



BOARD CHARTER

INTRODUCTION

Complementary to Laws and Articles

ARDCI Microfinance, Incorporated (the “Company”, “Corporation”), striving for best practice in board leadership, effectiveness and governance will have in place a Board Charter (the “Charter”) that all board members understand and formally commit to through the selection, orientation and annual review processes. It shall govern the relationship between the Board Committees (the “Committee”) and the Board of Trustees (the “Board”) as provided in the Charters of the Committees which were approved and adopted by the board. The Charter is intended to complement or supplement the Corporation Code of the Philippines, the Company’s Articles of Incorporation and Constitution and By-laws, issuances of the Securities and Exchange Commission (SEC), and other applicable laws, rules and regulations.

OBJECTIVES

The Board shall be driven by the Corporation’s vision, mission, and objectives. It shall exercise strategic leadership and shall respect the delineation between Board and Management roles. Thereafter, the Board shall ensure that the Corporation is being managed in accordance with the directions and delegations of the Board. And shall be govern with excellence, accountability, transparency, prudence, and proactiveness.

BOARD COMPOSITION AND STRUCTURE

1. Number of Trustees

The Board of Trustees is composed of eleven (11) trustees, five (5) of whom shall be elected from the rank of SLS Chairpersons from the Province of Catanduanes, four (4) of whom shall be elected from the rank of SLS Chairpersons from branches in Albay, Sorsogon, and Camarines Sur, who are elected by the members, and two (2) of whom shall be Independent Trustees.¹

2. General Composition

The membership of the Board must be a majority of non-executive trustees including the Independent Trustees. The non-executive trustees should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

3. Committees

The Board shall constitute the proper committees to assist it in good corporate governance. Pursuant to the Corporation’s Amended Constitution and By-Laws, the Board must have the following committees: (a) Audit, (b) Risk Oversight, (c) Corporate Governance (with functions of Nomination and Election and Compensation and Remuneration), and other standing and special committees as the need arise.

4. Board Profile

The Board, in consultation with the Corporate Governance Committee (CG), shall be responsible to review the profile of its size and composition, considering the nature of its business and subsidiaries, and the desired expertise and background of the board members.

¹ Sec.1, Article III of the Constitution and By-Laws

5. Independence

The Board shall have at least two (2) Independent Trustees or consist at least twenty percent (20%) of the members of the board, whichever is higher, as required by the rules of the SEC.

For this purpose, an "Independent Trustee" shall mean a person who apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the exercise of independent judgment in carrying out his responsibilities as a trustee.²

ELECTION OF THE BOARD

1. Nomination of Trustees

Each member shall have the right to nominate any Trustee who possesses all of the qualifications and none of the disqualifications set in the Corporation's By-Laws.

The Board shall endorse the nomination to the Corporate Governance (CG) Committee (which functions as the Nomination and Election Committee) who shall then review and pre-screen the qualifications of each candidate in accordance with the qualifications and disqualifications set in the Corporation's By-Laws. The CG Committee must ensure that these qualifications are aligned with the corporate strategic direction of the Corporation. The shortlist of candidates and their qualifications shall be disclosed in the Notice to Members' meeting to be distributed to the voting members.

2. Manner of Election

The members of the Board shall be elected or re-elected by the voting members during the regular or at a special meeting called for the purpose.³ At all elections of Trustees, there must be present, either in person or through a representative authorized to act by written proxy, a majority of the members entitled to vote. The members may also vote through remote communication or in absentia. A member who participates through remote communication or in absentia, shall be deemed present for purposes of quorum.⁴

3. Term of Office

The elected members of the Board shall hold office for three (3) consecutive years with two (2) re-elections, until their successors are elected and qualified.⁵

4. Term Limits for Independent Trustees

The Independent Trustee shall serve for two (2) years. An Independent Trustee whose term has expired may be re-elected to serve for another two (2) years regardless of the length of the interim period between the expiration of term and re-election.⁶

5. Resignation

Any Trustee of the Corporation may resign at any time by giving written notice to the Chairman of the Board and the Corporate Secretary of the Corporation. The resignation of any Trustee shall take effect as of the date of its acceptance by the Board of Trustees.

