



CODE OF GOOD GOVERNANCE FOR COOPERATIVES

Commitment to Cooperative Governance

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CODE OF GOOD GOVERNANCE FOR COOPERATIVES

I. COMMITMENT TO COOPERATIVE GOVERNANCE

Consistent with the state's policy to actively promote cooperative governance reforms to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power toward the attainment of equity, sustainable economic development and social justice, the SANASA hereby promulgates, adopts and implements this Code of Good Cooperative Governance.

In accordance with the principles of self-reliance, self-regulation, and subsidiarity, our governance approach is based on compliance with a voluntary code with disclosure transparency, openness, integrity, accountability and participation. This is directed at establishing best practices hasten the wide adoption of good governance principles and allowing flexibility in its acceptance and implementation. Hence, this initiative is a continuing process of raising standards in cooperative governance.

II. Definitions

- a. Board of Directors – refers to the collegial body entrusted with the management of the affairs of the cooperative under its Articles of Cooperation and By-Laws.
- b. Governance – is about the formulation and application of rules to achieve order through cooperation and/or compliance.
- c. Management – is the optimization of resources for the most profitable or beneficial manner of achieving organizational goals.
- d. Good Governance – is the uniform application of just and coherent rules based on rational and honest intentions to create a working environment of trust, harmony and stability for the effective and efficient attainment of organizational goals.
- e. Cooperative Governance – refers to the system of responsibility accountability and transparency which enhances the standards set-up for the cooperatives that would protect the interest of build strong linkages with the members and other stakeholders of the cooperative.
- f. Cooperative Management – refers to the body authorized to direct the business activities of the cooperative in accordance with the policies determined or promulgated by the Board.
- g. Board – Management Relations – the complementary and mutually reinforcing relationship between an elected board and professional management.
- h. Member – refers to person either natural or juridical, adhering to the principles set forth in this Code and in the Articles of Cooperation admitted by the cooperative as member.
- i. General Assembly – refers to the full membership of the cooperative duly assembled for the purpose of exercising all the rights and performing all the obligations pertaining to the cooperatives, as provided by this Code, its Articles of Cooperation and By-laws.
- j. Committee – refers to any body entrusted with specific functions and responsibilities under the By-laws or resolution of the general assembly or the board of directors.
- k. Articles of Cooperation – means the Articles registered under this Code and includes any and all registered amendments thereof.
- l. By-laws – refer to the by-laws registered under this Code and include any and all registered amendment thereof.
- m. Internal Control – refers to the process effected by a cooperatives' Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the



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achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal policies.

Internal control environment – refers to the framework under which internal controls are developed, implemented, and alone or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the cooperative is exposed.

- n. Internal auditing – refers to an independent, objective assurance and activity designed to add value and improve an organization operation.
- o. Audit and Inventory Committee – refers to the Committee within the cooperative organization responsible for internal audit activities. In a traditional internal audit activity, the AIC serves for internal audit. In the case where internal audit activities are obtained from a professional member employee, the audit and inventory committee is responsible for overseeing the service contract.
- p. External Auditing – refers to audit conducted by an auditor, who is (a) independent of the cooperative being audited or a subsidiary thereof; and (b) a member of a recognized professional accounting association, or (c) a member of cooperative auditors association.

III. The Board of Directors

The Board of Directors is primarily responsible for the governance of the cooperative.

The administration and management of the affairs of the cooperative is within the duty and power of the Board. In the absence of fraud, bad faith or negligence so as to amount to a breach of contract, the members cannot interfere with the exercise of cooperative judgment by the Board relating to the management of the cooperative. However, the management powers refer only to management prerogative, to an ordinary cooperative transaction. There are some powers which are reserved to the members and which cannot be exercised solely by the directors until they are approved or ratified by the members.

Thus, while the performance of the cooperative functions, pertaining to the management of the cooperative is vested upon the Board of Directors the Cooperative Code has explicitly restricted such Board authority and made certain cooperative action to rest for their validity upon the concurrence of the required statutory votes of the members by prior action or subsequent ratification. They are as follows:

1. Amendments of Articles of Cooperation and By-laws (Article 18);
2. Division of cooperative (Article 20);
3. Merger and consolidation of cooperative (Article 21);
4. Investment of cooperative's fund in another business or for any purpose other than the primary purpose (Article 49);
5. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the cooperative's assets;
6. Incur, create or increase bonded indebtedness;
7. Removal of elective director, officers or committee members (Article 51);
8. Dissolution of the cooperative (Article 65-66).



1. Composition of the Board

The Board shall be composed of not less than five (5) not more than fifteen (15) members elected by the general assembly for a term fixed in the by-laws but not exceeding a term of two (2) years and shall hold office until their successors are duly elected and qualified, or until duly removed for cause.

Board and Committee Members Composition shall consider the following parameters/prospective:

1. Financial management skills (when applicable) and the character of the Board of Directors and Committee members.
2. Directors' and committee members commitment to the dual mission of the cooperative.
3. Directors' and committee members ability and willingness to fulfill duties of care, loyalty and obedience.
4. Board and Committee Members' commitment to develop knowledge and skill of new existing members.
5. Board and committee members' performance evaluations.

2. Role of the Board Chairman

- a) To head up the cooperative, guide the Board, maintain maximum security and steady progress of the cooperative and be continually alert to needed change.
- b) His relationship with other members of the BOD is one of being first among equals. As chief governance officer, he executes the law, the by-laws and the will of the majority of the board. This is covered by ordinary rules of courtesy and parliamentary rules of order. By being first among equals also mean obedience to the formal decision of the majority. He ensures ample discussion, debate and achieves consensus among the board of directors.
- c) The chairman ensures that policies/actions are given to management and implemented.

3. Board-Management Relations

- a) It is to be emphasized that the relationship between an elected board and professional management is complementary and mutually reinforcing.
- b) The General Manager shall be the chief executive officer of the cooperative but shall not be a member of the Board of Directors. He is responsible for the implementation of the policy of the BOD. Among these major responsibilities is to keep the BOD informed.
- c) The relationship between the BOD and management must have clarity about roles and responsibilities of each and about the complementarity of both. The BOD exercises this responsibility by drawing on the institutional memory of directors, making binding decisions as a group and maintaining prudent distance from daily operations.

4. Qualifications of a Director

In general, any member of a cooperative who under its by laws has the right to vote and be voted for and who possesses all the qualifications and none of the disqualification provided by law or in the by-laws is qualified to be member of the board. However, it is now standard procedure for many cooperatives to require that those who are nominated for directorship:

- (a) are not delinquent in the payment of their loans and all other obligations to the cooperative; and



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- (b) they are present during the elections so that they can personally attest to their willingness or unwillingness to serve the cooperative.

The cooperative can still add more qualifications to be a director provided approved and ratified by the General Assembly.

Cessation as member automatically disqualifies him as director. Cooperatives are for Filipino citizens only.

5. Disqualification of a Director

Any member who is under any of the following circumstances shall be disqualified to be elected as a member of the Board or any committee or to continue as such:

1. Holding any elective position in the government except that of barangay officials;
2. Having served as director of the cooperative for three (3) consecutive terms;
3. Having direct or indirect personal interest with the business of the cooperative;
4. Having been absent for three (3) consecutive regular meetings without reasonable cause;
5. Being an official or employee of the Cooperative Development Authority; and
6. Having been disqualified by law:
 - a. Any person finally convicted judicially of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath or other fraudulent act or transgression;
 - b. Conviction by final judgment of an offense punishable for a period exceeding six (6) years.

The Board may also provide for the temporary disqualification of a director for the following reasons:

1. Absence or non-participation for whatever reason/s for more than two (2) times in meetings, whether regular and special, of the board of directors during the incumbency or any twelve-(12) month period during said incumbency. This disqualification applies for the purposes of the succeeding election.
2. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.
3. Being under preventive suspension by the cooperative;
4. If the share capital holdings of the director exceed twenty (20%) percent of the share capital of the cooperative.

6. 5 Basic Board Function:

1. Trustee function. The Board represents member shareowner, provides stewardship on their behalf.
2. Prime Decision Center. The BOD has ultimate authority for the management of cooperatives.
3. Perpetuity Function. The fundamental task of the BOD is to provide for continuity of the cooperative. Board ensures that members of BOD and subcommittees are competent and understand their roles and responsibilities. The Board ensures training and development of all volunteers to ensure their effectiveness.
4. Advisory Function. The Board acts in an advisory capacity for management of the coop, Sub-committees and membership. Board may advise members of need for changes in policies, by-laws



and market strategies for the well being of the whole cooperative. In same way, the Board may act as advisory group for others, renewing decision or actions they have taken.

5. Symbolic function. The Board is considered as symbol of strength and leadership within the cooperative and the community. The Board must perform the function with high degree of professionalism and integrity.

7. Specific Duties and Functions of the BOD

- a. Provides continuity of coop by seeing volunteer and capable executive are continually available. A succession plan is in place for all executive and committee position.
- b. Ensures effective and harmonious Board management relation and plays an active role in board mgt. team building.
- c. Establish the strategic direction of the coop and review it in a regular basis.
- d. Maintain a healthy level of communication with membership, reviews continuously services provided by coop to its members, project image of competence and responsibility, and contributes toward member and people confidence to the cooperative.
- e. Maintain effective relation with other cooperatives within the community and with government.
- f. Develop transparent financial management system that will ensure integrity of internal control activity throughout cooperative through step by step procedure and policies handbook to be used by the cooperative.
- g. Establish key performance indicators to the cooperative in the component of people money and development.
- h. Meet regularly and punctually.

8. Duties and Responsibilities of a Director

1. Clearly separate personal interest to responsibilities as a director
2. Contribute personal time and talent to achieve competence required of a director.
3. Anticipatory attitude toward decision-making. Understand individual and joint responsibility of a director, its legal consequences and future implication of current decision.
4. In exercise of independent judgment, develop the spirit of unity in the board and appreciate benefit of diverse opinion.
5. Good understanding of regulation and by-laws governing operation of cooperative to determine if business is operating within these guidelines.
6. Treat confidential business of coop in strict confidence.
7. Evaluate performance in relation to plans, policies and objective of coop on a timely basis and initiates corrective action if necessary.

9. Internal Control Responsibilities of the Board

The control environment is composed of: (a) the Board which ensures that the cooperative is appropriately and effectively managed and controlled. (b) a management that actively manages and operates the cooperative in a sound and prudent manner, (c) the organizational and procedural controls supported by an effective management information system and risk management reporting system, and (d) the independent audit mechanisms to monitor the adequacy and effectiveness of the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.



- i. The minimum internal control mechanisms for the Board's oversight responsibility may include:
 - Defining the duties and responsibilities of the GM/CEO;
 - Selecting or approving an individual with appropriate ability, integrity, experience to fill the GM/CEO role;
 - Reviewing proposed senior management appointments;
 - Ensuring the selection, appointment and retention of qualified and competent management;
 - Reviewing the cooperatives' personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers and management succession plan.
- ii. The minimum internal control mechanisms for management's operational responsibility would center on the GM/CEO, being ultimately accountable for the cooperatives' organizational and procedural controls.

10. Powers, Functions and Responsibilities of the Board.

The Board of Directors shall direct, control and supervise the business, manage the property of the Cooperative and may, by resolution, exercise all such powers of the Cooperative as are not reserved for the general assembly under the by-laws and the Cooperative Code of the Philippines.

To insure a high standard of best practice for the cooperative and its members, the Board should conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

It is the Board's responsibility to foster the long-term success of the cooperative and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it should exercise in the best interest of the cooperative and its members.

A director's office is one of trust and confidence, hence he should act in the best interest of the cooperative. Transparency, accountability and fairness must be observed in all transactions at all times.

While the management of the day-to-day affairs of the institution is the responsibility of the management team, the Board is, however, responsible for monitoring and overseeing actions of the management team.



