



Ahon sa Hirap Inc.  
"Rise from poverty"

August 2018

# Governance Manual

Ahon sa Hirap, Inc. (A Microfinance NGO)



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## Overview

The ever-pressing and widespread problem of impoverishment in the Philippines motivated Prof. Generoso Octavio of the University of the Philippines, Los Baños (UPLB) to start an action-research project that eventually came to be known as Ahon sa Hiras, Inc. (ASHI). Initially funded as a grant by Asia Pacific Development Center (APDC) based in Malaysia, ASHI began its operations in January 1989. After two years, it was registered under the Securities and Exchange Commission (SEC) as a non-stock, non-profit, non-governmental organization (NGO).

ASHI is dedicated to the empowerment of marginalized women and their families to enable them to rise from all forms of poverty. Grounding its operations on the Grameen Bank approach pioneered by Professor Muhammad Yunus of Chittagong University in Bangladesh, ASHI offers non-collateralized loan arrangements that are made accessible to marginalized women. ASHI provides capital to clients to start their own income-generating enterprise, as well as access to employment opportunities.

A recent innovation is to serve farmers who till small farms, usually less than a hectare. ASHI intends to inspire these farmers to cluster together and to become agri-entrepreneurs.

ASHI is committed to a triple bottom line approach – social performance, financial sustainability and environmental consciousness. In view of the goal of sustainable development, ASHI is conscious of the environmental impact of the institution and member activities.

ASHI has adopted the promulgated Code of Corporate Governance for microfinance NGOs, pursuant to the Microfinance Code (RA 10693) and its Implementing Rules and Regulations.

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### VISION

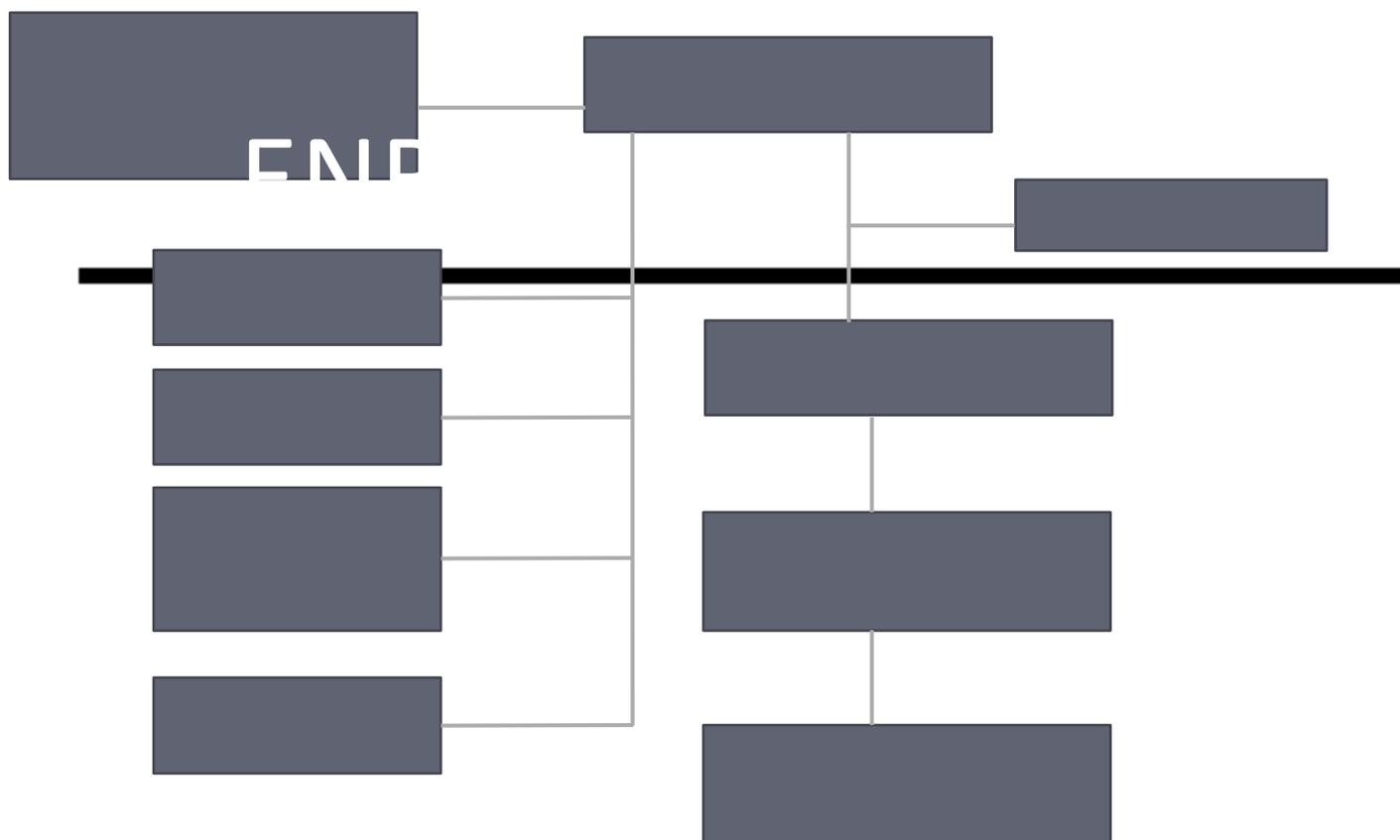
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*We are a community of servant leaders who pioneered and continue to innovate the principles of Grameen Bank in the Philippines.*

*We are in solidarity with the marginalized women and their families for poverty alleviation and active participation in social development.*

ASHI operates in the southern and northern peripheries of Metro Manila, the provinces of Laguna, Rizal, Quezon, Antique, Aklan, Capiz and Iloilo. ASHI offers three main financial products – micro-loans, micro-savings and micro-insurance, under partnership with external providers. The micro loans include general, microenterprise, agricultural, incentive, and special loans. ASHI's loan products are bundled with different funds that members contribute to - voluntary, compulsory, and special funds. Non-financial services include leadership training for center chiefs and group chairperson, financial education, and relief and rehabilitation projects.

