

A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities of the boards they serve shall not be compromised.

2.1.3 Qualifications of Trustee

The trustees to be elected must be of legal age, recognized active beneficiary member of the KGI-MBA or any of its affiliates, has consistently performed very satisfactorily for at least the last three (3) years of his/her membership and has an on-going business funded by loan from KAZAMA Grameen, Inc. (KGI) or any of its affiliates and is willing to perform the functions of a trustee without any remuneration.

2.1.4 Disqualifications of Trustees

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 his/her election or appointment, shall qualify as a Trustee or Officer. In addition, a member whose membership has been terminated due to various reasons, and/or has resigned from membership with KAZAMA Grameen, Inc. (KGI) or any of its affiliates, shall also be disqualified from being a Trustee or Officer.

2.1.5 Duties, Functions & Responsibilities of the Board

2.1.5.1 General Responsibility

Unless otherwise provided by law, the corporate powers of KAZAMA Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc. shall be exercised, all business conducted and all properties of the corporation controlled and held by the Board of Trustees subject to approval of the majority of its members.

2.1.5.2 Powers, Duties and Functions

Without prejudice to such powers as may be granted by law, the Board of Trustees shall have the following powers:

- 2.1.5.2.1 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 association's business and affairs;
- 2.1.5.2.2 To purchase, receive, take or otherwise acquire for and in the name of KGI-MBA, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;
- 2.1.5.2.3 To invest the funds of KGI-MBA in other corporations or for purposes other than those for which the association was

- organized, subject to such approval of the members as may be required by law;
- 2.1.5.2.4 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 KGI-MBA;
 - 2.1.5.2.5 To establish pension, retirement, bonus, or other types of incentives or compensation plans for the members, employees, including officers and Trustees of KGI-MBA;
 - 2.1.5.2.6 To prosecute, maintain, defend, compromise, submit arbitration or abandon any lawsuit in which KGI-MBA or its officers are either plaintiffs or defendants in connection with the affairs of KGI-MBA;
 - 2.1.5.2.7 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 KGI-MBA under the Corporation Code;
 - 2.1.5.2.8 To appoint and dismiss any employee of KGI-MBA whether regular, probationary, casual, or contractual, fix or adjust their salaries and all other personnel movements;
 - 2.1.5.2.9 To delegate any of its powers or function to an executive committee or to any officer of KGI-MBA to any standing or special committee or to any officer or agent and to appoint any person to be an agent of KGI-MBA;
 - 2.1.5.2.10 To approve all contracts for construction and major repairs or maintenance work, and other contracts involving significant amounts;
 - 2.1.5.2.11 To approve all contracts involving the sale of non-current assets.

2.1.5.3 Term of Office

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

2.1.5.4 Internal Control Responsibilities of the Board

The control environment of the association consists of:

- (a) the Board which ensures that the corporation is properly and effectively managed and supervised;
- (b) a Management that actively manages and operates the corporation in a sound and prudent manner;
- (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and
- (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational