



LAKAN MUTUAL BENEFIT ASSOCIATION, INC

Unit 704, 7/F Tower C, Regalia Park Towers, 150-P. Tuazon Avenue Cubao, Q.C.,
Tel. No. (02) 8643-5066 / Cell No: 09171025221 / Email: pnpalakanmbai@gmail.com

16 MAY 2023

For: **Commissioner REYNALDO A REGALADO**
Insurance Commissioner
Insurance Commission Bldg.
1071 United Nations Avenue,
Manila

Thru: **Anti-Money Laundering and Corporate Governance Division**

Subject: **ANNUAL CORPORATE GOVERNANCE REPORT FOR THE YEAR 2022**

Dear Sir:

In compliance with IC Circular Letter 2020-72 dated 13 June 2020, we are herein submitting the **Annual Corporate Governance Report for the Year 2022** on behalf of the Lakan Mutual Benefit Association, Inc. (LAKAN MBAI).

We hope that you find everything in order.

Respectfully yours,

PBGEN FERDINAND M GARAY (RET)
President



CERTIFICATION

The undersigned certify that the responses and explanations set forth in the above Company's annual Corporate Governance Report are true, complete, and correct of our own personal knowledge and/or based on authentic records.

Signed in Quezon City on the _____ of _____ 2023


TOMAS G. RENTOY III
CHAIRMAN OF THE BOARD


FERDINAND M GARAY
PRESIDENT/CEO


ROSALINA V. BACTOL
CORPORATE SECRETARY


FORTUNATO G GUERRERO
CORPORATE GOVERNANCE
COMPLIANCE OFFICER


PEDRO E BULOANG
INDEPENDENT TRUSTEE


PROCOPIO G LIPANA
INDEPENDENT TRUSTEE


JESSE J. STO DOMINGO
INDEPENDENT TRUSTEE


ROMAR A EXILE
INDEPENDENT TRUSTEE

SUBSCRIBED AND SWORN to before me this 12 MAY 2023, by the following who are all personal whom I have identified through competent evidence of identity and their respective identification document as follows:

Name	ID No.	Date/Place Issued
1. TOMAS G. RENTOY III	D04-91-046379	MANILA
2. FERDINAND M GARAY	D11-85-003012	MANILA
3. ROSALINA V. BACTOL	3368-7531-0	MANILA
4. FORTUNATO G GUERRERO	PR04-7R170-0413912117	MANILA
5. PEDRO E BULOANG	NCR-NHQ1R14003311	MANILA
6. PROCOPIO G LIPANA	135-647-868	MANILA
7. JESSE J. STO DOMINGO	NCR-R150-06868969	MANILA
8. ROMAR A EXILE	0-8419	MANILA

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Page No. 100
Book No. 95
Series of 2023


Notary Public
ATTY. RUBEN M. AZNES, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2023
PTR NO. 4029325D, 01/06/2023-Q.C.
LBP NO. 293181, 01/10/2023- Quezon City Chapter
Roll of Attorney's No. 46427
Admin Matter No. 025(2023-2024)
MCLE-VII-0018605-05-24-2022
TIN: 140-394-388-000
Unit 2 UGF-2 Opulent Bldg. Socorro, Quezon City

Name of MBA: LAKAN MUTUAL BENEFIT ASSOCIATION, INC.
(Lakan MBAI)

2022 ANNUAL CORPORATE GOVERNANCE REPORT

	Compliant / Non-Compliant	Additional Information	Explanation
THE BOARD GOVERNANCE RESPONSIBILITIES			
Principle 1. The company should be headed by a competent, working board to foster the long-term success and sustainability of the corporation in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
<p>1. Board composed of directors with collective working knowledge, experience, or expertise that is relevant to the company's industry/sector.</p> <p>2. Board has an appropriate mix of competence and expertise.</p> <p>3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization</p>	COMPLIANT	The Lakan MBAI Board of Trustees are equipped with collective working knowledge, experience, and has appropriate mix of competence and expertise.	
Recommendation 1.2			
<p>1. Board is composed of a majority of non-executive directors.</p>	COMPLIANT	The Board of Trustees of Lakan MBAI is consists of fifteen (15) members who are mostly retiree uniformed public safety officers of the Philippines. as follows: nine (9) trustees shall be elected by the active members inclusive of the three(3) independent trustees, and the four (4) ex-officio trustees would be the current Chiefs of the Philippines National Police Academy (PNPA), Bureau of Fire Protection (BFP) and the Bureau of Jail Management and Penology (BJMP), Philippine National Police Academy Association Inc. (PNPAAI) who would be appointed through a Board resolution of the current Board of Trustees.	

