

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

MANUAL OF CORPORATE GOVERNANCE

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I. INTRODUCTION

This Manual of Corporate Governance was approved and adopted on _____ by the Board of Trustees of **NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.** The structures and processes set forth in this Manual, the Articles of Incorporation and By-Laws, in conjunction with our commitment to:

HUMANITY because ours is business of helping our member elevate their quality of life. We provide services that enable our members' to secure financial aid to address most challenging moments in life;

INTEGRITY because we recognize that each person that comprise Novo defines our organization as a company with utmost integrity. Knowing who we are and taking pride in our purpose and commitment to help those who are in need. We turn values into action. We adhere to Ethical and responsible decision-making.

EXCELLENCE because we value excellence that goes beyond mere compliance with the regulations and we care about what is important to our members and caring is part of who we are, we will go out of our way to provide aid and services that communicate our concern and desire to help our members in the best way possible.

TRANSPARENCY because we believe in the governance of transparency, accountability, fairness, shall form NOVO's basic framework of governance by which the Board of Trustees, officers, executives and employees shall strive to achieve the strategic objectives to sustain long term viability.

II. GOVERNANCE STRUCTURE

A.) BOARD OF TRUSTEES

The Board of Trustees has the responsibility to ensure that the company adheres to sound corporate governance standards.

A.1. Composition

The Board of Trustees shall be composed of Five (5) Trustees, or such number of Trustees provided in the Articles of Incorporation, duly elected by the members entitled to vote in accordance with the By-Laws, the Corporation Code and Securities Regulation Code.

The Trustees elected in the annual meeting of the members shall serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board occurring for any reason other than by removal of a Trustees by the members or by the expiration of term may be filled by the vote of at least a majority of the remaining Trustees, if still constituting a quorum. A Trustee so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

A.2. Qualifications for Trusteeship

The minimum qualifications for trusteeship in the Company Said qualifications may be amended from time to time to include additional qualifications provided under any amendments to the Corporation Code, Insurance Commission (IC), Banko Sentral ng Pilipinas (BSP), Department of Education (DepEd) and other relevant laws, rules and regulations, and such other qualifications approved by the Board and incorporated in amendments to the By-Laws.

The Minimum qualifications shall be:

1. Must at least be a member of the Association;
2. Must have a college education or equivalent academic degree;
3. Must be at least twenty-one (21) years old;
4. Must possess integrity and probity;

5. Must have a practical understanding of the business of the Company or previous business experience; and
6. Must have attended a seminar on corporate governance conducted by a duly recognized private or government entity or must have issued an undertaking to attend such a seminar as soon as practicable.

A.3. **Disqualifications from Trusteeship**

The grounds for disqualification from trusteeship in the Company may be amended from time to time to include additional grounds for disqualification provided under any amendments to the Corporation Code, Securities Regulation Code, and other relevant laws, rules and regulations, and such other grounds for disqualification approved by the Board and incorporated in amendments to the By-Laws.

Permanent Disqualification

The grounds for permanent disqualifications shall be:

1. Any person convicted or adjudged guilty of any of the offenses or crimes specified below in a final, non-appealable judgment, decree or order issued by a judicial or an administrative body having competent jurisdiction or the Commission:
 - a. an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
 - b. having willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission, BSP, IC, DepEd.

The disqualification shall also apply if such person: (a) is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission, BSP, IC, DepEd; or (b) has otherwise been restrained to engage in any activity involving securities and banking; or (c) is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the said organization;

2. Any person found guilty by final judgment or order of a foreign court or equivalent securities or banking regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in Sections 1 and 2 above;

3. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;

4. Any employee, officer, manager, trustee or controlling person or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation or entity engaged in any line of business of the Company or any of its subsidiaries, when in the judgment of the Board, by at least a majority vote, the laws against combinations and restraint of trade shall be violated by such person's membership in the Board;

Temporary Disqualification

The Nomination Committee may consider and recommend to the Board temporary disqualification of a Trustee based on any of the following grounds:

- a. Refusal to comply with the disclosure requirements of the Securities Regulation Code, Banko Sentral ng Pilipinas, Insurance commission, department of Education (DepEd) and its Implementing Rules and Regulations, which disqualification shall be in effect as long as said refusal persists;
- b. Absence in more than fifty percent (50%) of all Board meetings, both regular and special, during his incumbency or any twelve (12) month period during said incumbency, unless the absence is due to justifiable causes such as illness, death of an immediate family member or serious accident.
- c. Dismissal or termination for cause as director/trustee of any corporation or association covered by the Governance Code. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- d. Being under preventive suspension by the Company (in the case of an Executive Trustee); and
- e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Any temporary disqualification of a Trustee recommended by the Governance and Nomination Committee to be valid and effective must be approved by the Board and comply with the requirements of applicable laws, rules and regulations.