Board of Directors

The Board of Directors collectively and individually, in the performance of its duties and responsibilities should take into consideration the welfare and well-being of the general membership and its employees as well as the advancement of the cooperative, the community and the nation in the formulation of resolutions and policies. As such it should exercise its functions with due care and prudence like a good father of a family and must be thoroughly knowledgeable on the management and operation of its cooperative. Specifically, it should:

- a. adopt bold and aggressive policies that can withstand the rigors of public scrutiny and a policy of transparency for the welfare of the general membership.
- b. Seek new and better ways in making the cooperative responsive, viable and progressive;
- c. Coordinate with the committees and management to effect harmonious business operation;
- d. To be supportive of the union's and federation's program and activities where his cooperative is a member;
- e. Respect the powers of the manager as duly defined in the Articles of Cooperation and By-laws of the cooperative;
- f. Must not engaged in the business which directly competes with the business of the cooperative;
- g. Must not be an officer of the cooperative whose business is in conflict with the line of business of the cooperative, except in secondary organizations like Federation.

11. Officers of the Cooperative

The following shall be the officers of the cooperative:

1. The chairman and vice-chairman which shall be elected by the board members from among themselves;
2. Other officers of the cooperative i.e. Secretary, and Treasurer shall be elected or appointed by the Board from outside the board in accordance with the by-laws.

The above officers of the cooperative; elected or appointed, are mandated by the provision of the cooperative Code (Article 43) to be not related to each other, either by consanguinity or affinity up to the third degree.



The degrees of relationship covered by the prohibition are shown hereunder:

<u>Degree</u>	<u>Relationship</u>	
	<u>By Consanguinity</u>	<u>By Affinity</u>
1 st degree	Parents to son/daughter	Parents-in-law to son/daughter-in-law
2 nd degree	Grandparent to grandchild	Brother/sister-in-law to sister/brother-in-law
3 rd degree	Brother to sister	
	Great grandparents to great grandchild	Great grandparent-in-law to great grand-child-in-law
	Uncle/aunt to nephew/niece	Uncle/aunt-in-law to nephew/niece-in-law

Husband and wife although not considered relatives by consanguinity or affinity are likewise prohibited to serve as elected or appointed officers in the same cooperative, for the reason they are considered as one person with the same interest:

12. Duties and Responsibilities of the Officers

The cooperative shall have a Chairman, Vice-Chairman, Treasurer and a Secretary who shall serve according to the functions of their respective offices as follows:

1. The Chairman :

- Preside over all meeting of the cooperative and of the Board of Directors;
- Sign all share certificates, revolving fund, contracts and other instruments or papers essential to the operations of the cooperative as authorized by the Board of Directors; and
- Perform such other necessary functions, subject to the restrictions which may be imposed by the Board of Directors or the general assembly.

2. Vice-Chairman

In the absence or incapacity of the Chairman, he/she shall discharge the duties and Vice-Chairman responsibilities of the Chairman, provided, however, that in case of death, resignation, removal or permanent incapacity of the Chairman, the Board of Directors shall elect/appoint a new Chairman.



3. **The Treasurer**, who shall not be a member of the Board of Directors, shall:
 - a. Take custody of all monies, securities and papers acquired by the cooperative, and maintain a complete records of all its transactions, through the management staff;
 - b. Keep a complete record of all cash transactions for the establishment of proof of his cash position at any given time and date;
 - c. Pay all financial obligations incurred by the Cooperative as approved by the Manager and/or Board of Directors.
 - d. Render reports and certify the correctness of the cash position of the Cooperative in all financial statements and other reports submitted to the Board of Directors, General Assembly and the Cooperative Development Authority;
 - e. Turn over to his successor all monies, securities, papers, books and other properties belonging to the Cooperative in his possession upon the expiration/termination of his term of office;
 - f. Act as Secretary in case of the latter's absence or incapacity to perform his/her duties and;
 - g. Perform such other duties as the Board of Directors may prescribe.

4. **The Secretary**, who shall not be a member of the Board of Directors, shall:
 - a. Keep and maintain a complete registry of all members and the records/minutes of all meetings of the Board of Directors and the General Assembly;
 - b. Give notice of all meetings called;
 - c. Turn over to his successor all books, records and other properties belonging to the Cooperative in his possession upon the expiration of his term of office;
 - d. Act as Treasurer in case of the latter's absence or inability to perform his duties; and
 - e. Perform such other duties as the Board of Directors may prescribe.

12.A. The Management Staff

The Board of Directors shall appoint the members of the Management Staff, fix the compensation and tenure of office.

- A. Minimum Composition:
 1. The General Manager
 2. Accountant/Bookkeeper

Other members of the management staff may be proposed by the General Manager and subject to the approval of the Board of Directors. The Board of Directors shall approve the qualifications, duties and responsibilities, salaries, and terms of office of the additional staff.



B. Qualifications:

(1) General Manager

- a) He must be familiar with the business application of the cooperative;
- b) He must have at least two (2) years experience in the operation of the cooperative or related business;
- c) He must not be engaged directly or indirectly in any activity similar to the business of the cooperative;
- d) He must not have been convicted of any administrative, civil or criminal case involving moral turpitude, gross negligence or grave misconduct in the performance of his duties;
- e) He must not be addicted to any form of gambling or immoral or vicious habits;
- f) At the time of his appointment he must have no pending administrative, civil or criminal case involving financial and property accountabilities; and
- g) He must be willing to undergo pre-service and/or in-service training.

(2) Accountant/Bookkeeper

- a) He must be knowledgeable in accounting and bookkeeping and must have at least two (2) years experience in cooperative or related business;
- b) He must not be engaged directly or indirectly in any activity similar to the business of the cooperative;
- c) He must not be convicted of any administrative, civil or criminal case involving moral turpitude, gross negligence, or grave misconduct in the performance of his duties;
- d) He must not be addicted to any form of gambling or immoral or vicious habits;
- e) He must be willing to undergo pre-service and/or in-service training in accounting; and
- f) At the time of his appointment he must have no pending administrative, civil or criminal case involving financial and/or property accountabilities.

C. Duties

(1) General Manager

- a) Have general charge of all the phases of the business operations of the cooperative subject to the policies and guidelines set by the Board of Directors of the General Assembly;
- b) Maintain records and accounts of the cooperative in such manner that the true conditions of its business may be ascertained therefore at any time;
- c) Render reports monthly, annually or as may be required by the Board of Directors or the General Assembly and preserve the books, documents, correspondence and records of whatever nature concerning the operations of the cooperative which may come into his possession;
- d) Subject to the policies set by the Board of Director employ, supervise and/or dismiss any agent or employee in the management force; and
- e) Perform such other duties as the Board of Director may prescribe and turn over to his successor all properties belonging to the cooperative in his possession or over he has control upon the expiration/termination of his service.



(2) Accountant/Bookkeeper

- a) Install an adequate and effective accounting system within the cooperative;
- b) Render reports in the financial condition and operations of the cooperative monthly, annually or as may be required by the Board of Director and/or the General Assembly;
- c) Provide assistance to the Board of Director in the preparation of annual budget;
- d) Keep, maintain and preserve all books of accounts, documents, vouchers, contracts, and other records concerning the business of the cooperative and make them available for auditing purposes to the Chairman of the Audit Committee; and
- e) Perform such other duties as the Board of Directors may require.

13. Meeting of the Board

Board meetings are for weighing, analyzing and deciding on competing ideas or viewpoints of the directors before arriving at wise decisions or policies.

- a. Regular meetings shall be held monthly unless the by-laws provides otherwise.
- b. Special meetings shall be held any time upon the call of the chairman, or in his absence, the Vice Chairman, or majority of the directors, or as provided by the by-laws.

The regular or special meetings shall be for the purposes of treating of a clear agenda furnished by the Board Secretary in the notice.

The cooperative by-laws prescribes the venue of the member's meeting. The cooperative, its directors, officers and members are bound and must comply with them. Thus, unless and until the cooperative by-laws is changed, modified or repealed in accordance with Article 18 of the Cooperative Code, the cooperative is duly bound to observe and follow the same. Failure to comply with the mandatory requirement will not render the meeting illegal, provided all the members of the cooperative are present.

14. Manner of Voting

Directors cannot attend or vote by proxy at the board meeting.

15. Board Quorum

A majority of the members of the board shall constitute a quorum for the conduct of business, unless the by-laws provide otherwise.

16. Compensation.

Subject to the approval of the GA, the members of the board and committee may, in addition to per diems for actual attendance to board and committee meetings and reimbursement of actual and necessary expenses while performing functions in behalf of the Cooperative, be given regular compensations provided that an additional compensation other than the per diem shall not be paid during the 1st year of the existence of the cooperative.



17. Liabilities of Directors, Officers and Committee Members.

Directors, officers, and committee members who willfully and knowingly vote for or assent to patently unlawful acts, or who are guilty of gross negligence or bad faith in directing the officers of the cooperative or acquire any personal or pecuniary interest in conflict with their duties as directors, officers and committee member shall be liable jointly and severally for all damage resulting therefrom to the cooperative, members and other persons.

When a director, officer or committee member attempts to acquire or acquire in violation of his duties, any interest or equity adverse to the cooperative in respect to any matter which has been reposed in him in confidence, he shall, as a trustee for the cooperative, be liable for the damage or loss of profits which otherwise would have accrued to the cooperative.

18. Election, Vacancies and Removal of the Members of the Board of Directors

- a. The members of the Board of Directors shall be elected by secret ballot by members entitled to vote during the annual general assembly meeting.
- b. Any vacancy occurring in the Board of Directors by reason of death, incapacity, removal or resignation may be filled up by a majority vote of the remaining directors, if still constituting a quorum, otherwise, such vacancy shall be filled by the general assembly in a regular or special meeting called for the purpose.
- c. A director may be removed from office for cause by a vote of at least two-third (2/3) of the members entitled to vote and constituting a quorum in a regular or special general assembly called for the purpose after having been given the opportunity.

19. The Board Committees

The Board shall constitute Committee in aid of good cooperative governance.

a. Composition

1. The Election Committee – This shall be composed of at least three (3) members to be elected during the General Assembly meeting and shall hold office for a term of two (2) years or until their successors shall have been elected and qualified. Within ten (10) days from their election they shall elect from among themselves a Chairman, Vice Chairman and a Secretary. No member of the Committee shall hold any other position within the cooperative during his term of office.
2. The Audit and Inventory Committee – This shall be composed of at least three (3) members to be elected during the regular General Assembly meeting and shall hold office for a term of two (2) years or until their successor shall have been elected and qualified. Within ten (10) days from their election, they shall elect among themselves a Chairman, Vice-Chairman and a Secretary. No member of the Committee shall hold any other position within the Cooperative during his term of office.
3. The Education and Training Committee – This shall be composed of at least three (3) members to be appointed by the Board of Directors and shall serve for a term of one (1) year without prejudice to their re-appointment.



b. Roles of Committees:

1. The **Election Committee** shall promulgate rules and regulations which shall govern the conduct of elections, **pass upon the qualifications of the candidates**, supervise the conduct of elections, canvass and certify in writing the returns, proclaim the winning candidates and hear and decide election protests.
2. The **Audit and Inventory Committee** shall **provide internal audit service**, maintain a complete record of its examination and inventory and submit an audited financial report as maybe required by BOD and G.A.
 - 2.a. **External Audit.** At least once a year the BOD shall, in consultation with the Audit Committee conduct audit of books of accounts of the cooperative by an independent CPA.
 - 2.b. **Social Audit** shall be institutionalized in the cooperative system.
3. The **Education and Training Committee** shall be responsible for the planning and implementation of **all informational, educational and human resource development program** of the cooperative for its members, officers and the community within its area of operation.

20. Task/Job Descriptions of BOD, Committee Members and Management Staff

Job descriptions of the elected board, committees, and professional management shall be indicated in the cooperative operational or policy manual..