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(Lakan MBAI)

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	Compliant / Non-Compliant	Additional Information	Explanation
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Recommendation 1.3

<p>1. Company provides in its Board Charter or Manual on Corporate Governance a policy on the training of directors.</p> <p>2. Company provides in its Board Charter or Manual on Corporate Governance an orientation program for first-time directors.</p> <p>3. Company has relevant annual continuing training for all directors</p>	<p>compliant</p>	<p>The Governance Committee provides for the board's effectiveness and continuing development. Specific responsibilities of the Governance Committee include:</p> <ul style="list-style-type: none"> • Recommending to the board policies and processes designed to provide for effective and efficient governance, including but not limited to policies for: (a) Evaluation of the Board and the chairperson; (b) Election and re-election of the Board members; (c) Board orientation; (d) Succession planning for the Board chair and other board members. 	
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Recommendation 1.4

<p>1. Board has a policy on board diversity</p>	<p>COMPLIANT</p>		<p>The Lakan MBAI Board of Trustees is composed of all Males, since the association was organized by mostly retired member of the public safety agencies, hence it was only all male composition at the moment. However, some changes could be seen in the future since the academy, PNPA, had currently female graduates, it therefore could be concluded that female Board members could be elected in the near future.</p>
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(Lakan MBAI)

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	Compliant / Non-Compliant	Additional Information	Explanation
Recommendation 1.5			
1. Board is assisted in its duties by a Corporate Secretary	COMPLIANT	The Lakan MBAI has a corporate consultant and is currently performing the function of the Corporate Secretary who assists the Board during Board meetings and other relevant tasks of the Board of Trustees.	
2. Corporate Secretary is a separate individual from the Compliance Officer		The acting Corporate Secretary is Ms. Rosalina V. Bactol, the organization's corporate consultant and is not the Compliance Officer	
3. Corporate Secretary is not a member of the Board of Directors.		Corporate Secretary is not a member of the Board of Trustees	
4. Corporate Secretary attends training/s on corporate governance.		The Lakan MBAI Corporate Secretary was a former division manager of the Insurance Commission and has in-depth knowledge of the Corporate Governance since she had been attending various seminars on the said topic	

Recommendation 1.6

1. Board is assisted by a Compliance Officer	COMPLIANT	Since the Compliance officers are part of the management, they are the one responsible in assisting the Board of Trustees in the compliance to the government regulators.	
2. Compliance Officer has a rank of Vice President or an equivalent position with adequate stature and authority in the corporation	COMPLIANT	The Compliance and Alternate Compliance Officers of Lakan MBAI are the following: 1. FORTUNATO G GUERRERO, Vice-President 2. FERDINAND M GARAY, President	
3. Compliance Officer is not a member of the board	NON-COMPLIANT		Lakan MBA Compliance officer is part of one of the Board of Trustee since he is an elected Board and the Trustees elect their Officers and the By-laws states that the Vice President should be a Trustee and the Compliance Officer should be not lower than the Vice President, in compliance thereto, the Compliance Officer is a member of the Board. However, the alternate Compliance Officer is part of the management team and not of the Board as stated in their designation

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Compliance Officer attends training/s on corporate governance annually.	NON-COMPLIANT		Since the association had the Certificate of Authority from the Insurance Commission in 2021, the appointed Compliance Officers had so far, not yet attended a Corporate Governance seminar and because of the current pandemic situation, the association had not received any invitation to attend such seminar. However, by this year or early next year, we will try our best to attend at least one seminar on the said subject matter.

