



SEDP MBA

Corporate Governance Manual

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Part I - INTRODUCTION

BRIEF HISTORY

The SEDP - Simbag sa Pag-Asenso Inc. has for its vision “the total advancement of the entrepreneurial poor”. For this reason SEDP introduced microfinance program which aside from providing financial services also encourages members to save for the purpose of helping them cope with various financial stress. The institution also addresses certain life cycle events and minor emergencies. In particular, SEDP seriously deals with the issue of deaths among members or their families which indeed require greater level of support to ensure that the families involved do not slide back down the slippery slope of poverty.

SEDP officially registered with the Securities and Exchange Commission (SEC) on December 2003. prior to the official registration with SEC, SEDP was already offering Basic and Credit Life Benefits to its members. It also introduced Members Mutual Fund (MMF) which was initially designed to cover members' loans, it eventually provided burial assistance to members and their beneficiaries and other benefits including the provision of emergency medical assistance to members.

To respond to the difficult situations encountered by the members upon the death of any of their family members and to better serve the members according to their needs, SEDP enhanced its policies and guidelines governing the MMF.

Thus, in April of 2006, the Members Mutual Fund was integrated into the Members' Mutual Benefit Program (MMBP) which does not only provide burial assistance to members and their dependents, but also covers loan redemption and loan refund.

SEDP also expanded its Value Added Services (VAS) to include enrollment of the members in the Philhealth program, assistance to members on Enterprise Management and Development, implementation of its Scholarship program, and Values Formation and Spiritual Development to members and their scholars.

Further, to be more responsive to the needs of its members, SEDP established its microinsurance subsidiary, the Simbag sa Emerhensya asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA) Inc.. SEDP MBA was officially registered with SEC on February 17, 2009 as a non-stock, non-profit association then subsequently awarded with License to operate with License No. 2009-22-0 by the Insurance Commission (IC) in August 27, 2009 and considered as the first Bicolano licensed microinsurance.

VISION

A professionally-managed, sustainable and responsive mutual benefit association committed to the total risk protection of the members.

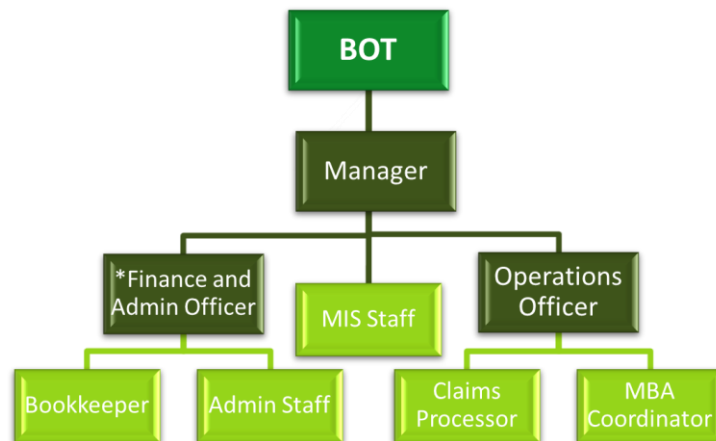
MISSION

SEDP MBA provides affordable and valuable mutual insurance services to members and staff of SEDP and members of other MFI's and organized groups and their families.

CORPORATE VALUES

CHRIST CENTERED
MEMBERS SATISFACTION
EMPLOYEES WELFARE
GOOD GOVERNANCE
TRUSTWORTHINESS
SERVICE EXCELLENCE

ORGANIZATIONAL STRUCTURE



OVERVIEW OF THE PROGRAM

The purpose for which SEDP MBA is formed is to advance the interests and promote the welfare of the Catholic faithful who belong to the financially disadvantaged sector of the society in particular and the interest and welfare of the Philippines in general.

Specifically the SEDP MBA shall seek:

1. To extend financial assistance to its members, spouse, siblings, children and parents in the form of death benefit, sickness benefit and loan redemption and refund
2. To ensure continued access to benefits/resources by actively involving the members in the management of the SEDP MBA that will include implementation of policies and procedures geared towards sustainability and improved services.