IV. Performance Evaluation of BOD, Committees, Officials and Employees
Committees

In the performance of their duties and responsibilities, the Committee should:

- a. formulate their sound policies subject to the approval of the Board or course through it for the approval of the general assembly;
- b. prepare an annual program of activities to be approved by the Board of Directors and to be integrated with the Cooperative's annual plans and budget;
- c. actively pursue, specially the Committee on Education, the development of its members, promote the understanding of the affairs of the cooperative, and foster harmonious relationship and cooperation.

Officials

The officials which include the managers and other supervisors, in the performance of their function should be honest, sincere, trustworthy, dedicated and capable.

They are expected to be updated on the day to day affairs of the cooperative movement. To be more effective in their performance, they should refrain from any business activity which is in direct conflict with that of the cooperative and must at all times not use the cooperative for their personal interest.

Employees

The employees who should be regular members of the cooperative must be of good moral character, honest, dedicated and committed to the cooperative and to their task behaving as model



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employees. They have to give the best possible service to the members and officers of the cooperative. Among others, they must:

- a. observe the cooperative's existing policies and procedures;
- b. subject themselves to management policies and should not be beholden to any member of the board and inhibit themselves from campaigning during the cooperative elections; and
- c. take the initiative to develop themselves, and undergo training, seminar and other manner of education to improve their competence and perspective.

V. The External Auditor

At least once a year, the Board of Directors shall, in consultation with the Audit Committee, cause the audit of the books of the cooperative by an independent Certified Public Accountant.

The external auditor of the cooperative shall not at the same time provide the service of an internal auditor to the same client.

The other non-audit work shall not be in conflict with the functions of the external auditor.

The reason/s for resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the cooperative's annual and current reports.

VI. The Annual Report

The annual report shall be certified by the Chairman, Treasurer, Manager and other responsible officers of the cooperative as true and correct in all aspects to the best of their knowledge.

The report shall be submitted during the annual regular general assembly meeting and copies shall be given to all members of the cooperative.

A copy of the annual report and audited financial statements shall be submitted to Cooperative Development Authority within sixty (60) days from the end of every fiscal year.

VII. The Membership and General Assembly

Coop governance and management start with the general membership which formulates and approve policies through elected Board of Directors to manage the execution of policies. The GA shall be the final arbiter and judge of all disputes brought before it. As an institution that is user-controlled, user-owned and in which benefits flow to user-patrons, the coop governance structure and dynamics shall be fundamentally based on the 7 cooperative principles, - voluntary and open membership, democratic member control, member-economic participation, autonomy and independence, education, training and information, cooperation about cooperatives and concern for community.



1. **Membership obligations and Rights.** Shall be properly disseminated to ensure smooth flow of business between officials and members. Member ownership of the coop shall be sustained and maintained.

a) Duties and Responsibilities of a Member

1. Pay the installment of his share capital subscription as it falls due and to participate in the capital build-up and savings mobilization of the cooperative;
2. Patronize the cooperatives businesses and services;
3. Participate in the membership education program ;
4. Attend and participate in the deliberation of all matters taken during the general assembly meetings;
5. Observe and obey all lawful orders, decisions, rules and regulations adapted by the Board of Director and the general assembly; and
6. Promote the goals and objectives of the cooperative, the success of its business, the welfare of its members and the cooperative movement in general.

The cooperative members, officials and employees shall observe the standards of personal conduct in the discharge and execution of their official duties.

1. Cooperative Member-Owner

a. Standard of Personal Conduct. A cooperative member is expected, in his dealing to:

1. to respect and observe proper decorum considering the organizational hierarchy;
2. to be receptive to constructive criticisms by developing and maintaining emotional maturity and stability;
3. to be actively involved in cooperative and community affairs;
4. to refrain from giving and receiving gifts to obtain or in exchange for favor, engaging in activities inimical to the interest of the cooperative and using the cooperative for personal interest.

b. Membership Rights. Privileges and Obligations. Any cooperative member should be a member of only one cooperative of the same type in the same area. He should exercise his responsibilities, rights and privileges as defined in the Articles of Cooperation and By-laws. He must therefore be:

1. a member in good standing by:

- a. attending pre-membership seminar before applying for membership;
- b. subscribing and paying at least the minimum requirement for a full-pledged member;
- c. paying the installments on capital stock subscription as it falls due and participate in the capital build-up of the cooperative;
- d. attending all meetings particularly the General Assembly and all continuing educational programs of the cooperative;
- e. paying all his obligations promptly; and
- f. patronizing regularly the services of the cooperative.

c. Promote the purposes and objectives of the cooperative, the success of its business, the welfare of its members and the cooperative movement as a whole by:

1. obeying the rules and regulations provided in the implementing Rules and Regulations of....., the By-laws, decisions of the General Assembly and the Board and the policies and decisions that may be promulgated by the Cooperative Development Authority;
2. showing interest and extending know-how, resources and time for cooperative betterment; and



3. participating in its parliamentary affairs.
- d. Prepare himself to assume responsibilities and obligations toward the cooperative and the community; and
- e. Believe that the cooperative is the better way to improve his life and that of his community. He therefore has to:
 1. defend and promote the cooperative in the community;
 2. project a nationalistic and pro-people attitude;
 3. be a model member of his community and a model citizen in the community; and
 4. be willing to assist his co-members in the community.

b. Rights of a Member Entitled to Vote/Member in Good Standing

1. Participate and vote on all matters deliberated upon during general assembly meetings;
2. Seek any elective or appointive position subject to the provision of the by-laws and the
3. Avail himself of the services of the cooperative, subject to certain conditions as may be prescribed by the BOD.
4. Inspect and examine the books of accounts, the minute books, the share register, and other records of the coop during office hours; and
5. Such other rights and privileges as may be provided by the G.A.

Members Benefit

1. Voting Right

The members have the right to elect, remove and replace directors and vote in certain cooperative acts in accordance with the Cooperative Code.