Principle 2. The fiduciary roles, responsibilities, and accountabilities of the Board as provided under the law, the company's articles and by-law, and other legal pronouncements and guidelines should be made known to all directors as well as to stockholders and other stakeholders

Recommendation 2.1

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	COMPLIANT	The Nomination Committee will draft a Lakan MBAI Board Evaluation Tool which would be use to evaluate all the Board members on their performance.	
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Recommendation 2.2

1. Board oversees the development, review, and approval of the company's business objectives and strategy.	COMPLIANT	The Board of Trustees reviewed and approved the Annual Plan/Business Objectives and strategy of Lakan MBAI prepared by the management	
2. Board oversees and monitors the implementation of the company's business objectives and strategy to sustain the company's long-term viability and strength.		The Board of trustees ensures the implementation of the set business objectives through the quarterly assessment presented by the management.	

Recommendation 2.3

1. Board is headed by a competent and qualified Chairperson.	COMPLIANT	The Lakan MBAI is currently headed by Chairman Tomas G. Rentoy III, a very competent and qualified leader particularly in management aspects.	
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Recommendation 2.4

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	Compliant / Non-Compliant	Additional Information	Explanation
1. Board ensures and adopts an effective succession planning program for directors, key officers, and management.	COMPLIANT	The succession planning of Lakan MBAI Board of Trustees is clearly stated in the Governance Committee Charter as part of the responsibility of the Committee members	The Governance Committee Chairman has the plan to review the committee charter to update some required policies on corporate governance.
Board adopts a policy on the retirement of directors and key officers.	COMPLIANT		This includes the clear policy of succession planning that might be adopted.

Recommendation 2.5

1. Board formulates and adopts a policy specifying the relationship between remuneration and performance of key officers and board members.	COMPLIANT	As Mutual Benefit Association and a non-stock, non-profit organization, the Board of Trustees does not have any remuneration and retirement benefits due to the nature of their service that is purely voluntary.	
2. Board aligns the remuneration of key officers and board members with the long-term interests of the company.		For the remuneration and nomination of key officers. The Lakan MBAI had a Remuneration and Nomination Committee that discussed and decide on the benefits and then presented to the Board for further discussion and approval.	
3. Directors do not participate in discussions or deliberations involving his/her remuneration.			

Recommendation 2.6

1. Board has a formal and transparent board nomination election policy.	COMPLIANT	The Lakan MBAI have a BOT Election Committee that gave the guidelines which states the Composition, Qualifications, Remunerations and Terms of Office,	The Board Nomination and election policy will be incorporated in the Corporate Governance Manual during the review and amendment by the
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.			
3. Board nomination and election policy include how the company accepts nominations from minority shareholders.			

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<p>4. Board nomination and election policy include how the board reviews nominated candidates.</p> <p>5. Board nomination and election policy include an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.</p> <p>6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.</p>		Election Process and Election Flow.	Governance Committee.

Recommendation 2.7

<p>1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions</p> <p>2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions</p> <p>3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile, and complexity of operations.</p>	COMPLIANT	<p>Transaction of RPT between Lakan MBAI and Lakan AAA on membership contribution collections and other required members' collections is one good example of Related Party Transaction between related associations..</p> <p>Lakan MBAI ensures that there will be a disclosed authority to collect on membership application and duly approved as required by the Insurance Commission.</p>	
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Recommendation 2.8

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	Compliant / Non-Compliant	Additional Information	Explanation
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).	COMPLIANT	Board of Trustees General Duties & Responsibilities - to appoint and dismiss any employee of Lakan MBAI whether regular, probationary, casual, or contractual, fix, or adjust their salaries and all other personal movements.	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).		Each staff have a have a unique Evaluation tool which was based on their job description. The performance was assessed through qualitative and quantitative competencies. The Performance Evaluation is conducted twice a year from Jan-June and July-December.	

Recommendation 2.9

1. Board establishes an effective performance management framework that ensures that Management, including the Chief Executive Officer performance is at par with the standards set by the Board and Senior Management.	COMPLIANT	The Management was mandated by the Board of Trustees to have a semestral performance evaluation report.	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.			