A temporarily disqualified Trustee shall, within the period prescribed by the Board, which shall not be less than sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

A.4. General Responsibilities of the Board and the Trustees

Compliance with the principles of good corporate governance instituted in this Manual shall be the paramount responsibility of, and shall start with, the Board.

The Board shall exercise the corporate powers, conduct the business, and control the properties of the Company in consonance with the corporate governance principles instituted in this Manual and shall be responsible for fostering the long-term success of the Company and securing its sustained competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of the Company, its members and other stakeholders, as a whole. Trustee shall:

- a. act within the scope of power and authority of the Company and the Board as prescribed in the Articles of Incorporation, By-Laws, and in existing laws, rules and regulations;
- b. exercise their best care, skill and judgment and observe utmost good faith in the conduct and management of the business and affairs of the Company; and
- c. act in the best interest of the Company and for the common benefit of the Company's stockholders and other stakeholders

A.5. Specific Duties and Functions of the Board

To ensure a high standard of governance and best practice and to promote and protect the interest of the Company, its members and other stakeholders, as a whole, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- a. implement a process of selection of Trustee to ensure knowledge, expertise and experience and balance the needs of the Board, and that trustees can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
- b. constitute an Audit Committee, Nomination Committee, and a Remuneration Committee, and such other committees which it deems necessary to assist the Board in the performance of its duties and responsibilities;
- c. select and appoint the CEO and other Officers;
- d. determine and review, together with Management, the Company's vision, mission and strategic objectives;
- e. oversee Management's establishment and maintenance of effective and adequate financial reporting and internal control systems;
- f. ensure that the Company has an internal audit system and an independent audit mechanism for the proper audit and review of the Company's financial statements by independent auditors;
- g. ensure that the Company complies with all relevant laws, rules and regulations of the Securities and Exchange Commission, Bureau of Internal Revenue (BIR), Insurance Commission (IC), Banko Sentral Ng Pilipinas (BSP), Department of Education (DepEd), Local government Unit (LGU) and other government agencies
- h. ensure that the company endeavors to adopt best business practices in the industry to assure competitiveness, efficiency and sound management;
- i. properly discharge Board functions by meeting regularly, give due consideration to independent views and ensure the integrity of decision making during Board meetings;

A.6. Specific Duties and Responsibilities of a Trustee

A Trustee should act in a manner characterized by integrity, transparency, accountability and fairness. Consistent with this, a Trustee shall:

- a. conduct business transactions with the Company fairly, and ensure that his personal interest does not conflict with the interest of the Company or affect his independent judgment and the Board's

- decisions,
- b. devote the time and attention necessary to properly and effectively discharge his fiduciary duties and responsibilities;
 - c. act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision;
 - d. exercise independent judgment;
 - e. observe and safeguard confidentiality of non-public information acquired by reason of his position as a trustee.

A.7. Board Meetings

The Board shall schedule and hold regular meetings in accordance with its By-Laws and convene for special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials shall be furnished to the Trustees prior to each meeting, which meeting must be duly minuted.

Every Trustee shall attend each Board meeting, except when justifiable causes prevent his attendance, to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness, death of an immediate family member, or serious accident.

A.8. Compensation of Trustee

Trustees shall not receive any compensation, as such, except for reasonable per diems, unless such compensation is provided in the By-Laws or granted by a vote of the members.

B. **BOARD COMMITTEES**

To aid in ensuring compliance with the principles of good corporate governance, the Board shall constitute an Audit Committee, a Governance and Nomination Committee. Each Board Committee shall submit to the Board at least once a year a report of its accomplishments and a self-assessment of its performance.