2. Power of Inspection

All members shall be allowed to inspect cooperative books and records including minutes of Board Meetings and stock registries in accordance with the Cooperative Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

A member has the right to examine the records kept by the cooperative during reasonable business hours and may demand, in writing, for a copy of excerpts from said records without charge except the cost of reproduction.

The words “reasonable business hours” mean the time during which the cooperative office is open for the regular transaction of business. The right may be exercised either by the member himself or by any proper representative or attorney-in-fact who may be an accountant or a lawyer or any person who can help the member understand and interpret the cooperative records and either with or without the attendance of the member.



Disallowing a member to examine and get copies of cooperative records is punishable. The cooperative officers who refuse without valid reason a request of a cooperative member to examine and copy cooperative records shall be held liable to such member for damages and shall be guilty of any offense which shall be punishable underAct . If such refusal is pursuant to a resolution or order of the board of directors, the liability shall be imposed upon the directors who voted for such refusal except when the member requesting the examination and copying of records will use the information improperly or illegally and is acting on bad faith. The privilege however is not absolute and the cooperative may show in defense that the member is acting from wrongful motive. The exercise of the right of inspection of cooperative books and records should be for legitimate purpose. This means that the intention should be germane to the interest of the member as such, as where the purpose is to find the actual financial condition of the cooperative on how its investment is being used. Likewise, the purpose should not be contrary to the interest of the cooperative nor it should be made to gratify a member's curiosity or for a speculative purpose.

3. Right to Information

The members shall be provided, upon request, with periodic reports which discloses personal and professional information about the directors and officers and certain other matters such as their holdings of the cooperative's shares, dealings with the company, relationship among directors and key officers, and the aggregate compensation of directors and officers.

The members shall have access to any and all information relating to matters for which the management is accountable for and to those relating matters for which the management shall include such information.

The members shall have the right to propose call the holding of members and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

4. Right to Interest in Share Capital and Patronage Refund

a) Interest in Share Capital

The net surplus less the mandated statutory reserves shall be made available to the members in the form of interest on share capital not to exceed the normal rate of return on investment prescribed by law.



b) Patronage Refund

This shall be made available at the same rate to all patrons of the cooperative in proportion to their individual patronage subject to the following rules:

1) For members

- a. It may be paid to member in cash or credited to his account as additional share capital at the option of the member;
- b. If the member has unpaid subscribed share capital, it shall be credited to his account as payment of his unpaid subscriptions until the same have been fully paid.

2) For non-member patron

Their proportional patronage refund shall be set aside in a general fund created for the purpose.

- a. The individual patronage refund is credited to the respective names only upon request and upon presentation of evidence of the amount of his patronage when the amount so accumulated under his name is equal to the minimum share capital contribution for membership and he is qualified and willing to comply with the requirements for membership;
- b. In the case of the non-member patron who has accumulated the sum necessary for membership and refuses or fails to qualify for membership the amount so accumulated in his account together with any part of the general fund for non-member patrons shall be credited to the reserve fund or to the education and training fund of the cooperative at the option of the General Assembly.

5. Appraisal Right

The members shall have the right to dissent and demand payment of the fair value of their capital share under any of the following circumstances:

- Amendments of Articles of Cooperation and By-laws which have the effect of changing restricting the rights of any member or class of shares, authorizing preferences and extending/shortening the term of cooperative existence.
- In case of sales, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all the cooperative property and assets.
- In case of merger or consolidation.



2. The General Assembly

a. The Role of General Assembly

The General Assembly is the highest policy making body of the cooperative. All authority within the cooperative emanates from them as provided for in its articles and by-laws.

As the supreme body, the interest of the members must be protected at all times whereby any business to be undertaken must be embodied in an annual plan, program, and budget that must be approved by the General Assembly. New business not included in the plan approved in the last general assembly and believed to be profitable, may be undertaken by the Board of Directors and must be reported to the next General Assembly.

b. Composition

It shall be composed of such members who are entitled to vote as defined under the Articles of Cooperation and By-laws of the cooperative.

c. Powers

Shall exercise such powers as are stated in the Articles of Cooperation and in the By-laws of the cooperative.

A. Exclusive powers which cannot be delegated:

1. To determine and approve amendments to the Articles of Cooperation and by-laws;
2. To elect or appoint the members of the board of directors and to remove them for cause;
3. To approve the annual budget and developmental plans of the cooperative; and
4. Such other matters requiring a two-thirds (2/3) vote of all the members of the General Assembly, as provided in this Code.

B. No officer or member shall bring any complaint against any officers, members and the cooperative itself before the appropriate administrative agency or the courts unless the General Assembly has discussed and decided the matter with finality.

C. A member who refuses to abide by the decision of the General Assembly may be subjected to disciplinary action, such as suspension of rights and privileges or termination of membership, only after due notice and hearing.

D. The foundation of a cooperative is cooperation. Therefore, any member who cannot respect the decisions of the General Assembly has no place in the organization, and may be subject to disciplinary action.



d. Meeting

The General Assembly may decide on matters brought before it in either of the following:

1. Regular General Assembly Meeting –

This shall be held annually on the date fixed in the by-laws or if not so fixed, on any date within ninety (90) days after the close of each fiscal year at the discretion of the Board of Directors to be held at the principal office of the cooperative or at any place within the area of operation of the cooperative.

The secretary of the cooperative shall send a written notice to all members of record at their official addresses at least two (2) weeks prior to the meeting.

Where the date of the annual meeting of the cooperative is fixed in the cooperative by-laws, the same cannot be dispensed with or postponed by the board of directors in order to extend the term of office of the board or officers. This rule, however, admits exceptions, as when the annual meeting cannot be held for some justifiable and valid reasons. It is however, necessary that the postponement of the annual meeting be for reasonable time and provided that proper notice shall be sent to all members of the cooperative in the manner prescribed by the cooperative by-laws. It should be the duty of the Board of Directors to determine the date and time to hold it taking into consideration the circumstances. The present management should extend its best effort to call for the annual meeting at the soonest possible time without unnecessary delay.