SEDP MBA provides Basic Life Insurance Plan (BLIP) coverage to its recognized members and their legal dependents in accordance with the approved schedule of benefits and Credit Life Insurance Plan (CLIP) coverage for loans availed by the members from SEDP - Simbag sa Pag-Asenso Inc. duly agreed by the Board of Trustees (BOT), the general assembly and with the written approval of the Insurance Commission. Value addition of Housing Assistance is also provided to qualified members during catastrophic events through SICAT Housing and Calamity Assistance Fund allocation.

COMMITMENT TO CORPORATE GOOD GOVERNANCE

SEDP MBA is committed in the promotion of corporate good governance within its organization and among its stakeholders. Together with the Board of Trustees and Management, SEDP MBA will remain steadfast in monitoring the performance of the organization, strive to make good and sound decisions, and will hold its governing board accountable for its execution in achieving our corporate goals.

The Corporate Governance Manual shall serve as its guide in ensuring the organizations practice of good governance, sustainability and its continuous commitment to its stakeholders in providing efficient and innovative programs and services for the growth of the community in which we operate.

OBJECTIVES OF THE MANUAL

Governance is the key factor of organization's failure or success. SEDP MBA as a regulated entity of the Insurance Commission is mandated to practice Corporate Good Governance for the general welfare of our members as the major stakeholders of Mutual Benefit Association as well as other stakeholders of SEDP MBA.

In support to the Insurance Commission's directives that regulated Mutual Benefit Associations operating in the Philippines is in one way of promoting and implementing Corporate Good Governance practices, SEDP MBA is committed to carry out this mandate as declared in our Audit Committee Charter objective and is further expounded through the formulation of this Corporate Governance Manual that will serve as guide and reference in the implementation of Corporate Good Governance practice.

DEFINITION OF TERMS

Corporate Governance

The framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the members

Board of Trustees

The governing body elected by the members that exercises the corporate powers of the association, conducts all its business and controls its properties

Management

The body given the authority by the Board of Trustees to implement the policies it has laid down in the conduct of the business of the association

PART II – GOVERNANCE STRUCTURE

THE BOARD OF TRUSTEES

Composition

The Board of Trustees of SEDP MBA shall consists of seven (7) members who are practicing Catholic namely the following: three (3) trustees shall be elected by the active members with existing loans funded by the Simbag sa Pag-Asenso Inc.; two (2) independent trustees, to be elected by the active members and two (2) members, one (1) of whom is appointed by the SEDP - Simbag sa Pag-Asenso, Inc. and one (1) from Social Action Center (SAC) appointed by the Bishop of the Diocese of Legazpi.

Term of Office

The Board of Trustees shall be elected every three years by a majority of its members during its annual meeting.

The elected members of the Board of Trustees shall serve beginning immediately following their election for a term of three (3) years until their successors shall have been elected. Provided, that no member shall serve as member of the Board of Trustees for more than two (2) consecutive terms.

Board Committees

SEDP MBA Board shall create a Finance Committee, Human Resource Committee, Governance Committee, Grievance Committee and other committees it may deem necessary, with not less than three (3) or more than five (5) members each with such specific duties as it may deem proper.

There shall be an Executive Committee which shall consists of not less than three (3) and not more than five (5) members to be appointed by the Board of Trustees from among themselves or from among its active members in good standing.

The President and the immediate past president, if still a member of the Board of Trustees, shall be ex-officio members of the Executive Committee.

General Duties & Responsibilities

The corporate powers and general management of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Trustees. Without prejudice to the general powers herein conferred and as may be granted by law, the Board of Trustees shall have the following express powers:

- a. from time to time, to promulgate rules and regulations consistent with these by-laws, and to review, revise or amend the same when it deems necessary for the management of the SEDP MBA's business and affairs. (Amended December 7, 2013)
- b. to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations, as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law and the Constitution.
- c. to invest the funds of SEDP MBA in other corporations or business or for any purpose other than the primary purpose for which the SEDP MBA was organized, provided it is approved by a majority of the board of trustees and the intended investment is reasonably necessary to accomplish the primary purpose of SEDP MBA as stated in the Articles of Incorporation.
- d. to incur indebtedness as the Board may deem necessary, to issue evidence of indebtedness including notes, deeds of trust, bonds, debentures, or securities, subject to such approval of the members as may be required by law, and/or pledge, mortgage, or otherwise encumber part of the properties of SEDP MBA.
- e. to establish pension, retirement, bonus, or other types of incentives or compensation plans for the members, employees, including officers and Trustees of SEDP MBA.
- f. to prosecute, maintain, defend, compromise, submit arbitration or abandon any lawsuit in which SEDP MBA or its officers are either plaintiffs or defendants in connection with the affairs of SEDP MBA.
- g. to implement these by-laws and to act on any other matter not covered by these By-laws, provided such matter does not require the approval or consent of the members of SEDP MBA under the Corporation Code.
- h. to appoint and dismiss any employee of SEDP MBA whether regular, probationary, casual, or contractual, fix or adjust their salaries and all other personnel movements.
- i. to delegate any of its powers or function to an executive committee or to any officer of SEDP MBA or to any standing or special committee or to any officer or agent and to appoint any person to be an agent of SEDP MBA.
- j. to approve all contracts for construction and major repairs or maintenance work, and other contracts involving significant amounts.
- k. to approve all contracts involving the sale of non-current assets;
- l. to exercise such other powers as may be essential or necessary to carry out its purpose or purposes as stated in the Articles of Incorporation.

Qualifications, Disqualifications & Vacancies

Qualifications of a Trustee. The trustee eligible for election/nomination must be of legal age, a recognized active member of SEDP MBA, has consistently performed very satisfactorily for at least the last three (3) years in her/his membership, has an ongoing business/es funded by loan from Simbag sa Pag-Asenso Inc. and is willing to perform the functions of a trustee without any remuneration.

The independent trustee as nominated by the Nomination Committee of SEDP MBA shall possess the necessary experience and exposure in corporate governance particularly in audit and finance, and is actively involved in church related activities of the Diocese of Legazpi.

Disqualification of trustees or officers. No member convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code of the Philippines committed within five (5) years prior to the date of her/his election or appointment, shall qualify as a Trustee or Officer. In addition, a member whose membership has been terminated for cause, and/or has resigned from membership with SEDP MBA or any of its affiliates, shall also be disqualified from being a Trustee or Officer.

Removal of trustees. A trustee may be removed from office with or without cause by a vote of at least two-thirds (2/3) of the members entitled to vote and in the manner provided for by law: Provided, That removal without cause may not be used to deprive minority members of the right of representation to which they may be entitled under Section 24 of the Corporation Code.

Vacancies in the office of the trustee. Any vacancy occurring in the board of trustees other than by removal by the members or by expiration of term, may be filled by the vote of at least a majority of the remaining trustees, if still constituting a quorum; otherwise said vacancies shall be filled by the members in a regular or special meeting called for that purpose. A trustee so elected to fill a vacancy shall be elected only for the unexpired term of her/his predecessor in office.

Board Meetings

Conduct of Meeting – Meetings of the members shall be presided over by the President, or in his absence the Vice-President or in the absence of the Vice-President, members of the Board of Trustees present at the meeting may appoint from among them the presiding officer. The Secretary shall act as Secretary every meeting or in his absence the presiding officer shall appoint a secretary for that particular meeting.

A majority of the number of trustees as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority

of the trustees present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of all the members of the board.

SEDP MBA Board of Trustees shall meet quarterly at the main office of SEDP MBA unless otherwise previously agreed upon by the members of the Board of Trustees. A special or emergency meeting of the Board of Trustees may be called for by the President or the Secretary upon request of a majority of the incumbent members of the board and at least three (3) days notice to all members of the board.

Multiple Board Seats

SEDP MBA Board of Trustees has significant roles and functions in the direction of the institution wherein active participation in all meetings and activities related to its operations are required. In so doing, SEDP MBA limits the involvement of each Trustee into only a maximum of 3 Board Sets assignment to other companies so that they can actively participate to all meetings and activities required by SEDP MBA.

PART III – MEMBERS

DUTIES AND RESPONSIBILITIES

1. To obey and comply with the by-laws, rules and regulations that may be promulgated by the SEDP MBA from time to time;
2. To attend all meetings that may be called by the Board of Trustees;
3. To pay membership dues and other assessments of the SEDP MBA.
4. To participate in the governance and to protect the fund of the SEDP MBA.
5. Continuously give suggestions and comments on how to better run the SEDP MBA.