## Governance Structure



The Board of Trustees, the policy-making body of the organization, primarily responsible for good governance, is comprised of 9 voting members: 6 from the enrolled membership and 3 from member-clients.

Four Board Committees shall be created:

1. The Risk Management Committee
2. The Audit Committee
3. The Nomination/Remuneration Committee
4. The Executive Committee

The first three Board Committees shall have their own charters outlining committee policies and operating guidelines.

The Executive Committee acts on policy-related decisions and meets more frequently as needed. This Committee is composed of the Board Chair, the President, the Vice President, the Secretary and Treasurer of the Board.

The Management Committee is a collegial body that tackles top management issues, to assist the President in decision making especially on policy exceptions needing immediate action. This Committee is composed of the President, the Vice President, and Division Heads.

The Management Team is responsible for operational decision-making and formulates recommendations for policy changes. This is composed of the Department Heads, the Operations Managers, Area Managers and Branch Managers

The Internal Audit Unit checks on compliance with policies and procedures and the effectiveness of controls to ensure timely and accurate reports. It ensures that financial and non-financial standards adopted by the company are adhered to.

## Board Structure

### Roles and Responsibilities of the Board

With the enactment of the Microfinance Code of the Philippines (RA 10693), the microfinance industry has given more emphasis on the importance of governance. It is essential that the Board is prepared when major changes are needed to help the institution prepare for change,<sup>1</sup> and to guide management through crisis.

It shall be the Board's responsibility to set the direction of ASHI, to foster the long-term success of the organization and secure its sustained competitiveness by positioning itself as a socially responsible organization, which it shall exercise in the best interest of the clients, as well as its internal and external stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Consequently, it is management that is primarily accountable for the organization's operations and performance ensuring that there is balance between financial and social goals for a sustainable performance.

The Board shall approve the vision and mission of the organization. It shall direct management to regularly engage in a strategic planning process. It shall also approve an operational plan aligned with the strategic direction of the organization which includes financial goals and budget.

The Board shall monitor its role in social performance management by reviewing social performance reports to check for progress toward social goals and ensuring transparency and client protection, etc.

The Board shall also monitor ASHI's management of its financial resources. It shall approve the annual budget and monitor sources and use of funds on a quarterly basis. It shall also approve investment policies and track investment performance. The board shall assure the long-term financial health of the organization. It shall help raise funds and identification of possible donors, funders and partners that are socially-responsible.

The Board shall align, monitor and enhance ASHI's systems (HR, credit operations, management information system, etc.). It shall ensure that clear indicators and milestones are in place and shall review progress on a periodic basis to ensure greater efficiencies and profitability of the organization.

The Board shall oversee that ASHI manages its business in accordance with sound financial practices and applicable laws, regulations and professional requirements. The board shall also ensure

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<sup>1</sup> Council of the Microfinance Equity Funds. The Practice of Corporate Governance in Microfinance Institution. 2012.

adherence to applicable standards, both ethical and legal. Ensure there is transparency and client protection among others.

The Board shall communicate to the Senior Management any perceived stakeholder concerns.

The Board shall take a direct interest in leadership succession, for ASHI's President and other key group senior management positions in particular, to ensure that appropriate processes are being effectively adopted to avoid leadership gaps.

The Board shall approve the overall risk management framework, policies, risk appetite and tolerance and strategy for the organization.

## Board Composition

The Board of Trustees shall be composed of trustees with a collective working knowledge, experience or expertise that is relevant to ASHI and its Vision, Mission and Social, Financial and Governance Goals (VMSFGG). The Board shall constantly ensure that it has an appropriate mix of competence, expertise and concern for the poor and the marginalized, to fulfill its roles, responsibilities and social advocacies and shall consider diversity in terms of social consciousness, gender, age, ethnicity, culture, skills, competence and knowledge.

The Board of Trustees shall be composed of a majority of non-executive trustees who possess the necessary qualifications to effectively participate and help secure objective, independent judgement on ASHI's VMSFGG that would guide its activities. The Board shall be comprised of nine (9) members: six (6) voted from enrolled membership based on qualifications set by ASHI, three (3) elected by and representing the regular membership of ASHI.

## Qualifications and Disqualifications

To be eligible for membership in the Board, an enrolled member must possess the following:

- An enrolled member of ASHI for at least two (2) years
- Has working knowledge, experience or expertise that will enrich the diversity of the Board composition
- Be nominated by the Board of Trustees' membership
- Not connected with another MFI.
- Be of good moral character and adheres to a simple lifestyle in solidarity with the poor
- Not Holding an elective position in the government or have filed a certificate of candidacy for an elective position in the government
- Not be related to any member of the staff or the Board within the 4th degree of consanguinity or affinity

To be eligible for Member-representative to the Board, a client-member must possess the following:

- Have been an ASHI regular member for at least 2 years and a bonafide Kabalikat member
- Actually reside in the area represented for at least 2 years prior to her nomination
- Be of good moral character and adheres to a simple lifestyle in solidarity with the poor

- Not Holding an elective position in the government or have filed a certificate of candidacy for an elective position in the government
- Not connected with another MFI

The following may be considered as grounds for the permanent disqualification of a trustee:

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

In addition, the following may be grounds for temporary disqualification of a trustee:

- Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness/serious accident, death in the immediate family or out of the country. The disqualification should apply for purposes of the succeeding election;
- 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
- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

## Election

### **A. Election of the 6 trustees from enrolled members**

The process of board elections will begin with a nominee manifesting his/her consent in order to be considered a candidate. The candidacy must be evaluated by the Nomination Committee (majority non-executives) to determine whether the candidate possesses all the qualifications and none of the disqualifications provided for by the by-laws of the rules and regulations of the organization.