If for justifiable reason, the annual meeting has to be postponed, the cooperative should notify the Authority in writing of such postponement within ten (10) days from the date of postponement.

2. Special General Assembly Meeting –

A special general assembly meeting may be held:

1. upon call of the board at any time by a majority vote of the board of directors;
2. upon written request of 10% of the members to transact specific business mentioned in the call for special meeting;
3. by the Cooperative Development Authority or by the board. In case of a newly registered cooperative, within ninety (90) days of such approval of registration; or



4. by the Cooperative Development Authority for any of the following purposes:
 - a. make audit report – to report to the members the result of audit examination or other investigation of the officers of a cooperative;
 - b. hold the general assembly when a cooperative fails to hold an annual general assembly during the period fixed in the by-laws;
 - c. upon petition of 10% of members of the cooperative and for good cause to call a regular meeting/special meetings as ordained by the by-laws.

Notice of any special general assembly meeting, if called by the Board of Directors, shall be served by the Secretary personally or his duly authorized representatives or by registered mail upon each members at his last-known postal address at least one (1) week before the said meeting.

e. Quorum

Unless otherwise provided in the by-laws, a quorum shall consist of twenty-five percent (25%) of all the members entitled to vote.

Where a cooperative encounters several unsuccessful attempts or it would be impossible for the cooperative to get the required quorum of the members necessary to transact, the Cooperative Development Authority upon petition of ten (10) percent of the members of the cooperative may appoint a management committee to undertake the management thereof until a new set of directors are elected.

f. Voting System

Only members entitled to vote shall be qualified to participate and vote in any general assembly meeting.

- a. A Primary cooperative shall have only one (1) vote for each member
No voting agreement or other device to evade the one-member-one-vote provision shall be allowed.

No vote by proxy shall be permitted unless provided specifically in the by-laws of the cooperation

- b. Members of a Secondary or Tertiary cooperative shall have voting rights as delegates of members-cooperative, but such cooperative shall be limited to only five (5) votes. The votes cast by the delegate shall be deemed as vote cast by the members thereof. The by-laws of a cooperative may provide for voting by proxy. Voting by proxy means allowing a delegate of a cooperative to represent or vote in behalf of another delegate of the same cooperative.

g. Voting Rights

The determination of whether or not a “delinquent member” is entitled to exercise his voting rights depends on whether or not such member is disenfranchised under the articles of cooperation or by-laws of the cooperative. The right of the member to vote may be limited, broadened or denied to the extent specified in the articles of cooperation or by-laws. Unless so limited, broadened or denied, each member shall be entitled to one vote.



VIII. STANDARDS OF CONDUCT

The management may establish a performance evaluation system to measure the performance of the Board, the Committees and top-level management of the cooperative.

The establishment of such evaluation system maybe disclosed in the cooperative's annual report.

IX. A POLICY OF TRANSPARENCY

A policy of transparency must always be maintained whereby books of accounts and minutes of Board of Director's meetings are properly kept and made accessible to members and regular financial statements are religiously prepared and made known to the members and other parties interested on the cooperative's operation authorized by law or the Board of Directors.

X. STATEMENT OF COMPLIANCE/NON-COMPLIANCE

The Cooperatives shall promulgate and adopt their cooperative governance rules and principles in accordance with this Code. Said rules shall be in Handbook form and available as reference by the directors. It shall be submitted to the Authority which shall evaluate the same and their compliance with this Code taking into account the size and nature of business. The said Handbook shall be available for inspection by the members of the cooperative at reasonable hours on business days. The Chairman of the Board shall be specifically tasked with the responsibility of ensuring adherence to the cooperative governance code and practices.

XI. CODE REVIEW AND UPDATE

The continuing review and update of this code shall be part of the initiative of institution building and governance.

XII. EFFECTIVE DATE

This Code of Good Cooperative Governance shall take effect upon ratification of the General Assembly by simple majority.

- iii. The scope and particulars of a system of effective organizational and procedural controls may differ among companies depending on factors such as: the nature and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
- iv. Each company may have in place an independent audit function, through which the company's Board, senior management, and stockholders may be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Board may appoint a chief audit executive to carry out the audit function, and may require the chief audit executive to report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.



Board Meetings and Quorum Requirement

Members of the Board should attend regular and special meetings of the Board in person. In view of modern technology, however, attendance at Board meetings through teleconference may be allowed.

An independent director should always be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting. Justifiable causes may only include grave illness or death of immediate family and serious accidents.

To monitor compliance with the above requirement, corporations may, at the end of every fiscal year, provide the Commission with a sworn certification that the foregoing requirement has been complied with. The said certification may be submitted with the company's current report (SEC Form 17-1) or on a separate filing.

Remuneration of the Members of the Board and Officers

Levels of remuneration shall be sufficient to attract and retain the directors, if any, and officers needed to run the company successfully. Corporations, however, should avoid paying more than what is necessary for this purpose. A proportion of executive directors' remuneration may be structured so as to link rewards to corporate and individual performance.

Corporations may establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers. No director should be involved in deciding his or her own remuneration.

The corporations' annual reports, information and proxy statements shall include a clear, concise and understandable disclosure of all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly to all individuals serving as the CEO or acting in a similar capacity during the last completed fiscal year, regardless of the compensation level and the corporation's four (4) most _____.

Ranjith Hettiarachchi
Chief Executive Officer
Association of Asian Confederation of Credit Unions
No 36/2 Soi 60 Ramkhamhaeng Road
Bangkapi Bangkok 10240 Thailand
Tel. 66 2 374, 3170 Fax 662 374 5321
Email accu@aaccu.coop



Association of Asian Confederation of Credit Unions

Our Ref:

October 8, 2002

Mr. Jin Woo- Park, President, ACCU
National Credit Union Federation of Korea
874-1 Pangbae 4-dong, Socho-gu
Seoul 137-061 KOREA

Re: Venue of ACCU Meetings in September 16-22, 2003

Dear Mr. Park,

It is my pleasure to inform you that the 21st General Meeting of ACCU approved the invitation of NACUFOK to host the 22nd General Meeting, Asian Credit Union Forum 2003 and other events of ACCU. We thank NACUFOK's leadership and management for the invitation to host ACCU's events in 2003.