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	Compliant / Non-Compliant	Additional Information	Explanation
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	Lakan MBA Audit Committee drafted an internal control Charter duly approved by the Board	
2. The internal control system includes a mechanism for monitoring and managing potential conflicts of interest of the Management, members, and shareholders.			
3. Board approves the Internal Audit Charter			
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess, and manage key business risks.	COMPLIANT	Risk Management is part of the Audit Committee responsibility. Proper Implementation and monitoring of Internal Control procedures are in-placed to mitigate the Enterprise Risk.	
2. The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.			
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities, and accountabilities in carrying out its fiduciary duties.	COMPLIANT		Lakan MBA had the following charters which will be finalize by the end of 2022: Internal Control Charter HR Charter Finance Committee Charter Corporate Govenance Charter
2. Board Charter serves as a guide to the directors in the performance of their functions.			
3. Board Charter is publicly available and posted on the company's website			

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<p>Principle 3: Board committees should be set up to the extent possible to support the effective Board's actions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions, and responsibilities of all committees established should be contained in a publicly available Committee Charter</p>			
<p>Recommendation 3.1</p>			
<p>1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.</p>	<p>COMPLIANT</p>	<p>Corporate Governance Committer forms the the draft of the necessasry Roles and Regulations to aid the particular Board or Committees to its performances.</p>	
<p>Recommendation 3.2</p>			
<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>COMPLIANT</p>	<p>The Audit Committee had its own charter for its guide in the performance of its duties and responsibilities.</p>	
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, is independent.</p>			
<p>3. The members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance.</p>			
<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or any other committee.</p>			

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	Compliant / Non-Compliant	Additional Information	Explanation
Recommendation 3.3			
<p>1. Board establishes a Corporate Governance Committee to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p> <p>2. Corporate Governance Committee is composed of at least three members, the majority of whom should be independent directors.</p> <p>3. Chairman of the Corporate Governance Committee is an independent director.</p>	COMPLIANT	The association created the Corporate Governance Committee indicating therein its duties and responsibilities as required by the corporation code and the Insurance Commission.	
Recommendation 3.4			
<p>1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.</p> <p>2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.</p> <p>3. The Chairman of the BROC is not the Chairman of the Board or any other committee.</p> <p>4. At least one member of the BROC has relevant thorough knowledge and experience in risk and risk management.</p>	COMPLIANT		Functions of the BROC is for finalization by the end of 2022

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Recommendation 3.5

<p>1. Board establishes a Related Party Transactions Committee, which is tasked with reviewing all material related party transactions of the company.</p> <p>2. RPT Committee is composed of at least three non-executive directors, majority of whom should be independent, including the Chairman.</p>	COMPLIANT		The organization at present is in the process of organizing all its activities, hence the third party transaction will be discussed later on. Hence the committee to handle the said transaction will then be created.
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Recommendation 3.6

<p>1. All established committees have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources, and other relevant information.</p> <p>2. Committee Charters provide standards for evaluating the performance of the Committees.</p> <p>3. Committee Charters were fully disclosed on the company's website.</p>	COMPLIANT		All Committees are in the process of drafting their charters to be presented to the Board for its approval.
		The Governance Committee is responsible of evaluating the performance of the Board and every committee	
			All Charters will be published on the website as soon as they are approved by the Board

Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

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	Compliant / Non-Compliant	Additional Information	Explanation
Recommendation 4.1			
<p>1. The Directors attends and actively participates in all meetings of the Board, Committees and shareholders in person or through tele or videoconferencing conducted in accordance with the rules and regulations of the Commission.</p> <p>2. The director's review meeting materials for all Board and Committee meetings.</p> <p>3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.</p>	COMPLIANT	Trustees attends all meetings and actively participate therein either personally or through zoom meetings.	
Recommendation 4.2			
<p>1. Non-executive directors concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities (ICREs) and publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.</p>	COMPLIANT	Member of the Board of Trustees does not have any Directorship to any PLC	
Recommendation 4.3			
<p>1. The directors notify the company's board where he/she is an incumbent director before accepting a directorship in another company.</p>		Member of the Board of Trustees does not have any Directorship to any PLC	