The election of the Board Members shall be by secret ballot but this procedure may be changed as incumbent members may deem appropriate, reasonable, or practical.

The election shall be conducted every 9th day of April (Araw ng Kagitingan) of each year or nearest appropriate date.

The electorate body shall be composed of qualified enrolled members and member-representatives (the elected representatives of the regular membership).

### **B. Election of Member-representatives:**

Each area shall elect a member-representative to the Board every three years. Member-representatives will have 3 seats in the ASHI Board of Trustees.

#### Phase 1: Election of an Area Member-representative

1. First, each Branch may nominate a candidate to this post. Selection will start from the center level who may nominate a qualified Kabalikat member. From the center nominees, the Branch will choose via secret voting, one candidate to vie for the Area Member-representative to the Board.

A masterlist of Branch Kabalikat members shall be prepared by the Branch Manager who will include only those who are updated with their annual Kabalikat dues. Such shall be forwarded to the Members Protection Department and shall become the basis of the Department in the preparation of election paraphernalia.

A Branch nominee shall be given a two month campaign period to go around the centers in the Area. The Branch Fund may be a source of financial support for this activity. Center leaders shall agree on the maximum budget (for transportation and meals plus a modest budget for campaign material) for the Branch nominee to use for her campaign, with the approval of the Area Manager. After the designated campaign period, the Branch shall elect its candidate.

2. From among the Branch candidates within an Area, members will elect their Area Member-representative to the Board. One week before the scheduled regional consultation, all qualified Kabalikat members in each center will cast their vote during the center meeting that week. The DO shall be responsible to ensure that voting is conducted without duress. After casting their votes, each voter shall sign the masterlist indicating the serial number of the ballot. The DO shall also make sure that the sealed ballot box is secured when transferring from one center to another in his block during the election. At the end of the week, all sealed ballot boxes shall be turned over to the Branch Manager for safekeeping until the counting of the votes which will be done as part of regional consultation activities.

3. Counting of votes to be done during the Regional Consultation Program with the president, shall be the responsibility of the Election Committee, as mandated. The Election Committee (EleCom) will be comprised of the incumbent and ex-officio Member-Representatives of other areas<sup>2</sup> and shall be chaired by the ASHI Vice President. The EleCom shall handle the counting of votes and endorse the winner to the President during the Regional Consultation. The EleCom shall be assisted by the Member's Protection Dept. (MPD) and the Internal Audit Unit during the counting of votes.
  - a. Each branch shall have a 3-member team composed of:
    - i. MPD staff (or a designated HO staff) – posts in tally board
    - ii. Member-rep – calls out name in ballot
    - iii. IAU staff (or designated HO staff when IAU staff has to be roving) – will register in tally sheet as vote is called out
  - b. Watchers may be allowed during the counting of the votes, but only to a maximum of one watcher per branch for each candidate.
  - c. The result of the counting shall be signed by the members of the 3-member team and submitted to the MPD Head who will consolidate with the IAU staff the summary sheet (with updating at the Tally Board).
  - d. The final duly signed consolidated tally sheet shall be submitted by the MPD Head and the IAU staff to the VP.
  - e. The VP endorses the results to the President.

#### Phase 2: Election of the 3 Member-representatives who will attend Board Meetings

- a. The elected Area Member-representatives shall be convened per region for an initial orientation of their role and mandates.
- b. All of the elected Area Member-representatives shall meet to select among themselves who will attend the Board Meetings
- c. Thereafter, the Area member-representatives shall meet or do tele-conferencing before a Board Meeting to discuss the salient points and issues to bring to the meeting.

The regular membership shall provide for the qualifications and disqualifications of their representatives in the Board of Trustees as they deem wise.

## Terms and Term Limit

Elected members to the Board shall serve for a term of three years.

Membership in the Board shall be limited to three consecutive terms after which a cooling off period of at least one year shall be imposed before a Board Trustee can be allowed to run again. If elected, the Trustee shall be allowed to serve another 3 terms.

Replacement for an exiting Board Member shall serve for the unexpired term only.

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<sup>2</sup> A kabalikat member is a bonafide ASHI member who has accepted to be a co-creator of the organization and has demonstrated financial discipline.

## Removing a Board Member

Removal of a Board member will require the affirmative vote of majority of the membership (50% + 1). Grounds for removal include the following: conflict of interest, misrepresentation, any criminal offense punishable by law, and/or by an explicit, official request of the institution represented by the trustee. Absenteeism in board meetings can be discussed with the concerned member whether he/she wants to continue serving in the Board and/or take a leave or resign.

## Fees and Compensation

No fees, honorarium or any form of compensation shall be given to any member during their term. However, reasonable transportation allowance shall be given for every board meeting attended.

## Board Operations

### Roles and Responsibilities of Officers

#### *Chairperson*

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

- a. Presides over the annual meeting.
- b. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the ASHI, considering the developments in the industry and regulatory environments, key social, financial and governance concerns, and contentious issues that will significantly affect operations;
- c. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- d. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual trustees;
- e. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.
- f. Ensures 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);
- g. Assures the availability of proper orientation for first-time trustees, governance training and continuing training opportunities for all trustees and key officers; and

- h. Ensures that performance of the Board is evaluated at least once a year and discussed/followed up on.