AUDIT COMMITTEE

The Audit Committee is created to assist the Board of Trustees in fulfilling its oversight responsibilities for:

- a. ensuring the integrity of the company's financial reporting;
- b. the company's timely compliance with the legal and regulatory requirements of the SEC, DepED, IC and other government agencies concerned.
- c. the company's audit process including the external auditor's qualification and independence.
- d. Ensure that effective system of internal controls is placed to maintain the integrity of the financial reports and efficiency in operations.

REMUNERATION COMMITTEE

The Remuneration Committee is created to assist the Board of Trustees in the following endeavors, to wit:

- a. Provide guidance and assist the Board of Trustees in developing a compensation philosophy consistent with the ideals, culture and best interest of the company;
- b. Oversee the development and administration of the company's executive compensation programs and long term incentive plans equitable with the company standing;
- b. Assist the Board in making a succession plan for the employees and officers of the company in keeping with best interest of the company in general.

NOMINATION COMMITTEE

The Nomination Committee is created to assist the Board of Trustees in:

- a. Reviewing and evaluating the qualifications of the persons nominated to the Board of Trustees;
- b. Identify persons believed to be qualified to become members of the Board of Trustees and the Board Committees; and
- c. Ensuring the effectiveness in replacing or appointing new members of the Board and/or Committees;

d. Ensuring that the process of appointing, replacing and assuming the position in the Board and/or Committees are legally and validly

B.1 Appointment of Members

The Board shall appoint the members and chairman (from among the members) of each Board Committee following the annual meeting of members at which the trustees are elected. In case of any vacancy in the Committee, the Board shall appoint a replacement who will fill the vacancy.

The Board shall ensure that:

(i) all of the members of the Audit Committee including the chairman thereof (who shall be chosen from among the members), shall be Independent Trustees, and each member of the Audit Committee is financially literate and the chairman has accounting or related financial management expertise, as such qualifications are interpreted by the Board based on its business judgment;

(ii) at least a majority of the voting members of the Governance and Nomination Committee shall be Trustees (one of whom must be an Independent Trustee); and

(iii) at least a majority of the voting members of the Executive Compensation Committee shall be Trustees (one of whom must be an Independent Trustee).

B. 2. Charters

Each Board Committee shall have a Charter which shall define and govern, among other matters, its purposes, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedures for escalation to the Board of decisions of such Board Committee.

The respective Charters of the Board Committees shall be approved by the Board and shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by the Board.

C. THE CHAIRMAN

The Chairman shall assist in ensuring compliance with and performance of the corporate governance policies and practices.

The Chairman shall ensure that Board meetings are held in accordance with the By- Laws and annual schedule approved by the Board. He shall supervise the preparation of the agenda of each meeting in coordination with the Corporate Secretary, taking into consideration the proposals of the CEO, Management and Directors of the Company. He shall provide leadership for the Board and ensure that the Board works effectively and performs its duties responsibly. He shall also ensure that the lines of communication and flow of information between Management and the Board are maintained.

D. THE CEO AND THE MANAGEMENT

D. 1. Duties and Responsibilities

a) The CEO shall have general care, management and administration of the business operations of the Company. He shall ensure that:

- (i) the business and affairs of the Company are managed in a sound and prudent manner; and
- (ii) operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.

b) The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board.

D.2 Compensation

The compensation of the CEO and other Officers shall be subject to review and approval by the Board of Trustees. Equity-based plans and long-term incentive plans for Officers shall be subject to review and approval by the Board and, as applicable, members' approval.

D. **THE CORPORATE SECRETARY**

D. 1. Qualifications

a) The Corporate Secretary shall be Filipino citizen and resident of the Philippines.

b) They must possess appropriate administrative, interpersonal and legal skills, be aware of the laws, rules and regulations necessary in the performance of their duties or responsibilities, and have at least an understanding of basic financial and accounting matters.

c) They must have a working knowledge of the operations of the Company.

D.2 Duties and Responsibilities

a) As Officers, the Corporate Secretary must be loyal to the mission, vision and objectives of the Company.

b) The duties and responsibilities of the Corporate Secretary shall be those provided in Article VIII of the By-Laws. In addition to said duties and responsibilities, the Corporate Secretary and/or Assistant Corporate Secretary shall:

(i). be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and Board Committees, as well as other official records of the Company;

(ii). work fairly and objectively with the Board, Management, members and other stakeholders;

(iii). inform the Trustees, in accordance with the By-Laws, of the schedule and agenda of Board meetings and ensure that

Management provides them complete and accurate information that will enable them to arrive at intelligent or informed decisions on matters that require their approval;

(iv). attend all Board meetings, except when justifiable causes, such as illness, death of an immediate family member or serious accident, prevent them from doing so;

(v). ensure that all Board procedures, rules and regulations are strictly followed by the Trustees; and

(vi). if the Corporate Secretary is also the compliance officer, perform all the duties and responsibilities of the said officer as provided in this Manual and the Governance Code.

E. INTERNAL AUDITOR

E.1 Functions

a) The Company shall have in place an internal audit system whereby an internal audit organization conducts independent and objective internal audit activities designed to improve and add value to the Company's operations.

b) Help accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

b) Internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls covering the Company's financial reporting, governance, operations and information systems.

E. CHIEF AUDIT OFFICER

a) The Chief Audit Officer shall be the head of the Company's internal audit organization and shall functionally report to the Audit Committee.

b) He shall be responsible for the internal audit activities and submit to the Audit Committee an annual internal audit plan conforming with the objectives of the Company, which plan shall include the audit scope, resources and budget necessary to implement it.

c) He shall submit to the Audit Committee and Management a quarterly or annual report on the internal audit organization's activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Audit Committee.

F. EXTERNAL AUDITOR

F. 1 Selection/Appointment/Resignation/Dismissal

a) The Audit Committee shall select and appoint an External Auditor duly accredited by the Commission, or remove and replace such External Auditor as the Audit Committee deems necessary.

b) If an External Auditor resigns or is removed or ceases to perform service to the Company, the reasons therefor and the date thereof shall be reported in the Company's annual and current reports.

F.2 Functions and Restrictions

a) The External Auditor shall ensure that sound corporate governance as reflected in the financial records and reports of the Company shall be maintained and complied with.

b) The External Auditor of the Company shall not at the same time be engaged as the internal auditor thereof.

III. MEMBERS' RIGHTS AND PROTECTION

A. MEMBERS RIGHTS

The Board shall respect the rights of the members as provided for in the Corporation Code, as well as the Articles of Incorporation, By-Laws and all resolutions adopted by the Board. These rights are as follows:

- a) Right to vote on all matters that require their approval pursuant to the relevant provisions of the Corporation Code and the Constitutive Documents.
- b) Pre-emptive right or the right to subscribe to or purchase any unissued shares of stock of the Company offered for subscription or purchase
- c) Right to inspect corporate books and records including minutes of Board meetings and stock registries.
- d) Right to receive information which is required to be disclosed by the Company.
- e) Right to dividends
- f) Appraisal right or the right to dissent and demand payment of the fair value of their shares.

B. DUTY TO PROMOTE MEMBER'S RIGHTS

The Board should promote member's rights and facilitate the exercise thereof. Members may seek redress for violation of their rights as such in accordance with applicable laws.

Members who have matters for discussion or concerns directly relating to the business of the Company may initially elevate such matters or concerns to: (a) the Corporate Secretary; (b) the Investor Relations Officer; (c) Management; or (d) the Board.

IV. DISCLOSURE OF MATERIAL INFORMATIONS

The Board commits to the full and timely disclosure to the public of all material information and transactions/dealings of the Company or the interest of its members and other stakeholders in the Company.

V. MONITORING AND IMPLEMENTATION

The Governance and Nomination Committee shall establish the appropriate evaluation system for purposes of monitoring and assessing compliance with this Manual and the applicable provisions of the Governance Code by the Company, Board and Management, which evaluation system shall be approved by the Board.

The Chief Governance Officer shall be responsible for promptly reporting to the Chairman and the Governance and Nomination Committee any violation of this Manual.

The Governance and Nomination Committee shall, after proper investigation, notice and hearing, determine and recommend to the Chairman of the Board the appropriate penalty for such violation, subject to further review and approval by the Board.

Ma. Kristine T. Padayao

PRC # 0121608

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