² Sec. 22, Title III of the Revised Corporation Code of the Philippines

³ Sec. 5, Article III of the Amended Constitution and By-Laws

⁴ Sec. 23, Title III of the Revised Corporation Code of the Philippines

⁵ Sec. 4, Article III of the Amended Constitution and By-Laws

⁶ Sec. 2, Article IV of the Amended Constitution and By-Laws

BOARD MEETINGS

1. Regular Meetings

Regular meetings of the Board shall be held once every third Thursday of each month at such place and hours to be fixed either by the Board of Trustees or by the Chairman of the Board. Special meetings of the Board may be called by the Chairman of the Board or by a majority of the officers and members of the Board as the need arises.⁷

The Corporate Secretary shall schedule all regular board and committee meetings at the start of the financial year.

2. Board Attendance

Each trustee must attend at least 50% of Board and Committee meetings held during the year.⁸

3. Organizational Meetings

The Board shall meet for the purpose of organization, election of officers and the transaction of other business, as soon as practicable after each annual general meeting or on the same day, and if practical at the same place at which regular annual general meetings are held.

4. Notice of Meetings

Notice of either regular or special meetings shall be sent to each Trustee no less than two (2) days before the scheduled date of meeting, either personally or through any means of communications. The notice of meeting shall include the date, time and place of the meeting and the agenda subjects to be discussed.⁹ Each Trustee is free to raise at any Board meeting subjects that are not on the agenda for that meeting. Subject to any applicable notice requirements, trustees having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman of the Board well in advance of such item.

5. Quorum

A quorum at any meeting of the trustees shall consist of a majority of the number of regular trustees¹⁰ fixed in the Corporation's By-Laws.

6. Conduct of Meetings

- a. **Board of Trustees.** Meeting of the Board of Trustees shall be presided over by the Board Chairman, or in his absence, the Vice-Chairman, or in the absence of the latter, the President, or if none of the foregoing is in office and present and acting, by any other trustee chosen by the Board. The Corporate Secretary shall act as a secretary of every meeting, and if unable to do so, the Chairman of the meeting shall appoint a secretary of the meeting.
- b. **Board Committees.** Members of the Board Committees should attend committee meetings at least annually, except for the Audit Committee which shall meet at least quarterly, or as circumstances require.
- c. **Board Meeting Materials.** The Board of Trustees must be provided meeting materials no less than two (2) days in advance of the board meeting, either personally or through any means of communications.

⁷ Sec. 6 & 7, Article III, Amended By-Laws

⁸ ACGS 4.1(a) (i)

⁹ Sec. 8, Article III, Amended By-Laws

¹⁰ Sec. 9, Article III, Amended By-Laws

7. Minutes of the Meetings

Minutes of the meeting shall be taken and recorded by the Corporate Secretary.

8. Attendance in Board Meetings

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission. However, an Independent Trustee shall have the right to be present in every meeting of the board of trustees.¹¹

The Board Chairman, President or Committee Chairpersons may from time to time invite corporate officers, other employees, and advisors to attend Board or committee meetings whenever deemed appropriate.

The Board is encouraged to attend all annual general meetings.

BOARD DUTIES AND RESPONSIBILITIES

1. General Responsibility

The Board is responsible to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, the members and other stakeholders.

2. Duties and Functions

To ensure a high standard of practice for the Company, its members and stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties, and functions, aside from such powers prescribed in the SEC Code of Corporate Governance, the Company's Manual on Corporate Governance, By-Laws and other applicable laws:

- a. Implement a process for the selection of trustees who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies; appoint competent, honest and highly motivated management officers and adopt an effective succession planning program for Management.
- b. Oversee the period review of and approve the change/s in the vision, mission, social and governance goals.
- c. Establish programs that can sustain its long-term viability and strength; periodically evaluate and monitor implementation of such policies and strategies, including business plans, operating budgets and Management's overall performance.
- d. Review and approve the work plan and budget.
- e. Review, evaluate and approve, on a regular basis, long-range plans for the Company.
- f. Evaluate and approve major resource allocations and capital investments.
- g. Overseeing the corporate governance framework.
- h. Formulate and implement policies and procedures that shall ensure the integrity and transparency of related party transactions.
- i. Constitute committees as prescribed in the SEC Code of Corporate Governance and the Company's Manual on Corporate Governance, and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j. Establish and maintain an alternative dispute resolution system that shall amicably settle conflicts or differences between the Company and its members, third parties, including regulatory authorities.
- k. Oversee that an appropriate internal control system is in place, including setting up a policy and mechanism for monitoring and managing potential conflicts of interest in situations and transactions of Management, Board of Trustees and members.