#### *President*

The President shall be the chief executive officer who leads the management staff. He/She shall be responsible for the following:

- a. The president shall implement all resolutions and decision of the Board of Trustees
- b. The president advises the Board on the establishment of Board Committees and their terms of reference
- c. The president is responsible for directing and overseeing all the activities of the organization
- d. The president shall submit to the members at the annual meeting, the audited Financial Statement, and annual report of the activities of the organization. The president shall be obliged to submit other reports the board may require. He/She shall present to the Board of Trustees an annual Budget and from time to time, other related financial reports.
- e. The president shall accept other responsibilities and perform other duties as instructed by the Board of Trustees. In case of incapacity, the Board shall appoint a suitably qualified person.

#### *Secretary*

The Corporate Secretary is primarily responsible, among others, for the following duties and responsibilities:

- a. Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the Chair of the Board and Committees to set agendas for their meetings;
- b. Records, safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the organization;
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of ASHI, and advises the Board and the Chairperson on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management and members and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including members;
- e. Informs members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five working days in advance, and ensures that the

members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

- f. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- g. Ensure performance of required administrative functions with the help of an executive assistant;
- h. Oversees the drafting of the By-Laws and supports compliance therewith;
- i. Performs such other duties and responsibilities as may be provided by relevant regulatory bodies; and.
- j. Performs these duties in a timely manner.

The Secretary shall give the notices required by law and keep minutes of all the meetings of the Board of Trustees. The Secretary shall be responsible for keeping the seal of the corporation and affix the seal to any paper or instrument requiring the same.

He/she shall be responsible for safe custody of the correspondence files of the board. The Secretary shall maintain the Members' Register of the organization. He/she shall also perform all such duties and work as the BOT may assign from time to time.

#### *Treasurer*

The Treasurer shall be responsible for the management of funds of the organization. He/she shall be responsible in ensuring the keeping of the books of accounts and whenever required account for the financial condition of the corporation and all transactions made.

He/she shall comply with all accounting standards and other relevant standards in the preparation of financial reports.

#### *Auditor*

The Auditor has the following duties and responsibilities:

- a. Ensure standards in financial reporting are complied with
- b. Sign off on financial statements after thorough review.
- c. Meet with external and internal auditors on a regular basis.

#### *Compliance Officer*

The Compliance Officer is in charge of the compliance function. He/she has, among others, the following duties and responsibilities:

- a. Monitors, reviews, evaluates and ensures the compliance by ASHI, 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 and approved risk management policies;
- b. Quarterly attestation (to the Board) of compliance and exceptions duly signed off by Management Committee.

- c. Lead in the monitoring and reporting of complaints and fraud in the organization.

## Committees

Board committees shall be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, finance and risk and other key governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established shall be contained in a publicly available Committee Charter.

The Board of Trustees may create, from time to time, committee or committees as necessary in the implementation of the goals and strategic plans of the organization. Such committees shall exercise certain powers and perform its functions and duties as prescribed by the Board of Trustees. Members of these committees which are not vested with the powers or duties considered as duties of the Board of Trustees need not be members of the Board of Trustees, but should be part of ASHI.

### *Board Audit / Compliance Committee*

The Board shall establish an Audit/Compliance Committee to enhance its oversight capability over the organization's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee shall be composed of at least three appropriately qualified non-executive trustees: at least one member shall have relevant background in social welfare and at least one member shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

The Audit/Compliance Committee has the following duties and responsibilities, among others:

- a. Monitors and evaluates the adequacy and effectiveness of the Microfinance NGO'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 (a) safeguard the organization's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the organization's financial data, (d) ensure compliance with applicable laws and regulations, and (e) ensure compliance with social, financial and governance standards;
- b. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- c. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the organization's overall consultancy expenses. The committee should disallow any non-audit work that

will conflict with his duties as an External Auditor or may pose a threat to his independence<sup>3</sup>.

- d. Reviews and approves the Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- e. Reviews the disposition of the recommendations in the External Auditor's management letter;
- f. Performs oversight functions over the organization's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- g. Coordinates, monitors and facilitates compliance with laws, rules and regulations; and
- h. 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 organization, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stakeholders.

The Audit/Compliance Committee meets with the Board at least every once a year without the presence of management.

#### *Governance and Nomination/Remuneration Committee*

The Board shall establish a Governance Committee to assist the Board in the performance of its good governance responsibilities, including the functions of a Nomination/Remuneration Committee. It shall be composed of at least three members.

The Governance and Nomination/Remuneration Committee (GNRC) is tasked with ensuring compliance with and proper observance of good governance principles and practices. It has the following duties and functions, among others:

- a. Oversees the implementation of the governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the ASHI's VMSFGG and strategy, as well as its regulatory environment;

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<sup>3</sup>As defined under the Code of Ethics for Professional Accountants

- b. Oversees the periodic performance evaluation of the Board, its committees and management, and conducts an annual self-evaluation of its performance;
- c. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommends continuing education/training programs for trustees, assignment of tasks/projects to board committees, succession plan for the board members and management, and remuneration packages for management;
- e. Adopts good governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Determines the nomination and election process for the organization's trustees and has the special duty of defining the general profile of board members that the ASHI may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- g. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of management that is consistent with the ASHI's culture and strategy as well as its VMSFGG.

#### *Board Finance and Risk Committee*

The Finance and Risk Committee of the board of directors of ASHI shall consist of three directors: at least one member has relevant knowledge, experience in finance, and at least one has relevant knowledge and experience in risk management. Members of the committee shall be appointed by the board upon the recommendation of the Governance and Nomination/Remuneration Committee.

The purpose of the committee shall be to assist the board in its oversight of ASHI's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

The chairman of the committee shall coordinate with the chairman of the Audit/Compliance Committee to assist the latter in its review of the Company's risks that have been delegated to the Audit/Compliance Committee in its charter.