RIGHTS OF THE MEMBERS

1. To vote on all matters relating to the affairs of the SEDP MBA;
2. To be eligible to any elective or appointive office in the SEDP MBA;
3. To be present and to participate in the deliberations of the SEDP MBA;
4. To avail of all the facilities of the SEDP MBA upon proper approval of the duly authorized officer;
5. To examine and inspect the records and books of the SEDP MBA during business hours, provided, however, that any and all information therefrom shall be treated as privileged and cannot be used against the SEDP MBA, otherwise, the member may be refused of this right.
6. A member may transfer from one branch to another subject to the guidelines issued by the Board of Trustees.
7. SEDP MBA shall issue membership certificates to members specifying the benefits to which such members are entitled.

NOTICE OF ANNUAL GENERAL MEETING (AGM)

The Board of Directors shall be transparent and fair in the conduct of the annual general meetings.

The members shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place easily accessible to all investors. They shall be given the opportunity to ask and receive answers to their questions relating to the organization. A summary of the questions asked and answers given will be included in the Minutes of the Annual General Meeting and posted on the MBA website.

The rights of the members shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the members to seek timely redress for breach of such rights.

Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.

Notice of AGM: Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval. The Office of the Corporate Secretary will issue the Notice of the Annual Stockholders Meeting at least 28 business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile transmission or electronic mail and publication in newspapers of general circulation published in Metro Manila.

The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual General Meeting.

Notice for Annual General Meeting shall be sent by the Board Secretary to members through the center or organization where they belong at least one month prior to the date of the meeting (inclusive of Saturdays, Sundays and Holidays).

The notice shall state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called.

Only matters specified in the notice of meeting can be the subject of motions or deliberations at the Annual General Meeting.

OTHER MEMBERS' BENEFIT

The SEDP MBA shall align unassigned surplus to the following:

- a. enhancing equity value
- b. developing operating systems
- c. research and development
- d. member education and training
- e. community development services
- f. product development and
- g. calamity assistance

RELATED PARTY TRANSACTIONS (RPT) BY THE TRUSTEES AND KEY EXECUTIVES

The directors and key executives shall be required to disclose their interest in transactions and any other conflict of interest in SEDP MBA.

SEDP MBA shall seek the assistance of a committee of independent directors to review the materials and significant RPTs to determine whether they are in the best interest of SEDP MBA and their members.

SEDP MBA shall either/or forbid or ensure that loans to directors are being conducted at arm's length and at market rates.

PART IV – STAKEHOLDERS

IDENTIFICATION AND DEFINITION OF STAKEHOLDERS

1. MEMBERS

Significant Roles

- The MBA exists primarily for the benefits of its members
- The sustainability of the MBA relies on the active involvement and participation of the members in the affairs of the association
- A member is a person who meets the eligibility requirements and comply with the policies of the MBA and entitles to all the rights and privileges sets forth in the by-laws of the association. She/he shall embody the promotion of all purposes and goals of the association.

Commitment

- The MBA shall provide training and education before their membership. In ensuring the continuing education of the members, the MBA shall provide education through annual assembly, center meetings, ownership meetings and other educational initiatives.
- The MBA shall allocate funds for the training and education of its members

2. BOARD OF TRUSTEES

- The Board is the governing body of the association primarily responsible for ensuring good governance.
- The Board formulates the strategic direction of the association
- The Board monitors the performance of the management
- The Board ensures that systems are in place for transparency and accountability
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Commitment

- The MBA is committed to strengthening its Board by providing continuing education through participation in local and international conferences

- The Board of Trustees of this association, commit to ensure that its operating policies as an entity and those of the association as a whole rise to the standard expected by, and owing to, those members and policy holders.
- The Board of Trustees also committed that its employees, partners, regulators, and other stakeholders are confident in association's ethics and professionalism appropriate to the organization's mission.

Commitment

The association is committed to;

- To operate with high standards of ethical behaviour.
- To seek transparency and dialogue for better understanding of their needs.
- To provide accurate and timely report
- To provide continuous training and development
- To implement all approved resolutions and policies

3. EMPLOYEES

The progress and success of SEDP MBA depends on its human resources and that only through carefully selected, well-trained, results-oriented, and dedicated employees can the association achieve its objectives.

