and reporting processes at all times. Perform a continuing review of the Foundation's internal control system & risk management framework in order to maintain its adequacy and effectiveness.
- j. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Foundation to anticipate and prepare for possible threats to its operational and financial viability.
- k. Constitute a Finance Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

Meet at such times or frequency as may be needed. Maintain a record of the minutes of such meetings.

#### **G. Specific Duties and Responsibilities of a Trustee<sup>19</sup>**

A Trustee's office is one of trust and confidence. A Trustee should act in the best interest of the Foundation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Foundation towards sustained progress.

A Trustee should observe the following norms of conduct:

1. Ensure that his personal interest does not conflict with the interests of the Foundation.

The basic principle to be observed is that a Trustee should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a Trustee, he should fully and immediately disclose it and should not participate in the decision-making process.

A Trustee who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the Trustee's personal or business interest is antagonistic to that of the Foundation, or stands to acquire or gain financial advantage at the expense of the Foundation.

2. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A Trustee should devote sufficient time to familiarize himself with the Foundation's activities. He should be constantly aware of and knowledgeable with the Foundation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively

<sup>19</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

3. Act judiciously.

Before deciding on any matter brought before the Board, a Trustee should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

4. Exercise independent judgment.

A Trustee should view each problem or situation objectively. If a disagreement with other Trustees arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to the Foundation.

5. Have a working knowledge of the statutory and regulatory requirements that affect the Foundation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.

A Trustee should also keep abreast with industry developments and business trends in order to promote the Foundation's relevance & effectiveness.

6. Observe confidentiality.

A Trustee should keep secure and confidential all non-public information he may acquire or learn by reason of his position as Trustee & should not reveal confidential information to unauthorized persons without the authority of the Board.

#### H. Internal Control Responsibilities of the Board<sup>20</sup>

1. The control environment of the Foundation consists of:

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

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<sup>20</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

2. The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:

- a. Definition of the duties and responsibilities of the Chairman or CEO who is ultimately accountable for the Foundation's organizational and operational controls;
- b. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
- c. Evaluation of proposed senior management appointments;
- d. Selection and appointment of qualified and competent management officers; and,
- e. Review of the Foundation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

#### **I. Board Meetings and Quorum Requirement**

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the Foundation's by-laws.

The Board of Trustees may hold meetings at a call of the Chairman or any two (2) Trustees, provided however that it shall meet at least once every quarter.<sup>21</sup>

#### **J. Remuneration of Trustees and Officers**

Trustees of the Foundation serve voluntarily in the Board hence the members of the Board of Trustees shall not receive any compensation from the Foundation.<sup>22</sup>This is consistent with SEC and BIR guidelines on foundations which are non-stock, non-profit organizations.

The Foundation shall, however, provide a per diem to defray the cost of travel expenses incurred by the Trustee and/or member for his attendance to meetings.

#### **K. Board Committees**

The Board shall constitute the proper committees to assist it in good corporate governance.<sup>23</sup>

1. The **Finance Committee** shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds. The chair of the Finance Committee shall be the Treasurer. The committee shall have the following functions:
  - a. Assist the Board in the performance of its fiduciary responsibility by:

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<sup>21</sup> By-laws of the Jaime V. Ongpin Microfinance Foundation, Inc.

<sup>22</sup> By-laws of the Jaime V. Ongpin Microfinance Foundation, Inc. & Microfinance NGOs Act.

<sup>23</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

SEC Memorandum Circular No. 19, Series of 2016. Code of Corporate Governance for Publicly-Listed Companies.

- i. formulating policies to enable the Foundation to have sufficient finances to fulfill its mission;
  - ii. recommending revenue generating mechanisms such as investments & fund raising activities;
  - iii. protecting its assets by regularly monitoring management of the Foundation's finances;
  - iv. monitoring that the Foundation meets its legal obligations & complies with applicable laws, rules and regulations.
- b. Review and recommend to the Board the annual budget and the business plan proposed by management;
- c. Authorize investment policy;
- d. Authorize acceptable accounting and disbursement procedures for all funds under the jurisdiction of the organization;
- e. Develop, implement and evaluate a risk management plan that would ensure proper determination, assessment and management of any relevant risks to the Microfinance NGO. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Foundation. This function shall include regular receipt from Management of information on risk exposures and risk management activities<sup>24</sup>.
- f. Risk Management:
  - i. Advise the Board on its risk appetite levels and risk tolerance limits;
  - ii. Review at least annually JVOMFI's risk appetite levels and risk tolerance limits based on changes and developments in the microfinance industry, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the organization;
  - iii. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of JVOMFI;
  - iv. Provide oversight over Management's activities in managing credit, operational, legal and other risk exposures of the organization; and,
  - v. Report to the Board the organization's material risk exposures, the actions taken to reduce the risks, and recommended further action or plans, as necessary.
- g. Audit:
  - i. External Audit:

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<sup>24</sup> from Code of Good Governance for Microfinance NGOs – draft presented at the Microfinance Council of the Philippines General Assembly on July 27-28, 2017, Century Park Hotel, Manila



- a) Recommend for appointment by the Board an external auditor who holds a Certificate of Accreditation from the Board of Accountancy as required by the Bureau of Internal Revenue for certifying donee institutions;
- b) Perform oversight functions over the Foundation's external auditors. It should ensure that the external auditors act independently, and that auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions;
- c) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- d) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Foundation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Foundation's annual report.
- e) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- f) Reviews the disposition of the recommendations in the External Auditor's management letter;
- g) Performs oversight functions over the corporation's Internal and External Auditors.
- h) It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- i) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- j) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
- k) In case the Foundation does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided under Recommendations 3.4 and 3.5.

- l) The Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.
- ii. Internal Audit:
  - a) Determine the necessity of an internal audit, review the annual internal audit plan to ensure its conformity with the objectives of the Foundation. The plan shall include the audit scope, resources and budget necessary to implement it;
  - b) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
  - c) Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Foundation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to:
    - i. safeguard the Foundation's resources and ensure their effective utilization,
    - ii. prevent occurrence of fraud and other irregularities,
    - iii. protect the accuracy and reliability of the Foundation's financial data, and
    - iv. ensure compliance with applicable laws and regulations;
  - d) Oversee the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE).
  - e) Approve the terms and conditions for outsourcing internal audit services;
  - f) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
  - g) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- iii. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved;
- iv. Monitor and evaluate the adequacy and effectiveness of the Foundation's internal control system, including financial reporting control and information technology security;
- v. Review the reports submitted by the internal and external auditors;
- vi. Review the Foundation's annual financial statements before their submission to the Board, with particular focus on the following matters:
  - a) Any change/s in accounting policies and practices;
  - b) Areas where a significant amount of judgment has been exercised;

- c) Significant adjustments resulting from the audit;
  - d) Going concern assumptions;
  - e) Compliance with accounting standards; and,
  - f) Compliance with tax, legal and regulatory requirements.
- vii. Monitor compliance with laws, rules and regulations.
- viii. Related Party Transactions (RPTs)<sup>25</sup>
- a) Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
  - b) Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
    - i. The related party's relationship to the Foundation and interest in the transaction;
    - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
    - iii. The benefits to the Foundation of the proposed RPT;
    - iv. The availability of other sources of comparable products or services; and,
    - v. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
  - c) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Foundation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Foundation's affiliation or transactions with other related parties;
  - d) Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

<sup>25</sup> SEC Memorandum Circular No. 19, Series of 2016. Code of Corporate Governance for Publicly-Listed Companies

- e) Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and,
- f) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

2. The other committees of the Board & their corresponding functions are the following:

a. **Governance Committee**<sup>26</sup>

i. Composition

The Governance Committee shall be composed of at least three (3) members elected by the Board.

ii. Functions

- a) Oversee the implementation of the governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to JVOMFI's strategic plan as well as its regulatory environment;
- b) Oversee the periodic performance evaluation of the Board, its committees and management, and conduct an annual self-evaluation of its performance;
- c) Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d) Recommend continuing education/training programs for trustees, assignment of tasks/projects to board committees, succession plan for the board members and management, and remuneration packages for management;
- e) Adopt good governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f) Determine the nomination and election process for the organization's trustees and defines the general profile of board members that JVOMFI may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and,
- g) Establish a formal and transparent procedure to develop a policy for determining the remuneration of management that is consistent with JVOMFI's culture and strategy.

b. **Management Committee**

i. Composition

<sup>26</sup>Code of Good Governance for Microfinance NGOs – draft presented at the Microfinance Council of the Philippines General Assembly on July 27-28, 2017, Century Park Hotel, Manila

The Management Committee shall be composed of not less than three (3) nor more than five (5) members including the Executive Director and Treasurer.

The President shall be the Chairman of the Management Committee. The Executive Director shall be the Vice-Chairman of the Management Committee. The Treasurer shall also be a member of the committee. The Chairman with the concurrence of the Executive Director shall appoint the rest of the Management Committee from the Trustees.

Three (3) members of the Committee shall constitute a quorum to do business provided the Chairman or President is among those present.