Risk assessment and risk management are the responsibility of the Company's management. The committee has an oversight role and in fulfilling that role, it relies on the reviews and reports described below.

The committee shall have the following authority and responsibilities:

1. To review and discuss with management ASHI's risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management.
2. To review and discuss with management ASHI's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and

reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

3. The committee shall meet separately at least twice a year with the management.
4. To receive, as and when appropriate, reports from the internal audit unit on the results of risk management reviews and assessments.
5. To review the status of financial services regulatory exams relating to ASHI.
6. To review reports on selected risk topics as the committee deems appropriate from time to time.

The committee shall have authority to retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion. The committee shall have sole authority to approve related fees and retention terms.

### *Executive Committee*

The group of Trustees and ASHI executives appointed to act on behalf of, and within the powers granted to them by the Board of Trustees. The Committee is composed of the President, Chairperson, Secretary, and Treasurer. Upon invitation, the Board Auditor and the Board Trustee may be called to attend.<sup>4</sup> The EXECOM shall meet every two months or as needed.

## Board Meetings

### Meetings

The Board shall meet regularly once per quarter on the second Saturday of the second month following the end of the quarter. During the meeting the President shall render his/her report to the Board regarding the activities of ASHI.

The trustees should attend and actively participate in all Board, Committees and Annual/Special Membership meetings in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Microfinance NGO Regulatory Council, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the trustee should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

A **special meeting** may be called by the President if the need arises or upon petition of 50% of Board Membership.

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<sup>4</sup> Per Board Resolution dated May 14, 2013 as certified by the then Corporate Sec Atty Jaime Hofileña

## Notices

Notices of the date, time and place shall be given either personally, through email or by special delivery mail, at least a week before the date set. In urgent cases notice may be communicated at least two days before the meeting by telephone or by facsimile, email or text, if personal contact is not possible.

The notice of every special meeting shall state briefly the purpose of the meeting. No other business shall be considered at such a meeting except with the consent of all the members present thereat.

## Meeting Agenda

The Chairperson, in consultation with the President, shall prepare an agenda. The agenda folder will be sent to the rest of the Board at least a week before the date of the meeting. Agenda items shall consist of department reports, updates on programs and other relevant matters. Details on the meeting agenda can be found in Annex A.

## Quorum

A quorum for any Board of Trustees meeting shall be a majority of the Board members. A majority of such quorum may decide any question at the meeting, except those matters where the by-laws require an affirmative vote of greater proportion.

## Meeting Process

The Chairperson shall preside over the meeting. Actions that need board decision shall be decided by majority vote.

## Board Minutes

The Minutes shall be attested by the Corporate Secretary and certified by the Chairperson. It shall be sent to the Board members at least one week before the next meeting.

Minutes shall be compiled in a single folder by the Secretariat and kept in a secure place for easy retrieval.

## Reports to the Board

Quarterly report, including financial status and operating highlights, shall be submitted to the Board, including reports from the committees.

## Board Development, Evaluation and Assessment

Good governance is a process that is developed over time. Part of the good governance process is to ensure that Board members are equipped with the current developments in the industry, and are evaluated accordingly.

### Board Development

Board development shall involve activities that enhance the Board members knowledge on the institution and establishes rapport among the members. First-time trustees shall be given a thorough orientation on the social, financial and governance goals, principles and activities of ASHI.

Training and learning exchanges can be instrumental in ensuring that the members of the board understand how microfinance operates and have an idea on how to evaluate an MFI's performance using both social and financial perspectives. Apart from having an eye on both social and financial performances, Board members are encouraged to observe and engage with the clients to have a better understanding on how microfinance works on the ground.

Members of the Board should be provided with continuous orientation/update on the standards of social performance as well as on the financial environment to enhance their ability to evaluate the performance of the institution and make decisions accordingly.

To further establish rapport and enhance working relationship among members of the board, annual or biennial retreats of the board are helpful in building consensus regarding the balance of social and financial objectives and in considering major advances in strategy.

### Board Evaluation and Assessment

The Board shall conduct a regular self-evaluation and assessment to review how well they meet their governance responsibilities in order to ensure that ASHI is well-run, sustainable, and true to its mission. Assessments will help the Board members gauge how close ASHI is in terms of good practice, identify areas of weakness and ways in addressing these weaknesses. The evaluation and assessment is one way of assuring that the Board members will have the ability to take responsibility on ASHI and lead it into the future.

All incumbent Board members will answer a self-assessment tool. Results of the self-assessments will be consolidated and discussed by the Board in a subsequent regular meeting. A board performance assessment tool can be found in Annex B.

## Standards of Practice: Policy on Conflict of Interest and Code of Discipline

A Code of Conduct to govern the conduct of the Board members as well as ASHI employees, shall be prepared to protect their respective interests and rights, and to ensure that business in ASHI is carried out with honesty and integrity, according to the accepted values of the organization.

Members of the Board are likely to be affiliated with many organizations and businesses, both on a professional and a personal basis, thus, it is important to set<sup>5</sup> a policy where it defines conflict of interest and the process in dealing with it.

A trustee should notify the Board where he/she is an incumbent trustee before accepting a trusteeship/directorship in another organization/company, particularly if there is a potential conflict of interest.

An annual assessment of the members of the board based on ASHI's policy on conflict of interest and code of discipline shall be done to ensure compliance with the said policies. The assessment shall be part of the Internal Audit checklist.

### *POLICY ON CONFLICT OF INTEREST*

The conflict of interest policy is designed to foster public confidence in the integrity of, and to protect ASHI's interest, when contemplating to enter a transaction that might benefit the private interest of a director, a corporate officer, the top management or top financial official, or a key employee.