The enclosed are the brief introduction of ACCU and the Asian Credit Union Forum Format. If you have any question on the worksheet of the open forum please let us know.

As per our decision, I am planning to visit in January 2003 to discuss and finalize the venue for the meetings. The meeting will focus more on logistical arrangements:

- Specialized workshop format
- Theme of the Asian Credit Union Forum
- Venue for the Asian Credit Union Forum
- List of resource person for the workshops and the forum
- Field visit venue and transport
- Dining venue for the workshop and forum
- Chief guest of the Asian Credit Union Forum
- Local contributions

With best regard and look forward to hear from you.

Sincerely yours,

Ranjith Hettiarachchi



Asian Credit Union Forum 2003 and ACCU 22nd General Meeting Preparation Guidelines

Events	Logistical Requirements
<u>September 19, 2003</u> 1. Secretariat Room 3.00 p.m.–7.00 p.m. 2. Transport from airport to Hotel 3. Hospitality Room	Transport from Airport to Hotel/Training Institute for Workshop participants Secretariat Room will be used from September 19-26. (Need a room from Sep. 19 – 26) Hospitality Room is needed Sep. 19-26
<u>S e p t e m b e r 2 0 , 2 0 0 3</u> 1. Inauguration Function of ACCU CEO, HRD, Women and Youth Four Function Rooms: 1. CEOs' Meeting Room for 15 -20 persons 2. Gender Task force Meeting for 15 -20 persons 3. Future Leaders Meeting for 15-20 persons 4. HRD Meeting for 15 -20persons	08.30 – 10.00 (45-60 participants) "Opening Session" 10.00 a.m. – 5.30 a.m. Function Room Arrangement Banquet Style Arrangement
<u>Sep. 21, 2003: Four Function Rooms</u> 1. Meeting Room for CEOs 15-25 persons 2. Meeting Room for Gender 15-20 persons 3. Meeting Room for Future Leaders 15-20 persons 4. Meeting Room for HRD 15-20 persons 5. Board – Members' arrival 5 persons	08.30 a.m. – 05.30 p.m. Transportation from airport to hotel to Board members.
<u>Sep. 22, 2003: Five Function Rooms</u> 1. Meeting Room for CEOs (15-25) 2. Meeting Room for Gender (15-20) 3. Meeting Room for Future Leaders (15-20) 4. Meeting Room for HRD (15-25) 5. Meeting Room for 50 persons 6. Board – Meeting for 10 persons 7. Joint Programs – 50 participants	From 09.00 a.m. – 02.00 p.m. 15-20 persons Meeting Room 15-20 persons Meeting Room 15 -20persons Meeting Room 15-25 persons Meeting Room 02.00p.m. – 05.00 p.m. (Room U Shape) VIP room for meeting Board meeting Transport from Airport to Hotel/Training



Association of Asian Confederation of Credit Unions

8. Delegates/Open Forum Participants' arrival	Institute for delegates
9. Registration Forum Delegates	
<u>September 23, 2003</u>	Credit Unions /sightseeing For 150 persons – five buses
1. Field Visit Arrangement: Select CUs	
2. Transport for field visit	
3. Lunch arrangement in the field	Transport from airport to hotel
4. Receive AGM delegates from airport	04.00 p.m. – 07.00 p.m.
5. Registration for the Forum Delegates	
<u>Sep. 24 and 25, 2003</u>	
1. Open Forum: (Auditorium: 200 persons)	Seminar Hall arrangement for International 150 and local participants 50 persons
2. Room arrangement:	Theatre style
3. Program banner	Open Forum on _____
4. Equipment:	
5. Invitation for the inauguration Chief Guest	OHP, LCD Projector, flip-chart
6. Invitation for resource persons to Open Forum (two or three persons)	- Chief Guest
7. International dinner hosted by HOST	- Government, high level officers
8. AFCUD Fund raised in the auction	- Two resource persons
9. Invitation to local participants	Four function rooms
	At least 50 local participants
<u>Sep. 26, 2003</u>	
a) 22 nd AGM: 60 participants	9.00 a.m.–5.30 p.m. Hall arrangement
b) Departure of Open Forum Participants	U shape
	Transport to airport
<u>Sep. 27, 2003</u>	
Departure of Delegates	Transport to airport



Association of Asian Confederation of Credit Unions

ACCU/THE HOST Joint – responsibility and Funding

1. Selection of the hotel venue and negotiation of the price
2. Identify the theme and resource persons for the Open Forum

ACCU Responsibility

1. Promotion and marketing of the Program
2. Invitation letters to participants
3. Selection of the resource persons
4. Final list of the participants for each activities before August 31, 2003
5. Arrival details of participants after September 5, 2003
6. The twinning of international delegates for hotel – room arrangement
7. Staff for photograph
8. Flags of ACCU members' countries
9. Name tags for international delegates
10. Conference bag and kits for the delegates
11. Promotional Materials of ACCU will be provided
12. CEOs & Delegates of AGM free registration
13. Bill will be paid before leaving the hotel
14. Name badges of the members

THE HOST 's responsibilities to provide Secretariat's facilities:

1. Invitation letter for the visa arrangement
2. International Dinner hosted by THE HOST (200 participants)
3. Two Staffs for secretariat support
4. Photo – copier arrangement
5. Hospitality room in the hotel
6. Punctuality of meal and tea arrangement
7. Invitation for Inauguration
8. Invitation: Chief Guest of Open Forum
9. To monitor with Hotel: Pattern – Function Room, Pick-up, meal arrangement and preparation of banners
10. Local transport to receive the guests
11. Field – visit: selection of CUs
12. Reservation for the bus for field-visit
13. Transportation arrangement to airport
14. Other support such as conference bag and souvenirs for participants

1) To Mr Sitanggsang North Sumatra with copy to Tutuk