A vote of the majority of the members present shall be required to approve any action of the Management Committee, provided there is a quorum as above stated.

ii. Powers of the Management Committee –

During the periods between meetings of the Board of Trustees, the Management Committee shall have and may exercise all of the powers necessary for the management of the business and affairs of the Foundation, including the power to authorize the seal of the Foundation to be affixed to all papers which may require it. The Management Committee shall keep minutes of its proceeding and shall report the same to the Board of Trustees of the meeting next succeeding and any actions by the Management Committee shall be subjected to review and appraisal by the Board of Trustees who may modify said action, provided that the rights of third persons shall not be unduly affected by any such revision or alteration.

c. **Internal Affairs Committee**

i. Composition

The Internal Affairs Committee shall be composed of the President, at least one (1) other Trustee, and the Executive Director who shall be an ex-officio member of the Committee.

ii. Functions:

- a) Review and recommend to the board proposed personnel policies.
- b) Deliberate on personnel matters especially those pertaining to disciplinary or legal action.
- c) Review and recommend administrative policies and such other concerns delegated to the Committee by the Board.

d. **Retirement Plan Committee**

i. Composition

**Commented [MRL1]:** Project Evaluation committee deleted/not relevant to JVOMFI

The Retirement Plan Committee shall be composed of at least three (3) members of the Board with one representative each from the Internal Affairs and Finance Committee.

ii. Functions:

- a) Formulate and update the Foundation's retirement plan whenever necessary.
- b) Monitor the Foundation's retirement fund & identify measures for the Foundation to be able to meet the funding requirements of its retirement plan.
- c) Ensure regular actuarial reviews of the Retirement fund.

**L. The Corporate Secretary<sup>27</sup>**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Foundation. He shall:

- 1. Be loyal to the mission, vision and objectives of the Foundation;
- 2. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- 3. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Foundation;
- 4. Keep abreast of relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- 5. Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including members;
- 6. Advise on the establishment of board committees and their terms of reference;
- 7. Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 8. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- 9. Perform required administrative functions;

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<sup>27</sup>SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

SEC Memorandum Circular No. 19, Series of 2016. Code of Corporate Governance for Publicly Listed Companies.

10. Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
11. Perform such other duties and responsibilities as may be provided by the SEC.
12. If he is not at the same time the Foundation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
13. Have a working knowledge of the operations of the Foundation;
14. Ensure that all Board procedures, rules and regulations are strictly followed by the members.

#### **IV. ADEQUATE AND TIMELY INFORMATION<sup>28</sup>**

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities.

Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Foundation's expense.

#### **V. ACCOUNTABILITY AND AUDIT<sup>29</sup>**

1. The Board is primarily accountable to the Foundation's stakeholders. It should provide them with a balanced and comprehensible assessment of the Foundation's performance, position and prospects on an annual basis, or as often as necessary, including interim and other reports that could adversely affect its operations, as well as reports to regulators that are required by law.

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to its donors and stakeholders.

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<sup>28</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

<sup>29</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

Management should formulate, under the supervision of the Finance Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- a. The extent of its responsibility in the preparation of the financial statements of the Foundation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
  - b. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Foundation should be maintained;
  - c. On the basis of the approved audit plans, audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Foundation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
  - d. The Foundation should consistently comply with the financial reporting requirements of the Commission, the Bureau of Internal Revenue and other regulating entities;
  - e. The Internal Auditor, if any, should submit to the Finance Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.
2. The Board, after consultations with the Finance Committee, shall recommend to the members an external auditor duly accredited by the Commission who shall undertake an independent audit of the Foundation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.
  3. If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Foundation's annual and current reports. The report shall include a discussion of any disagreement between him and the Foundation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Foundation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Foundation to the external auditor before its submission. If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

## **VI. MEMBERS' RIGHTS AND PROTECTION OF INTERESTS<sup>30</sup>**

1. The Board shall respect the rights of the members, namely:

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<sup>30</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.



- i. Right to vote on all matters that require their consent or approval;
  - ii. Right to inspect corporate books and records;
  - iii. Right to information.
2. The Board should be transparent and fair in the conduct of the annual and special meeting of the members. The members should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the member's favor.