#### *Fiduciary Responsibility*

Members of the board and staff have a clear obligation to conduct all affairs of the organization according to the highest ethical standards. Loyalty, honesty, truthfulness and moral virtue are expected to be practiced and upheld in all actions of the board and staff.

#### *Covenant*

Members of the board and staff agree to place the welfare of the organization above personal interests, interest of the family members, or others who may be personally involved in substantial affairs affecting the organization's basic functions.

#### *General Disclosure*

Members of the board and staff disclose all relationships and business affiliations which may now, or in the future potentially conflict with the interests of the organization or bring personal gain to them, their family business.

#### *Reporting of Disclosures*

All disclosures required by the staff will be handled by the Vice President. All disclosures of the members of the board shall be referred to the Board Secretary. Information disclosed will be held in confidence except when the organization's best interest would be served by bringing the information

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<sup>5</sup> MicroSave: Board Governance Training for Microfinance Institutions Toolkit, August 2007

to the attention of the Executive Committee of the Board and the other officers of the organization. Annual updating of the disclosure shall be made using the attached Form (Annex C).

#### Desisting from Participation

Members of the board and staff who have conflict of interest in any matter shall desist from participating in the deliberation concerning a proposed transaction. He/she is expected to excuse him/herself from the meeting unless explicitly requested by the Chair to remain in the meeting to interpret or provide information. Disregard for the need to excuse him/herself invites the Chair to request his/her withdrawal from the meeting room.

#### Determination of Possible Conflict of Interest

Any individual who is uncertain about a conflict of interest in any matter shall disclose such possible conflict to the appropriate individual as noted above.

#### Failure to Disclose

Each member of the board and executive staff should recognize that disclosure of personal and business interest is a requirement for continued affiliation or employment with (the organization), and deliberate failure to disclose a potential conflict of interest could result in disqualification or termination of employment.

#### *CODE OF DISCIPLINE*<sup>6</sup>

Ahon sa Hirap, Inc. promulgates rules and regulations, which govern the conduct of employees in order to protect their interests and rights as well as those of ASHI. Willful or inexcusable breaches of these rules will be dealt with firmly and fairly under an impartial indiscriminate disciplinary policy, which applies to all for the sake of efficient operation.

#### Regulations

Discipline being a line function, Branch Managers and Department Heads are primary responsible for the behavior of their respective employees; they have the duty to initiate disciplinary action whenever necessary.

Branch managers/Department managers should discipline employees in private, explain the penalty applied and the reason for the disciplinary action. Written communication on disciplinary actions, including reports must be held in strict confidence.

In case where there is doubt as to proper actions to be taken, the President is to be consulted.

The President shall be available for consultation on employee discipline at all times during office hours.

In case where the disciplinary action to be taken by immediate supervisors is not in accordance with the code, the same shall be subject to the review by the Department Head.

Should there be conflict of judgment between the Supervisor and his Department Head, a review shall be made by the President whose findings shall be final unless the matter is elevated to higher management (Board of Trustees) of whatever applicable to the grievance procedure of ASHI.

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<sup>6</sup> This shall be aligned with the latest amended Code of Employee Conduct and Discipline.

### Procedure

The immediate supervisor (Branch Manager) of the employee shall conduct an impartial and thorough investigation before any disciplinary action is recommended. An employee reported to have violated company rules and regulations shall always be given an opportunity to explain in writing why no disciplinary action should be taken against him.

Having ascertained all the facts, the Branch Manager submits his report and recommendation to the Area Manager who in turn consults with the President on applicable disciplinary measures.

If the violation calls for a verbal or written reprimand, the immediate supervisor may impose the penalty in consultation with his/her Area Manager, and shall duly execute such reprimand. A record of such violation and corresponding reprimand must be forwarded to the Head Office for inclusion in the employee's 201 personnel record.

If the violation requires a suspension of an employee, the supervisor must secure the approval of his department head for concurrence by the President (a suspension is not executory without the President's concurrence). The President may conduct further investigation on the gravity and circumstance of the case.

Upon approval of the suspension, the President informs the employee in writing of the Management decision.

Where an employee has committed an offense so serious that his continued service or presence poses a serious and/eminent threat to the life and property of the company or of his co-employees, or will cause meaningful or real disruption in productive or orderly operations of the company, this employee maybe placed under preventive suspension pending notice of the termination filed, discussed, and approved by ASHI Board of Trustees.

### Application of policy

This policy applies equally to all employees.

### Non-retroactive Clause

The company reserves the right to amend, alter, modify and/or change the code as the exigencies of the time may warrant and upon proper notice and publication, such as amendments, alterations, modifications and/ change shall be integral part of this code.

## Internal Control System and Risk Management Framework

To ensure the integrity, transparency and proper governance in the conduct of its operation, ASHI shall adopt an adequate and effective internal control and risk management system. It shall carry out safe and sound operations as well as implement management policies to attain the organization's Vision, Mission and Social, Financial and Governance Goals (VMSFGG). This shall support fund generation since donors and funders become confident when the financial systems are well established, and controls are working as intended.

Among others, this shall include the following:

1. Adherence to Philippine Financial Reporting Standards.
2. Adoption of the Standard Chart of Accounts for Microfinance NGOs
3. Putting in place a financial control system with detailed policies and procedures
4. Establishment of authority limits and system of approvals.
5. Complete financial records and reporting system
6. Establishment of an independent Internal Audit Unit reporting directly to the Board of Trustees, through the Audit Committee.

