

# **FINEX RESEARCH AND DEVELOPMENT FOUNDATION, INC.**

## **CORPORATE GOVERNANCE MANUAL**

**(Adopted and Approved on 5 October 2011)**

### **INTRODUCTION**

The FINEX Research and Development Foundation, Inc. (FINEX Foundation) was organized in 1976 to create, establish and provide a private institutional entity and/or medium which will initiate, promote, sponsor, pursue, and support and/or conduct programs, projects and/or studies geared towards research, development and improvement in the various fields of endeavor, and to promote, encourage, cultivate, and assist in the improvement and amelioration of the social, physical, spiritual, moral, and intellectual well-being of the poor and destitute, the youth and elderly, through the institution, establishment and creation of programs and projects which shall advance and contribute to greater social awareness in the community and in the nation in general.

This manual of corporate governance, which was patterned after that of FINEX, seeks to institutionalize the principles of good corporate governance in the entire FINEX Foundation organization. A copy of this manual will be provided to all Trustees, Officers and Committee Chairpersons, as well as made available to all members of FINEX Foundation via the website.

### **FINEX Code of Ethics and Rules of Conduct**

For purposes of the FINEX Foundation where the members are all from FINEX, the same set of Code of Ethics of FINEX shall apply. The Code of Ethics and Conduct serves as a framework to guide its members' actions so that they may exercise their functions with integrity, dignity, and professionalism and serve as role models in the business community. The Code is based on the fundamental guiding principle that financial executives hold a position of trust and confidence. This fiduciary role should be of paramount consideration in their dealings both within and outside their company or organization. They must act with utmost fairness and according to the highest moral principles, consciously and consistently pursued.

The Code of Ethics and Rules of Conduct pertain primarily to the behavior of FINEX Foundation members in the conduct of their profession. In their workday life, FINEX Foundation members are part of manifold and varied activities that involve interaction with professional colleagues and other members of the community. These include interpersonal relationships among members as they discharge their roles in the Foundation. Observance of civility will go a long way towards fostering wholesome fellowship and enhancing camaraderie and esprit de corps among FINEX Foundation members

The complete copies of the FINEX Foundation Code of Ethics and Rules of Conduct are found in the FINEX Directory, the Website and also available at the FINEX Office.

#### **I. Governance Principles and Framework**

Corporate Governance refers broadly to the rules, processes and laws by which corporations are operated, regulated and controlled. The Board of Trustees, in accordance with its oversight responsibilities, is the one charged with the proper governance of the organization. The

governance structure and framework is designed to work for the benefit of everyone concerned by ensuring that the organization adheres to accepted ethical standards and best practices as well as formal laws, rules and regulations.

### **Governance Framework**

<b>Main Objectives of Governance</b>	<b>Major Groups Involved in Governance</b>	<b>Primary Responsibilities</b>
<b>OVERSIGHT</b>	Board of Trustees	Formulates policies, approves plans, allocate resources, require compliance and assess performance
<b>STEWARDSHIP</b>	Officers and ExCom	Strategically deploy resources
<b>PERFORMANCE</b>	Officers, ExCom, Secretariat	Execute plans, control processes, report progress
<b>INTERNAL ASSURANCE</b>	Audit Committee	Assesses internal controls, risk management and compliance

## **II. The Board of Trustees**

The Board of Trustees as a body is entrusted with the strategic guidance of the organization; it provides oversight and effective monitoring of the organization’s management and is accountable to the members and all stakeholders.

### **A. Duties and Responsibilities of the Members of the Board of Trustees**

1. Act on a fully informed basis, in good faith, with due diligence and in the best interest of the organization and its stakeholders.
2. Treat all members fairly and apply high ethical standards taking into account the interest of various stakeholders.
3. Fulfill the following Key functions of the Board:
  - a. Formulate, review and guide strategy, policies, plans of action, budgets and business plans, set performance objectives, monitor performance and compliance, and oversee major capital expenditures.
  - b. Monitor the effectiveness of governance practices and make changes as needed.
  - c. Ensure a formal and transparent board election process.
  - d. Monitor and manage potential conflicts of interest’s issues, involving the board members, officers, the secretariat and members of the organization, including matters such as misuse of assets and abuse of related party transactions.
  - e. Ensure the integrity of the accounting and financial reporting system, including the independent audit of the organization’s financial statements and that appropriate systems of controls are in place covering risk management, financial and operational controls, and compliance with law and relevant standards.
4. Exercise objective and independent judgment on corporate and organizational affairs.
5. Define and disclose the mandate, composition and working procedures of standing and special committees.