Individuals hired by SEDP MBA to work as either full-time or part-time worker under a contract of employment duly notarized upon signing, has recognized rights and duties as stated in SEDP MBA's Personnel Manual. SEDP MBA shall address to the State's Labor Laws that will protect the well-being of the employees.

SEDP MBA believes that an efficient workforce is the product of effective training. Pursuant to this, the Association shall carry out a continuing practical and positive training and staff development program. It shall emphasize the improvement of employee's performance, morale, motivation, and the deepening of his/her commitment to the vision and mission of the Association.

It shall identify the training and development needs of the staff and shall assess the improvement in their outputs after the staff has gone through training and development interventions.

It is also the policy of SEDP MBA to place employees on jobs where they can be of maximum service to the Association and at the same time enable employees to derive optimum satisfaction from their job. To this end, management must be able to match certain changes in the qualifications of employees to make full use of employee talents, open paths for employee advancement and growth, promote moral and upgrade employee relations.

SEDP MBA is committed to maintain a healthy work environment by protecting the physical, emotional health, and well-being of all employees in the Association. SEDP MBA is concerned about the use of alcohol, illegal drugs or controlled substances that can adversely affect an employee's work performance, efficiency, safety, and health and seriously impair the person's value. The use or possession of these substances on the job constitutes a potential danger to the welfare and safety of other employees and exposes SEDP MBA to the risks of property loss or damage or injury to employees. This policy aims to enforce the Republic Act No. 9165 known as the Comprehensive Dangerous Drugs Act of 2002.

4. MFI PARTNER

SIGNIFICANT ROLE OF MFI TO MBA

MFI partners are the primary source of MBA membership, and maintain good relationship to members. They are the fund mobilization partners of the MBA and play the important role especially in collecting premiums and contributions.

COMMITMENT OF THE MBA TO MFI

1. The MBA shall ensure fast service and continued access to microinsurance benefits and other services of the MBA.
2. The MBA shall establish and implement approve guidelines pertaining to MFI and other related parties.
3. The MBA shall conduct products and services orientation and technical services to partner organizations.
4. The MBA shall conduct a fair business transactions and ensure that the interest does not conflict with the interest of MFI Partners.
5. The MBA shall provide incentives through service fee
6. The MBA and the partner agent should execute a service agreement/management contract defining the roles and responsibilities of the contracting parties

5. REGULATORY AGENCIES

Regulatory agencies are essential in any industry as they provide the framework to which an association should legally operate. These policies, guidelines and circulars issued by the regulatory agencies promote fairness and increase the level of confidence of the members, implementers and other stakeholders.

The Association shall ensure full compliance to the requirements, policies, circulars, memoranda, and guidelines issued by regulatory agencies such as the Insurance Commission, Securities and Exchange Commission, Bureau of Internal Revenue, Local Government Units and other government agencies.

The association shall appoint/designate a person who will act as Compliance Officer to ensure compliance to the above-mentioned agencies.

6. SUPPLIERS AND CONTRACTORS

The Association engages the assistance of suppliers and/or contractors to provide services that the association will need for its daily operations. As part of its value chain, the Association will monitor its engagements with suppliers and contractors to make sure that they practice good governance and protects the environment. The Association will only engage suppliers/contractors that meet these standards.

To ensure that engagements with suppliers/contractors will be impartial and transparent; the Association will conduct a bidding process where a minimum of three (3) suppliers shall submit their proposal and business profile to the management for background check and validation of proposal. Selected supplier/contractor shall be issued a legal contract/agreement which will be duly notarized to make the engagement binding.

The association shall appoint the General Manager/Finance Officer to lead the bidding and selection process. All decisions/selections shall be approved by the board.

7. COMMUNITY OF OPERATIONS

In any business, there is a need for the support of the community where it operates. The Association acknowledge the significant role of the community in achieving its vision mission particularly in helping people become less vulnerable.

The Association will strengthen its relationship with the community by sharing information about its programs and services.

SEDP MBA also extends its non-financial services to the community by means of advocacy programs particularly on health, education and governance through information education campaign.