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	Compliant / Non-Compliant	Additional Information	Explanation
<p>Principle 5: The Board should endeavor to exercise an objective and independent judgment on a corporate affairs.</p>			
<p>Recommendation 5.1</p>			
<p>The Board is composed of at least twenty percent (20%) independent directors</p>	<p>COMPLIANT</p>	<p>Lakan MBI has two (3) Independent Trustees out of 12 active members of the Board.</p>	
<p>Recommendation 5.2</p>			
<p>1. The independent directors possess all the necessary qualifications and none of the disqualifications to hold the position.</p>	<p>COMPLIANT</p>	<p>The Independent Directors (Trustees) are all qualified in accordance with the rules and regulations on qualifications as passed by the Board of Election</p>	
<p>Recommendation 5.3</p>			
<p>1. The independent directors serve for a maximum cumulative term of nine years. As far as Insurance Companies are concerned, the foregoing term limit shall be reckoned from 02 January 2015 while the reckoning date for the Pre-Need Companies and Health Maintenance Organizations shall be from 21 September 2016. For the other covered entities, all previous terms served by existing Independent Directors prior to the effectivity of this Circular shall not be included in the application of the term limit prescribed in this item.</p> <p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	<p>COMPLIANT</p>	<p>Lakan MBI will strictly follow the term limit of the independent trustee of nine years. Since the association is only on its 2nd year as licensed MBI hence no Independent Trustee/Director had served the association for more than nine (9) years.</p>	

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3. In the instance that the company retains an independent director in the same capacity after nine months, the board submits to the Insurance Commission a written justification and seeks shareholders approval during the annual shareholders' meeting.			

Recommendation 5.4

1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals	COMPLIANT	The Chairman of the Board and the Chief Executive Officers are distinct from each other. The current Chairman of the Board of Trustees is Lakan Tomas G. Rentoy III while the President is Lakan Ferdinand M Garay who is the CEO.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	COMPLIANT	Roles and Responsibilities of the Chairman of the Board and President/CEO under the amended By-Laws of 2022, approved by the SEC	

Recommendation 5.5

1. If the Chairman of the Board is not an independent director or where the roles of Chairman and CEO are being held by one person, the Board should designate a lead director among the independent directors.	COMPLIANT	The Independent Directors (Trustees) are Lakan Pedro E Bulaong, Jesse J Sto. Domingo and Lakan Romar E Exile	
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Recommendation 5.6

1. Directors with a material interest in a transaction affecting the corporation should abstain from taking part in the deliberations for the same.	COMPLIANT	The members of the Board of Trustees do not have material interest in any transactions in compliance to the policy on related party transactions.	
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Recommendation 5.6			
<p>1. The non-executive directors (NEDs) have separate public meetings with the external auditor and heads of the internal audit, compliance, and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation.</p> <p>2. The meetings are chaired by the lead of the independent director.</p>	COMPLIANT	The Audit Committee takes care of such meetings	

Principle 6: The best measure of the Board's effectiveness through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

Recommendation 6.1			
<p>1. The Board conducts an annual assessment of its performance as a whole.</p> <p>2. The performance of the Chairman is assessed annually by the Board</p> <p>3. The performance of the individual member of the Board is assessed annually by the Board.</p> <p>4. The performance of each committee is assessed annually by the Board.</p> <p>5. Every three years, the assessments are supported by an external facilitator.</p>	COMPLIANT	<p>The Board of Trustees will conduct Performance Evaluation at the end of 2022 for the period of January 2022-December 2022 using the BOT Performance Evaluation Tool</p>	<p>This is the 2nd year of the Certificate of Authority of the association as a mutual benefit association under the supervision of the IC, this will be for compliance on the 3rd year or on 2023.</p>

Recommendation 6.2

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	Compliant / Non-Compliant	Additional Information	Explanation
1. Board has in place a system that provides, at the minimum, criteria, and processes to determine the performance of the Board, individual directors, and Trustees.	COMPLIANT	The Board of Trustees will conduct Performance Evaluation at the end of 2022 for the period of January 2022-December 2022 using the BOT Performance Evaluation Tool	
2. The system allows for a feedback mechanism from the shareholders		The stakeholders can anytime access our website for feedbacking.	

Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Recommendation 7.1

1. Board adopts a Code of Business Conduct and Ethics, which provides standards for professional and ethical behavior, as well as articulates acceptable and unacceptable conduct and practices in internal and external dealings of the company.	COMPLIANT		The Handbook for Code of Discipline was distributed to the Board of Trustees, Management, and Employees. The Code of Discipline is mandatorily discussed to all employees and Board of Trustees upon entry as part of the orientation and procedures of Lakan MBAI.
2. The Code is properly disseminated to the Board, senior management, and employees.			
3. The Code is disclosed and made available to the public through the company website.			