In order to discharge their responsibilities, board members should have access to accurate, relevant and timely information.

## **B. Composition and Eligibility for Service on the Board of Trustees**

The Board's effectiveness depends in large part on how well its members work together to identify and address issues important to the Foundation's future. Membership on the board gives a person a valuable opportunity to share his or her expertise with the Foundation, help the financial community, and advance professionally. Board membership is also an opportunity to contribute to the growth and development of the economy and participate in the formulation of national policies.

When selecting new trustees, the members should seek individuals who will exercise independent judgment and who will actively participate in the Board's decision-making process. The principal qualities of an effective director include strength of character, an inquiring and independent mind, practical wisdom, and sound judgment. Individual qualifications such as technical skills, career specialization, or specific backgrounds may also be considered.

The qualifications and disqualifications, as well as the rules for election of trustees are specified in the By-laws and election rules of the organization and are available at the FINEX Foundation offices to any member of the organization. The duties and responsibilities of the officers are also set-forth in the By-laws of FINEX Foundation.

## **III. Advisory Council**

The Advisory Council is composed of all the Past Chairpersons of the FINEX Foundation, with the immediate past Chairperson as the Chairman. Its main function is to provide advice to the incumbent Chairperson and the Board on matters affecting the good name and prestige of the Foundation. The Council shall convene within the first quarter of the year to be set by the Chairman, and the presence of at least five (5) members constitutes a quorum.

## **IV. Standing Committees and Functions**

The FINEX Foundation has the following committees:

Standing Committees:

- a. Business Education Committee
- b. Environment Committee
- c. Social Involvement Committee
- d. Elections (Elecom) Committee

The Standing Committees have the following responsibilities:

- a. **Business Education Committee.** This committee supports the research and development programs and projects in the various fields of financial and business management, information technology and other related fields of endeavor.

- Finance research and development programs and projects in the pursuit of knowledge and technological advancement in the various fields of financial and business management, practices and procedures, including the giving of grants and/or donations.
  - Establish scholarships and professorial chairs in the various fields of financial and business management, practices and procedures.
  - Conducts or sponsors seminars, workshops, symposia, training programs and conferences dedicated to the promotion or enhancement of the purposes of the Foundation.
- b. **Environment Committee.** This Committee is responsible in establishing FINEX Foundation as sensitive to environmental issues and is doing its part to its preservation.
- c. **Social Involvement Committee.** This Committee promotes the improvement and amelioration of the social, economic, physical, moral, spiritual and intellectual well-being of the underprivileged members of society, particularly the needy, the youth and the elderly.
- Assist and cooperate with various health, social welfare, and charitable agencies and organizations, governmental or non-governmental, similarly devoted to the attainment of objectives for its beneficiaries.
  - Sponsor and carry out activities to alleviate the living conditions of the underprivileged members of society and to uplift the moral and spiritual character of its beneficiaries.
- d. **Elections Committee.** This committee handles the planning, supervision and execution of the Foundation's annual nomination/election of the Board of Trustees and ensures a formal, transparent and independent process of such elections.

All the Committees are required to submit to the board their program of activities and proposed budget for the ensuing year, and also submit periodic reports on their activities and accomplishments.

## V. Special Committees and Functions

Through the years, special committees have been created. Their objectives and functions were specified and these committees have functioned and attracted members interested in the specific purposes or advocacies espoused or adopted by such special committees. These include:

- a. **Audit Committee.** This committee is responsible for instituting internal control procedures, reviewing and revising the FINEX Foundation Operations Manual, assisting the Audit Committee of the Board in implementing internal audit programs and coordinating with external auditors.
- b. **Corporate Governance Committee.** This committee advocates the adoption of good corporate governance principles enhances knowledge about best practices and updates members on developments in corporate governance.

- c. **Grants and Fellowship Committee.** This committee identifies funding sources and recommend grants for research and development programs and projects that will advance nation-building and help pursue FINEX Foundation’s objectives.
- d. **Research Committee.** This committee works to undertake or cause to undertake research and development programs and projects in the pursuit of knowledge and technological advancement in the various fields of financial and business management, practices and procedures.