¹¹ Sec. 4, Article IV, Amended By-Laws

- l. Oversee that a sound risk management framework is in place to effectively identify, monitor, assess and manage key risks.
- m. Appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- n. Ensure compliance with all applicable laws such as but not limited to the Microfinance NGOs Act, the Magna Carta for Women, environmental laws.

3. Specific Duties and Responsibilities

A trustee shall act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He/she shall also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

A trustee shall observe the following norms of conduct:

- a. Conduct fair business transactions with the Company and ensure that his personal interest does not conflict with the interests of the Company.
- b. Devote the time of attention necessary to perform his duties and responsibilities properly and effectively.
- c. Act judiciously.
- d. Exercise independent judgement.
- e. Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws, the rules, and regulations of SEC and, where applicable, the requirements of other relevant regulatory agencies.
- f. Observe confidentiality.

THE BOARD CHAIRMAN

Primarily, the Board Chairman maintains the integrity of the Board's processes.

Specifically, the responsibilities of the Chairman in relation to the Board may include, among other, the following:

- a. Provide leadership in the Board, ensuring effective functioning of the Board and maintaining a relationship of trust with the members.
- b. Ensures that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations.
- c. Guarantees that the board received accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.
- d. Ensures a sound decision-making process, by promoting critical discussions and providing a safe environment where dissenting views can be expressed.
- e. Assures availability of proper orientation for first-timer trustees and continuing training opportunities for all trustees.
- f. Ensures that performance of the Board is evaluated at least annually and discussed or followed-up on.
- g. Perform such other duties and responsibilities as the Board may impose upon him/her.

The roles of the Board Chairman and the President should be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision making by the Board. A clear delineation of the functions between the Chairman and the President shall be made upon their election.

Likewise, the Board Chairman shall exercise the following duties provided by the Corporation's By-Laws:

- a. Call for and preside at all meetings of the Board and of the members.
- b. Appoint and evaluate the Executive Director.

- c. Ensure the strategic framework for the Company.
- d. Preserves the Company's mission.
- e. Sign key documents authorized by the Board.
- f. Submit to the Board as soon as possible after the close of the calendar year, and to the members at its annual meeting, a complete report of the activities and operations of the Company for the calendar year under his/her term.
- g. Shall have no right to vote unless to break a resulting tie in the votes cast by the members of the Board of Trustees.¹²

The Board Chairman may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s) of the Company, subject always to their supervision and control.

THE BOARD VICE-CHAIRMAN

The Board Vice-Chairman shall exercise the following duties:

- a. Exercise all powers and all duties of the Chairman during the absence or incapacity of the latter and shall perform duties that may be assigned by the Board.
- b. Act as secretary in the absence of the regularly elected Secretary.
- c. Ensure that the Board reviews the monthly and quarterly financial statements.¹³

THE PRESIDENT

The President, elected by the Board from among its members, shall have administration and direction of a day-to-day business affairs of the Corporation. He/she shall exercise the following functions:

- a. To preside the meeting of the Board of Trustees and of the annual general meetings in the absence of the Board Chairman or the Vice-Chairman.
- b. To have general management and supervision of the business affairs and property of the Company.
- c. To ensure that the administrative and operational policies of the Company are carried out under his/her supervision and control.
- d. Subject to guidelines prescribed by law, to appoint, remove, suspend or discipline employees of the Company, prescribe their duties, and determine their salaries.
- e. To oversee the preparation of the budgets and the statement of accounts of the Company.
- f. To prepare such statements and reports of the Company as may be required of him/her by law.
- g. To represent the Company at all functions and proceedings, when authorized by the Board Chairman or the majority of the Board of Trustees.
- h. To render annual reports to the Board of Trustees and to the members.
- i. To perform such duties as incident to his/her office or as entrusted to him/her by the Board Chairman, or Board of Trustees.