It is the duty of the Board to promote the rights of the members, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the members' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the members to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

## **VII. COMPLIANCE OFFICER<sup>31</sup>**

The Board shall ensure that it is assisted in its duties by a Compliance Officer, who should annually attend relevant trainings, including those on good governance

The Compliance Officer shall be a member of JVOMFI management. Similar to the Corporate Secretary, he/she is primarily liable to the Microfinance NGO and not to its Chairman or President/General Manager/Executive Director. He/she has, among others, the following duties and responsibilities:

- 1. Ensure proper onboarding of new trustees and key officers (i.e., orientation on the Microfinance NGO's Vision, Mission and Social, Financial and Governance Goals, charter, articles of incorporation and by-laws, among others);
- 2. Monitor, review, evaluate and ensure the compliance by the Microfinance NGO, its officers and trustees with the relevant laws, this Code, rules and regulations including established social and financial performance standards and all governance issuances of regulatory agencies;
- 3. Report violations to the Board and recommend the imposition of appropriate disciplinary action;
- 4. Ensure the integrity and accuracy of all documentary submissions to regulators;
- 5. Appear before the SEC or MNRC when summoned in relation to compliance with this Code;

<sup>31</sup> Code of Good Governance for Microfinance NGOs – draft presented at the Microfinance Council of the Philippines General Assembly on July 27-28, 2017, Century Park Hotel, Manila.

6. Identify possible areas of compliance issues and works towards the resolution of the same;
7. Ensure the attendance of board members and key officers to relevant trainings; and,
8. Perform such other duties and responsibilities as may be provided by the SEC and MNRC.

### **VIII. DISCLOSURE AND TRANSPARENCY<sup>32</sup>**

The essence of corporate governance is transparency. The more transparent the internal workings of the Foundation are, the more difficult it will be for Management and dominant members to mismanage the Foundation or misappropriate its assets.

It is therefore essential that all material information about the Foundation which could adversely affect its viability or the interests of its stakeholders should be publicly and timely disclosed. Such information should include its financial statements and operational performance, and other information required to be disclosed by the Securities & Exchange Commission & other regulators.

JVOMFI shall fully disclose all relevant and material information on individual members of the Board of Trustees and key officers, including disclosure of any family member working as a staff/volunteer in the organization. This is to properly evaluate their experience and qualification, and assess any potential conflicts of interest that might affect their judgment.<sup>33</sup>

JVOMFI shall clearly define and disclose its Microenterprise Development Programs and Services to the regulators as well as in its website or in the website of the alliance/association to which it belongs.

### **IX. RELATED PARTY TRANSACTIONS<sup>34</sup>**

Ensuring the integrity of related party transactions is an important fiduciary duty of the Trustee. It is the Board's role to initiate policies and measures geared towards prevention of abuse and promotion of transparency, and in compliance with applicable laws and regulations to protect the interest of all stakeholders. One such measure is the required ratification by members of material or significant related party transactions (RPTs) approved by the Board, in accordance with existing laws. Other measures include ensuring that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all members and stakeholders.

Policies governing Related Party Transactions (RPTs):

JVOMFI was an entity created by JVOFI on May 19, 2017 to solely handle its microfinance operations in compliance with the Microfinance NGOs Act (RA 10693) and requirements of the Bureau of Internal Revenue for donee institutions.

<sup>32</sup> SEC Memorandum Circular No. 6, Series of 2009. Revised Code of Corporate Governance.

<sup>33</sup> Code of Good Governance for Microfinance NGOs – draft presented at the Microfinance Council of the Philippines General Assembly on July 27-28, 2017, Century Park Hotel, Manila.

<sup>34</sup> [http://www.sec.gov.ph/wp-content/uploads/2016/12/2016\\_memo\\_circular\\_no.19.pdf](http://www.sec.gov.ph/wp-content/uploads/2016/12/2016_memo_circular_no.19.pdf)

Since JVOMFI is operating as a non-profit entity with barely any surplus income to be able to hire its separate management staff, JVOFI provides management and head office support, & offers office space & utilities. These services, computed at cost, are covered by contracts between JVOFI & JVOMFI and are to be disclosed in its financial statements.

JVOFI's procurement, recruitment, personnel, accounting & conflict of interest policies are adopted in JVOMFI to ensure compliance with internal control.

**X. [CODE OF CONDUCT AND CONFLICT OF INTEREST](#)**

JVOMFI adapts JVOFI's Policy on Code of Ethics and Conflict of Interest issued on April 8, 2000 (see Annex). Annually, each Trustee and employee shall submit a signed disclosure statement certifying adherence to the said policy.

## ANNEX

### JAIME V. ONGPIN MICROFINANCE FOUNDATION, INC. POLICY ON CODE OF ETHICS AND CONFLICT OF INTEREST

#### I. Principle

As a not-for-profit organization, the Jaime V. Ongpin Microfinance Foundation, Inc. primarily acts as a steward of funds from donors and microfinance clients<sup>35</sup>. In line with the Foundation's public accountability, Trustees, officers, managers and staff of the Foundation are expected to uphold first and foremost the interests of the Foundation, manifest independence and exemplify the virtues of honesty and integrity.