Recommendation 7.2

1. The Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT		The conduct of Semestral Staff Performance evaluation is the proof of implementation and monitoring of staff compliance with the Code.
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.			

DISCLOSURE AND TRANSPARENCY

Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

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Recommendation 8.1			
1. The Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, timely, and reliable report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results, and business operations.	COMPLIANT		Annual Audited Financial Statements and Annual Report were disclosed at the website and readily available for viewing by our stakeholders.
Recommendation 8.2			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	Board of Trustees Profiles are available on the website	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	COMPLIANT	Key managements Profiles are available on the website	
Recommendation 8.3			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.	COMPLIANT	Lakan MBAI amended By Laws states that the member of the Board of Trustees shall not receive any salary due to their voluntary service to the association.	

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2. Company provides a clear disclosure of its policies and procedure for setting Executive remuneration, including level and mix of the same in the Annual Corporate Governance Report consistent with the ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.		The Remuneration and Nomination Committee Charter of Lakan MBI had a Salary Scale/Structure that states the rules and regulations that inumerates specific salary, remunerations, including termination, retirement provisions, and other benefits for the administrative staffs	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.			

Recommendation 8.4

1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT		Related Party Transaction Policy that are unusual or unfrequently occurring are nor yet experienced by the association at the moment. Hence, policies are not yet in place. However, it would be included in the review of the Corporate Govenance Code.
2. Company discloses material or significant RPTs in its Annual Company Report or Annual Corporate Governance Report, reviewed and approved by the Board, and submitted for confirmation by a majority of the stockholders in the annual stockholders' meeting during the year.			

Recommendation 8.5

1. Company's corporate governance policies, programs, and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT		The Curporate Govenance manual is under review at the moment, it would be posted as soon as it is approved by the Board of Trustees
2. The Company's MCG is posted on its company website			

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Principle 9: The company should establish standards for the appropriate selection of an external auditor, and effective oversight of the same to strengthen the external auditor's independence and enhance audit quality

Recommendation 9.1

<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p> <p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board, and ratified by the shareholders.</p> <p>3. For the removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</p>	COMPLIANT		<p>The Audit Committee had 100% authority to recommend the approval of appointing, reappointing, or removal of the external auditors as well as the fees to be extended to them. All recommendations are duly ratified and approved at the Annual General Membership Meeting.</p>
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Recommendation 9.2

<p>Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. Exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. Exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>	COMPLIANT		<p>All duties and responsibilities of the Audit Committee are embodied in the Audit Committee Charter which would be published on the webpage of the association as soon as the said chapter is approved by the BOT</p>
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	Compliant / Non-Compliant	Additional Information	Explanation
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.			

Recommendation 9.3

<p>1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.</p> <p>2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity</p>	COMPLIANT	No transaction for Non-Audit Service rendered by the External Auditor	Policies and guidelines for this non-audit services will be included in the ongoing review and amendment of Board Committee charters
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Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

Recommendation 10.1

<p>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social, and governance (EESG) issues of its business, which underpin sustainability.</p>	COMPLIANT	Management of Pandemic in relation the effects to Lakan MBAI Operations
<p>2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues</p>		

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Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders, and other interested users.			
Recommendation 11.1			
1. The company should have a website to ensure a comprehensive, cost-efficient, transparent, and timely manner of disseminating relevant information to the public.	COMPLIANT	lakan web page: www.lakanmbai.com	

Principle 12: To ensure integrity, transparency, and proper governance in the conduct of its affairs, the company should control the system and enterprise risk management framework, a strong and effective internal control system, and enterprise risk management framework.