In addition to the duties imposed by the Board and responsibilities, the President has the following duties provided by the Corporation's By-Laws:

- a. Oversee the direction, supervision, management, and administrative control over all the operating departments subject to such limitations as may be set forth by the Board of Trustees.
- b. Formulate and recommend, in coordination with the operating units and branches under his supervision, plans, programs and projects of the corporation.
- c. Implement the duly approved plans and programs of the corporation.

¹² Sec. 2 (a), Art. V, Amended By-Laws

¹³ Sec. 2 (b), Art. V, Amended By-Laws

- d. Provide the Board of Trustees with monthly reports on the status of operations vis-à-vis its targets and recommend appropriate policy/ies and operational changes, if necessary.
- e. Represent the corporation in any agreement, contract, business dealing, and in any other official business transactions as may be authorized by the Board.¹⁴

THE CORPORATE SECRETARY

The Corporate Secretary assists the Board in its duties.

The Corporate Secretary sees to it that the Board follows correct procedures and that the Board complies with its obligations under law and the Corporation's Articles of Incorporation and By-Laws. The following are the responsibilities of the Corporate Secretary:

- a. He/she shall record all the votes and proceedings of the annual general meetings and of the Board and Committee meetings in a book kept for that purpose.
- b. He/she shall have charge of the corporate seal of the Corporation. He/she shall keep at the principal office of the Corporation the membership book.
- c. 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 corporation.
- d. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise.
- e. 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.
- f. Advises on the creation of Board Committees and their terms of reference.
- g. Informs members of the Board, in accordance with the By-Laws, of the agenda of their meeting at least two (2) 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.
- h. He/she should attend all annual general meetings, Board and Committee meetings.
- i. He/she shall annually attend relevant trainings, including those on good governance.
- j. He/she shall assist the Board Chairman in organizing the Board's activities including providing information, preparing an agenda, reporting of meetings, evaluations, and training programs.
- k. He/she shall perform such other duties as may be properly delegated to him/her.

In addition to the duties imposed by the Board and responsibilities, the Corporate Secretary has the following duties provided by the Corporation's By-Laws:

- a. Give notices required by these By-Laws and keep the minutes of all meetings and all approved resolutions of the members and of the Board of Trustees in a book kept for the purpose.
- b. Ensure that ARDCI Microfinance, Incorporated key documents are compliant and in order.
- c. Perform such other duties and functions as the Board may from time to time assign him/her.¹⁵

THE TREASURER

The Board Treasurer shall exercise the following duties:

- a. Ensure that the Board reviews and approves the annual budgets and reports from supervisory authorities.
- b. Request for and disburse all benefits and/or allowances due for the members.
- c. Perform such other duties and functions as may be assigned to him/her from time to time by the Board.

¹⁴ Sec. 2 (e), Art. V, Amended By-Laws

¹⁵ Sec. 2 (c), Art. V, Amended By-Laws

- d. Post a bond in such amount as may be designated by the Board.¹⁶

THE CHIEF RISK & COMPLIANCE OFFICER

The Chief Risk and Compliance Officer is responsible for managing all aspects of risk to the Organization, its employees, clients/members, reputation, assets, and interests of stakeholders. Key risk areas include corporate governance, regulatory compliance, financial and operational risk, and information security.

- a. Design, implement and lead risk and compliance management strategy for the Organization.
- b. Support the Risk Oversight Board Committee on embedding risk aware culture across all levels of management.
- c. Establish and quantify the Organization's 'risk appetite' and ensure risk approach adheres accordingly.
- d. Horizon scan to increase awareness of risks affecting the business.
- e. Establishes policies and procedures to identify and address risks in the Organization, products, services and departments.
- f. Ensure compliance with regulatory obligations whilst taking a practical approach to risk-based challenges and offer appropriate solutions.
- g. Develop, lead, and motivate the Risk and Compliance team to maximize effectiveness.
- h. Ensure Senior Management remain informed of regulatory, legislative, and best practice changes and their obligations under these changes and how these changes impact the Organization.
- i. Provide regular reports to Board and Management detailing any current issues or information as required.
- j. Provide support, education, and training to staff to build risk awareness within the Organization.
- k. Provision of proactive and practical regulatory advice to Branch Managers and support functions.
- l. Manage the successful delivery of compliance projects ensuring technical excellence and practical/business driven approach.