#### II. Definition of Terms

1. *Independent Trustee* – refers to a Trustee who is independent from management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment. An independent Trustee is therefore a Trustee who:
  - a. Is not affiliated with a company that has a business relationship with the Foundation or any of the Foundation's senior management;
  - b. Is not affiliated with any not-for-profit entity that receives significant contributions or donations from the Foundation;
  - c. Is not a recipient of credit or loans from the Foundation;
  - d. Does not receive any compensation or remuneration from the Foundation.
2. *Independent officer, manager and staff* – refers to any officer, manager and staff of the Foundation who meets criteria 1a, 1b and 1c above.

#### III. Policy

##### 1. Gifts from Outside Sources

Trustees, officers, managers and staff of the Foundation shall not accept gifts that are given because of their official position or that come from certain interested sources who:

- a. are seeking official action by the Foundation
- b. are doing or seeking to do business with the Foundation
- c. have interests that may be substantially affected by performance or nonperformance of the Trustee, officer, manager or staff's official duties.

Exceptions to this policy are:<sup>36</sup>

- a. where the gift is based solely on a family relationship;
- b. where the gift is based on outside business or employment relationship.

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<sup>35</sup> stated in JVOFI's policy as, "As a not-for-profit organization, the Jaime V. Ongpin Foundation, Inc. primarily acts as a steward of donor funds intended for the Foundation's target communities."

<sup>36</sup> deleted: "where the value of the gift is P100 or less". Staff are absolutely not allowed to accept any favors or gifts from microfinance clients.

Trustees or employees may accept a gift of free attendance at certain widely attended gatherings provided that there has been a determination that attendance is in the interest of the Foundation.

These exceptions are subject to some limitations on their use. For example, no Trustee or employee of the Foundation shall solicit or coerce the offering of a gift nor shall (s)he accept gifts on such a frequent basis that a reasonable person would believe that the Trustee or employee was using his/her position for private gain.

If an employee has received a gift that cannot be accepted, the employee may return the gift or pay its market value. If the gift is perishable and it is not practical to return it, the gift may, with approval of the Executive Director or the highest ranking manager, be surrendered or shared in the office.

## 2. Conflicting Financial Interests and Impartiality in Performing Official Duties

No Trustee, officer, manager or staff of the Foundation shall participate in a particular matter that will affect certain financial interests. Those include the financial interests of:

- a. the employee
- b. the employee's spouse or child
- c. an organization in which the Trustee or employee serves as an officer, director, trustee, general partner
- d. a person with whom the Trustee or employee is negotiating for or has an arrangement concerning prospective employment
- e. a person or entity who has made a promise, written or otherwise, of gifts in exchange for favors.

Should a potential conflict of interest arise, the Trustee, officer, manager or staff shall inhibit him/herself from participating in the matter that would pose the conflict.

## 3. Misuse of Position

No Trustee, officer, manager or staff of the Foundation shall use their position for their own or another's private gain. Trustees or employees are not to use their position, title or any authority associated with their office to coerce or induce a benefit for themselves or others.

Trustees or employees shall not use their position when seeking public office.

Employees are also not to use or allow the improper use of nonpublic information to further a private interest, either their own or another's.

Employees may not use Foundation property for other than authorized purposes. Foundation property includes office supplies, telephones, computers, copiers, vehicles and any other property purchased with Foundation funds.

Employees may not misuse official time. This includes the employee's own time as well as the time of a subordinate.

#### 4. Outside Activities

In conformity with the terms of employment between JVOMFI and all employees, each employee shall render his/her services exclusively to the Foundation and shall not provide services to and/or receive remuneration from any other employer or engage in any commercial activity without the written permission from the Foundation.

##### *Exception*

The employee with a profitable hobby, or he/she who teaches part-time for extra money usually poses no serious problems. However, the employee who uses his/her position to moonlight or who spends so much time on his “sideline” that (s)he cannot perform his/her regular job efficiently, or who uses Foundation materials, personnel or facilities for personal profit, is clearly in serious violation of the terms of his/her employment.

#### 5. Disclosure

- a. Each Trustee, officer, manager and staff of the Foundation shall sign a statement at the close of each calendar year to attest that (s)he has not violated any provision and that (s)he continues to abide by this policy.
- b. Trustees, officers, managers and staff shall disclose any business or personal relationship or affiliation which may potentially conflict with the interest of the Foundation from which (s)he may or his/her family may derive personal gain.

The concerned staff should discuss any doubts on a matter as regards conflict of interest with his/her superior who shall in turn elevate the issue to management and the Board of Trustees or its assigned committee(s), if necessary.

Failure to disclose may mean the initiation of an administrative investigation.