Recommendation 12.1

1. Company has an adequate and effective internal control system in the conduct of its business.	COMPLIANT	<p>The Audit Committee shall have the following functions:</p> <ol style="list-style-type: none"> 1. The Audit Committee or at least its Chairman should meet with the management quarterly to review the Lakan MBAI financial statements and effectiveness of the internal control system. 2. Should meet periodically with management and the internal auditors in separate executive sessions to discuss any matters that the Committee believe should be discussed privately. 3. Perform oversight financial management functions specifically in the areas of operational, legal and other risks to Lakan MBAI. 4. Review the quarterly, semi-annual and annual financial statements before submission to the Board. 5. Monitor and evaluate the adequacy and effectiveness of the internal control system. 	
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		6. Assess compliance with existing policies and procedures and applicable laws, rules and regulations. 7. Review internal audit reports where applicable and monitor the status of therecommendations and their implementation. 8. Review and approve the annual internal audit plans and programs and ensure itsaccomplishment.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	COMPLIANT		The comprehensive risk management framework is included in the formulation of the Board Risk Oversight Committee

Recommendation 12.2

1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	COMPLIANT	The independent internal auditor of lakan MBAI was outsourced from the partner association (Lakan AAA).	
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Recommendation 12.3

<p>the company has a qualified Chief Audit Executive (CAE) appointed by the Board</p> <p>2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider.</p>	COMPLIANT	The independent internal auditor of lakan MBAI was outsourced from the partner association (Lakan AAA).	
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	Compliant / Non-Compliant	Additional Information	Explanation
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the outsourced internal audit activity.			

Recommendation 12.4

1. The company has a separate risk management function to identify, assess and monitor key risk exposures	COMPLIANT		Risk management is the responsibility of the Compliance officer of the Anti-Fraud plan.

Recommendation 12.5

1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	COMPLIANT		Risk management is the responsibility of the Compliance officer of the Anti-Fraud plan.
2. CRO has adequate authority, stature, resources, and support to fulfill his/her responsibilities.			

CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect, and facilitate the exercise of their rights.

Recommendation 13.1

1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	Lakan MBAI Corporate Governance Manual will be publish on the association webpage as soon as approved by the BOT	
2. Board ensures that basic shareholder rights are disclosed on the company's website.			

Recommendation 13.2

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	Compliant / Non-Compliant	Additional Information	Explanation
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 22 days before the meeting.	COMPLIANT	The Notice of the meeting and Agenda for the 2022 Annual General Membership Meeting will be uploaded to the Website 22 days before the AGM.	

Recommendation 13.3

1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	COMPLIANT	Lakan MBAI Website Minutes of Annual General Meeting	
2. Minutes of the Annual and Special Shareholders' Meetings are available on the company website within five business days from the end of the meeting.			

Recommendation 13.4

1. Board has an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner	NON-COMPLIANT		The alternative dispute mechanism (AdreM) for inclusion in the Corporate Governance Manual
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.			

DUTIES TO STAKEHOLDERS

Principle 14: The right of the stakeholders established by law, by contractual relations, and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

Recommendation 14.1

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	Compliant / Non-Compliant	Additional Information	Explanation
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth, and sustainability.	COMPLIANT	Included in the Corporate Governance Manual	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	COMPLIANT	To protect Lakan MBAI stakeholders the association formulated the anti-fraud plan.	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	COMPLIANT	Policy on how to communicate and protection to our stakeholders can be refer to our Whistleblower protection policy.	
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs, and procedures that encourage employees to actively participate in the realization of the company's goals and its governance.	COMPLIANT	The Lakan MBAI Management and employees are responsible for formulating the Annual Operations Plan that will be approved by the Board of Trustees.	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	COMPLIANT	The Board of Trustees approved the Anti-Fraud Plan	For inclusion in the Code of Discipline policy
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	COMPLIANT	The Anti-Fraud Manual is discussed during the orientation of new staff for their information and guidance.	

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	Compliant / Non-Compliant	Additional Information	Explanation
Recommendation 15.3			
<p>1. Board established a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.</p> <p>2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.</p> <p>3. Board supervises and ensures the enforcement of the whistleblowing framework</p>	COMPLIANT	Lakan MBAI established Whistleblower protection policy approved by the Board	

Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

<p>1. Company recognizes and places importance on the dependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business while contributing to the advancement of the society where it operates.</p>	COMPLIANT	The association has a corporate social responsibility program called The Social Protection Program that will help not only the members of the association but as well as the general public in case of calamities or other disasters.	
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