In addition to the duties imposed by the Board and responsibilities, the Compliance Officer has the following duties provided by the Corporation's By-Laws:

- a. Ensures the Board, Management and employees are in compliance with the rules and regulations of regulatory agencies, that corporation policies and procedures are being followed, and that behavior in the organization meets the corporation's Standards of Conduct.
- b. Researches, implements, and manages the areas of microfinancing regulations and laws, policies and procedures, consumer protection, and public interest laws.
- c. Advice, oversee, and train the staff/employees on compliance procedures.
- d. Can issue investigations related to possible non-compliance or ensure compliance is taking place.¹⁷

THE BOARD COMMITTEES

1. The Committees

The board may appoint committees from among its members to perform specific tasks. The board shall establish the following committees¹⁸:

- a. Corporate Governance Committee (with functions of the nomination & election and remuneration and compensation committee)
- b. Audit Committee
- c. Risk Oversight Committee

The board may, from time to time, create or maintain additional Committees as the need arise.

¹⁶ Sec. 2 (d), Art. V, Amended By-Laws

¹⁷ Sec. 2 (f), Art. V, Amended By-Laws

¹⁸ Art. VI, Amended By-Laws

2. Committee Reporting

Each committee must promptly inform the Board of the actions it has taken and major developments of which it becomes aware.

3. Committee Charters

The Charters shall indicate the roles and responsibilities of the Committee, its composition and how it should perform its duties. It will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.

COMPENSATION OF BOARD MEMBERS

Each Trustee shall receive a reasonable per diem for his attendance at every meeting of the Board. They shall not receive salaries, wages, or any form of compensation in the performance of their duties, except reasonable per diem¹⁹.

TRUSTEES' ORIENTATION AND TRAINING PROGRAM

Upon his or her election, the Company shall provide a comprehensive orientation or training program for first-time trustees. The program shall cover the company's strategy, general financial and legal affairs, financial reporting by the company, its compliance programs, the Code of Business Conduct and Ethics, any specific aspects unique to the company and its business activities, and the responsibilities as a board member.

In order to facilitate the Trustees' fulfillment of their responsibilities, the management must provide the following:

- a. Annual review to identify areas where the board members require further training or education.
- b. Access to, or notice of, training programs that are designed to keep Trustees abreast of the latest developments in corporate governance matters and critical issues relating to the operation of microfinance.

The costs of any trainings shall be paid by the Company.

ANNUAL PERFORMANCE EVALUATION OF THE BOARD AND KEY OFFICERS

The Board of Trustees will conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively. The Corporate Governance Committee shall solicit comments from all Trustees and discuss the results and report annually to the Board. The annual performance assessment must be divided into four sets:

- a. Board Appraisal
- b. Trustee Appraisal
- c. Committee Appraisal
- d. President Appraisal

The CG shall conduct an annual review of the performance of the board as well as the performance of individual Board and the President. The process and the criteria in conducting the board, committees, and the President assessment will be formulated by the Corporate Governance Committee.

¹⁹ Clause Eight (a), Amended Articles of Incorporation

In addition, the Chief Risk and Compliance Officer and the Internal Audit Manager will be evaluated by their respective Board Committees.

SUCCESSION PLANNING PROGRAM FOR MANAGEMENT

The Board will evaluate potential successors and approve management succession strategies and plans for the President and other executive officers of the Company. The President should at all times, make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

OTHER PROVISIONS

1. Conflict of Interests

A board member must report immediately to the Board Chairman any conflict of interest or potential conflict of interest and shall report all relevant information on this matter under the provision of the Code of Business Conduct and Ethics.²⁰

2. Confidentiality

No board member shall, during his or her membership, disclose any information of a confidential nature regarding the business of the company. He/she shall not use the confidential information of the Corporation for his/her personal benefit.

CHARTER REVIEW

This Charter must be reviewed by the Board of Trustees at least once a year or as often as deemed necessary. Any amendments and revisions to this Charter must be reviewed and approved by the Board prior to dissemination to the board members and posting it to the Corporation's website.

²⁰ VIII. Conflict of Interests, Code of Business Conduct & Ethics for the Members of the Board of Trustees