## **VI. Orientation and Training for Board Members, Officers and Committee Chairpersons**

Trustees, Officers and appointed Committee Chairpersons must have a basic knowledge of the organization and how it operates. Their effectiveness depends on how well they work together to identify, resolve and address the issues important to the success of the Foundation. Board membership, election to an officer position and appointment to a committee chairmanship gives a person a valuable opportunity to share his/her expertise, help develop the financial profession, strengthen the institution, assist the business community and contribute to the improvement of the national economy as well as advance professionally.

All Trustees, officers and committee chairpersons should, at a minimum, be oriented on the internal governance processes of the Foundation – these are embodied in the Articles of Incorporation and By-laws of FINEX Foundation. Insofar as parliamentary procedures are concerned, FINEX Foundation will go by Robert’s Rules of Order, to guide its proceedings, meetings, and discussions. Everyone is expected to have an understanding of what the Foundation does in practice and how it puts its purposes into action.

The orientation of new members of the Board of Trustees, Officers and Committee Chairpersons should begin as soon as they are elected or appointed by providing them with background information, copies of by-laws, governance and operating manual and other relevant materials that will help them understand the governance process and framework of the Foundation. A formal orientation program should be held annually with the participation of all newly elected or appointed trustees, officers and chairpersons, to be facilitated by at least two (2) former Chairpersons of the Foundation or by the Corporate Governance Committee. At this orientation session, the incoming trustees and committee chairpersons should also review the vision, mission and goals of the Foundation to ensure that they are faithful to and consistent with the objectives of the Foundation as set-forth in the Articles and By-laws.

The Articles and by-laws of the Foundation provide a stable foundation for the long-term viability and governance of the Foundation. Therefore, any amendment or revisions should not be undertaken lightly or done hastily; any change or amendments should only be made after careful study of its effects and a careful reflection on other available alternatives.

## **VII. Compensation and Expenses**

FINEX Foundation is a non-profit organization where service to the Board of Trustees and committees are not compensated. In fact, directors, officers, chairpersons and other members are expected to arrange and pay for their own transportation, travel and accommodation expenses, unless otherwise approved by the Board or specifically budgeted. Meals during group

functions, committee meetings, fellowships and other FINEX Foundation affairs are usually covered by the Foundation budget.

However, the Board of Trustees may establish rules covering the reimbursement of reasonable expenses under exceptional circumstances, as may be determined by the Board. Any such policy adopted by the Board should be subject to an annual review and evaluation in conjunction with the preparation of the annual budget of the Foundation.

There shall be no fund raising activity that will be undertaken for the exclusive benefit of a few or select members of the Foundation; neither shall there be any mandatory assessments of members unless approved in a General Membership Meeting of the Foundation, where proper notices and quorum are observed in accordance with the By-laws.

There shall be no money disbursed except for projects and budgeted expenditures duly approved by the Board: provided that not more than thirty percent (30%) of the gross receipts and not more than ten percent (10%) of the unrestricted donations shall be devoted to general and administrative expenses.

There shall be no funds to be invested in any business where any officer or trustee of the Foundation has a direct or indirect substantial interest. Funds shall be invested in accordance with policies and guidelines prescribed by the Board, which shall consider primarily the preservation of the principal and secondarily the rate of return.

There shall be no part of the resources of the Foundation that shall accrue to the pecuniary benefit of any member, trustee, officer or employee of the Foundation, or any other private individual or entity. No such person(s) shall be entitled to share in the distribution of any of the corporate assets upon the dissolution of the Foundation.

## **VIII. Grants and Donations**

Grants and donations received by the Foundation may be restricted for specific purposes. In such instances, the Foundation is bound to follow the restrictions imposed by the sponsors or funders. Grants and donations shall be monitored, fully accounted for, properly recorded and controlled by the Committee in-charge of the project or program for proper allocation. Periodic reporting system shall be provided by the appropriate committee in charge of the project to the sponsors or funders.

In planning and executing the different projects, initiatives, and activities of the Foundation the Committee in charge of specific projects shall ensure that the necessary and appropriate coordination with and approval of proper government agencies and regulatory authorities are obtained.

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