## Sustainability Reporting Dissemination of Relevant Information

To sustain ASHI's competitiveness and sustainability in a manner consistent with its VMSFGG and the best interest of its members and all stakeholders, it is important that a faithful, transparent and adequate disclosure of its social development programs and services, as well as operational objectives and sustainability programs are disclosed, to include material and reportable non-financial and sustainability issues. This shall include among others the following:

- a. Social objectives and the impact of its outreach.
- b. Environmental targets and achievements
- c. Governance issues as they relate to staff and the general membership

ASHI shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information, through the following:

- A working and accessible website that is regularly updated.
- Bulletin boards in ASHI branches and all center halls.
- Inclusion in center meeting agenda updates on operations

## Stakeholders' Rights and Social Responsibility

### Members' Rights

ASHI shall treat all members fairly and equitably by recognizing and facilitating the exercise of their rights. Members' rights relate to the following among others:

- Right to nominate candidates and be nominated as member-representative to the Board of Trustees;
- Right to elect member-representatives to the Board of Trustees;
- Right to remove a Trustee;
- Right to Financial Statements;
- Right to vote on fundamental corporate changes
- Right to propose the holding of meetings and include agenda items ahead of the scheduled Annual and Special Membership Meeting;
- Right to have a Nomination Process; and
- Right to have Voting Procedures that will govern the Annual and Special Members' Meeting

Members should be given the opportunity to nominate candidates and be nominated to the Board of Trustees in accordance with the existing laws. The Board is encouraged to discuss clearly the procedures of the nomination process. In addition, members are encouraged to participate actively, which they can do if given enough time and information, to vote on the approval of organizational changes such as Merger or Consolidation and Plan of Distribution of Assets<sup>7</sup>. The voting procedures should be disclosed and clearly explained by the Board to allow the effective exercise of the members' voting rights. Poll voting is highly encouraged as opposed to show of hands. Proxy voting is also considered good practice.

The right to propose the holding of meetings and inclusion of items in the agenda is given to the members of the organization. The Corporation Code of the Philippines requires that the proposal to hold meetings be made by a majority of the organization's members entitled to vote. With regard the inclusion of agenda items, the organization may require that the proposal also be made by majority of its voting members.

Further, the organization should provide any member requesting to be furnished with the most recent financial statements of the organization. However, it is the Board of Trustees' responsibility to present to its members during regular meeting a financial report of the operations of the organization for the preceding year.

The related members' rights and relevant policies should be contained in the organization's Manual on Good Governance.

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<sup>7</sup> Section 95 of the Corporation Code of the Philippines

## Glossary of Terms

Area	Composed of several Branches, as defined by the Operations Department.
Branch	Consists of centers as defined by the Operations Department.
Center	A designated place where members meet regularly once a week. It is the heart of ASHI operations.
Client Membership	ASHI regular members who avail of the services of ASHI and part of a Group and a Center.
Enrolled Membership	ASHI members consisting of committed members of Phippine society contributing to the functions of the organization and whose membership is confirmed by a majority (50%+1) of its Board of Trustees.
GBA (Grameen Bank Approach)	A microfinance strategy pioneered by Professor Muhammad Yunus of Chittagong University, Bangladesh which offers non-collateralized small loans arrangements made to marginalized women and farmers in solidarity groups of 5. The loans provides capital to income-generating enterprise and allows small weekly repayments.
Kabalikat member	ASHI members who believe they are co-creator of the organization, who possess the 10 qualities referred to in the article "Ano ang Ibig sabihin ng Kabalikat sa ASHI?", and who are actively complying with the financial responsibility as ASHI Kabalikat member.
Member-Representative to the Board	A client-member who gets elected to represent the Area in the selection of their representative to the Board of Trustees.
NGO( Non-Government Organization)	A non-stock, non-profit organization duly registered with the Securities and Exchange Commission, focusing on the upliftment of the basic or disadvantaged sectors of society by providing advocacy, training, community organizing , research, access to resources, and other similar activities, as defined in RA No. 8425.
Regional Consultation	A consultation meeting regularly done with the participation of ASHI members from the covered Area. Regular agenda covered during this consultation include: presentation of issues affecting members, election of Member-representative to the Board and providing forum for client-members feedback and resolution of concerns.
Senior Management	ASHI officers from top management to Department Head level.

## Annex A: Board Meeting Agenda

1. Call to Order
2. Declaration of Quorum
3. Review and Approval of the minutes of the previous meeting(s)
4. Business arising from the minutes of the previous meetings
5. Quarter report
  - a. Executive Summary
  - b. Updates on Performance
  - c. Challenges for the next quarter
  - d. Annexes
6. Matters requiring Board Resolution/Secretary's Certificate (Annex \_\_)
  - a. Changes in bank signatories due to staff movements
  - b. Changes in signing authorities....
  - c. Opening / Closing of bank accounts
  - d. Availment of loan window from \_\_\_\_\_ with line approval for P \_\_\_\_\_
7. For Approval (Annex \_\_)
8. For Information
9. Other matters
10. Next meeting
11. Adjournment

## Annex B: Annual Board Assessment

This Self-Assessment Questionnaire is composed of varying statements based on the roles, functions and responsibilities of the Board and Board Members found under the ASHI Board Manual. For each statement, you will be asked to choose from among the following responses:

- 1 – Strongly Disagree
- 2 – Moderately Disagree
- 3 – Neutral
- 4 – Moderately Agree
- 5 – Strongly Agree

Please be forthright in your responses. This questionnaire aims to determine the Board's strengths and weaknesses. Thank you.