8. ENVIRONMENT

The Association's business operation does not directly affect the environment. However, it is still committed to do its part in promoting environmental sustainability through various initiatives within the office, among its directors and employees and with its stakeholders.

Initiatives relevant to environment sustainability are the proper waste segregation and management that was imposed in all offices of SEDP likewise the energy preservation by turning off of all lights and equipments while not in use and during break time were implemented. Members of SEDP are also oriented and encourage to do the same.

FEEDBACK AND GRIEVANCE POLICY FOR STAKEHOLDERS

The MBA protects the rights of its stakeholders including employee and their representative bodies. The stakeholders are free to communicate their concerns about illegal and/or unethical practices to the board. Their rights shall not be compromised after communicating such concern.

All stakeholders are encouraged to play their part in improving the overall effectiveness and success of the MBA particularly in strengthening its integrity. The MBA shall ensure the protection of an employee or other stakeholder that reveals illegal/ unethical behavior from retaliation.

PART V – DISCLOSURE AND TRANSPARENCY

One of the core values of corporate good governance is transparency. The Board together with the management and employees commits to promote and ensure full disclosure, transparency and shall remain accountable to this Manual. This is a commitment and a policy of the Board.

The Board commits at all times to comply with all disclosure requirements specifically those that will include material information as mandated by regulators within the prescribe period of time. The following material information that will be publicly made available are: financial and non-financial reports such as (and not limited to) earnings, material acquisition, related third party transactions, board remuneration, audited financial statements, Board Structure (Bio-Data) and Remunerations. The audited FS shall be publicly disclosed not later than 60 days after the financial year clearly stating that the management is responsible for its preparation, impartial presentation in accordance to the financial reporting standards of the Insurance Commission for MBAs.

Other disclosure policies particularly for the board shall be presented in the Code of Conduct and Ethics of the Association.

TRANSPARENCY POLICIES ON:

Board Structure and Remuneration

The Board of Trustees of SEDP MBA shall consists of seven (7) members who are practicing Catholic namely the following: three (3) trustees shall be elected by the active members with existing loans funded by the Simbag sa Pag-Asenso Inc.; two (2) independent trustees, to be elected by the active members and two (2) members, one (1) of whom is appointed by the SEDP - Simbag sa Pag-Asenso, Inc. and one (1) from Social Action Center (SAC) appointed by the Bishop of the Diocese of Legazpi.

The members of the Board shall not receive any salary, as such trustees, but shall be entitled to gratuity, per diem and reimbursement of all necessary expenses incurred on account of attendance in committee and board meetings, however, all other entitlements, benefits, and emoluments other than per diems and reimbursement of incidental expenses may be granted to the trustees by the vote of the members representing at least a majority of the membership at a regular or special membership meeting.

Part VI. PERFORMANCE EVALUATION

Under the SEC Corporate Code and as espouse in the ACGS, the Board shall conduct a performance evaluation to measure its compliance to the governance manual.

The evaluation shall be conducted annually preferably in January where the result of the evaluation shall be presented to the Board and the management. The Board, each of its respective oversight and other committees shall conduct an annual performance evaluation /assessment to check their compliance with manual and determine areas for improvements.

The Board of Directors shall designate the General Manager and the Compliance Officer to establish an evaluation system to determine and measure compliance of the board, management and employees with this Manual.

- a) Board Assessment
- b) Peer Assessment
- c) Self-Assessment of Directors

Part VII. POLICY REVIEW and UPDATING

This manual shall be reviewed by the Compliance Officer/ or Review Committee at least annually and as soon as necessary to incorporate relevant regulatory updates and industry best practices. Any further changes to effected herein in line with the said review or updating shall be subject to the review and endorsement and approval of the board.

- a) General Policy on the review and updating of existing policies
- b) Organizational Manuals
- c) Review of Corporate Vision, Mission and Values
- d) Board Structure and Composition

OTHER OPTIONAL POLICY STATEMENTS FOR THE CGM:

Compliance to the Governance Manual:

The Governance Manual shall be available for inspection by any members and other stakeholders of the MBA at all times. The Board and the management shall make sure that the governance manual is distributed to all employees and related parties. Compliance to the manual shall rest on the board, management and employees and shall remain accountable to its implementation.