PERFORMANCE OF BOARD FUNCTION	1	2	3	4	5
<b><i>Roles and Responsibilities</i></b>					
1) The Board’s responsibility to foster the long-term success of the organization and secure its sustained competitiveness by positioning itself as a socially responsible organization, which it shall exercise in the best interest of the clients, and both internal and external stakeholders.					
2) The Board is primarily responsible for the governance of ASHI. The Board has been primarily accountable to the organization’s operations and performance. Ensuring that there is balance between financial and social goals for a sustainable performance.					
3) The Board reviews the vision and mission of the organization. It has regularly engaged in a strategic planning process. It has also approved an operational plan aligned with the strategic direction of the organization which includes financial goals and budget.					
4) The Board monitors its role in social performance management by reviewing social performance reports to check for progress toward social goals and ensuring transparency and client protection, etc.					
5) The Board monitors ASHI’s management of its financial resources. It approves the annual budget and monitor sources and uses of funds on a ____ basis. It also approves investment policies and track investment performance. The board assures the long-term financial health of the organization.					
6) The Board helps raise funds and identification of possible donors, funders and partners that are socially-responsible.					
7) The Board aligns, monitors and enhances ASHI’s systems (HR, operations, management information system, etc.). It ensures that clear indicators and milestones are in place and shall review progress on a periodic basis to ensure greater efficiencies and profitability of the organization.					

8) The Board ensures that ASHI manages its business in accordance with sound financial practices and applicable laws, regulations and professional requirements. It also ensures adherence to applicable standards, both ethical and legal. Ensure there is transparency, client protection, etc.					
9) The Board provides support in developing and maintaining relationships with external stakeholders, including government, media, funders and general public. Individual board members may be called upon to represent the interests of ASHI in meetings, events and other activities.					
<b><u>Board and Management Relationship</u></b>					
1) The Board works in close cooperation with Senior Management to effectively communicate ASHI’s direction and progress with external stakeholders with agreed positions of the business and the brand of the organization.					
2) The Board communicates to the Senior Management any perceived stakeholder concerns.					
3) The Board takes a direct interest in leadership succession, for the ASHI’s President and other key group senior management positions in particular, to ensure that appropriate processes are being effectively adopted to avoid some leadership gaps.					
4) The Board and executive management have reached consensus on the overall risk management framework and strategy for the organization.					
5) When communicating strategic direction, the Board and executive management includes formal references to defined risk appetite and tolerances.					
<b><u>Board Composition</u></b>					
1) The size of the Board is according to the prescribed number in the Board Manual.					
2) There is a system of ensuring continuity of the functions of the Board.					
3) The members of the Board are very competent and are fully cognizant of their functions.					
<b><u>Processes involved in Board Meetings</u></b>					
1) The Board meets on a regular basis to deliberate, with special emergency meetings held whenever required.					
2) The Board facilitates the conduct of Annual General Meetings, and any other special shareholder meetings that may be required.					
3) The Agenda for the Board meetings are relevant and appropriate.					
4) The length of the Board meeting is sufficient to address matters that require Board attention.					
5) The quality of the presentations and/or reports are very satisfactory in form and in substance.					
6) The reporters are competent, articulate, clear, concise and are responsive to queries from the Board.					
7) The materials are organized, updated, concise and accurate.					

8) The notice and materials were furnished to the Board members before the scheduled Board meeting, giving the members of the Board sufficient time to read the materials.					
9) The Minutes of the meetings are released as specified.					
<b><u>Board Committees</u></b>					
1) The number and kinds of committees are appropriate considering the size and needs of ASHI					
2) The members of the committees are properly assigned based on their expertise and strengths.					
3) The frequency, length and agenda discussed during committee meetings are satisfactory.					
<b>Overall, I am very satisfied with the effectiveness and performance of the Board.</b>					

**Others**

**1) For the next five (5) years, the Board should concentrate on the following issues:**

**2) The performance of the Board can be improved by:**

**3) Others**

## Annex C: Conflict of Interest Disclosure Statement



**AHON SA HIRAP, INC.**

No. 76, 8th Avenue, Cubao 1109, Quezon City, Philippines  
Tel/Fax (632) 912-0688 • 913-2452

### CONFLICT OF INTEREST POLICY: ACKNOWLEDGMENT AND FINANCIAL INTEREST DISCLOSURE STATEMENT

AHON SA HIRAP, INC. (the "Organization") follows a conflict of interest policy designed to foster public confidence in our integrity and to protect our interest when we are contemplating entering a transaction or arrangement that might benefit the private interest of a trustee, a corporate officer, our top management official and top financial official, or any of our key employees.

#### Part I. Acknowledgment of Receipt

I hereby acknowledge that I have received a copy of the conflict of interest policy of Ahon sa Hirap, Inc., have read and understood it, and agree to comply with its terms.

\_\_\_\_\_

Date \_\_\_\_\_

Signature over printed name

**Part II. Disclosure of Financial Interests**

We require annually each officer, trustee and key employee to disclose the information requested in this Part II.

A “conflict of interest,” for this purposes, arises when a person in a position of authority over an organization, such as an officer, trustee, or key employee, may benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated.

**Part II** Please check ONE of the following boxes:

My interests and relationships have not changed since my last disclosure of interests. [Proceed to signature block below. Do not complete the tables.]

**OR**

I hereby disclose or update my interests and relationships that could give rise to a conflict of interest: [Complete the table below. Use additional pages as needed.]

Family Relationships	Names of those presenting a potential conflict of interest
Include spouse/domestic partner, living ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great grandchildren, and spouses/ domestic partners of brothers, sisters, children, grandchildren, and great grandchildren	

Type of interest	Description of interest that could lead to a conflict of interest
Transactions or arrangements with the Organization	
Transactions or affiliations with other nonprofit organizations	
Substantial business or investment holdings	
Transactions or affiliations with businesses not listed above	

I am not aware of any financial interest involving me or a family member that could present a conflict of interest that I have not disclosed either above or in a previous disclosure statement.

\_\_\_\_\_

Date: \_\_\_\_\_