

# **NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.**

## **MANUAL OF CORPORATE GOVERNANCE**

### **TABLE OF CONTENT**

- I. Introduction
- II. Members' Rights and Protection
  - A. Member's Rights
  - B. Duty to Promote Member's Rights
- III. Governance Structure
  - A. Board of Trustees
    - Composition of Board of Trustees
    - Qualifications for Trusteeship
    - Disqualifications from Trusteeship
    - General Responsibilities of the Board of Trustees
    - Independent and Non-Executive Members of the Board of Trustees
    - Specific Duties and Responsibilities of a Trustee
    - Board Meetings
    - Compensation of Trustee
    - Retirement of a Trustee

- B. Officers of the Association
  - 1. The President
  - 2. The Corporate Secretary
  - 3. External Auditor
  - 4. Compliance Officer
- IV. Board Committees
  - A. Audit Committee
  - B. Corporate Governance Committee
- V. Corporate Policies
  - A. Disclosure and Transparency
  - B. Whistle-blowing Policy
  - C. Anti-Corruption Policy
  - D. Corporate Participation Policy
- VI. Monitoring and Implementation

## I. INTRODUCTION

This Manual of Corporate Governance was approved and adopted 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 part of NOVO's basic framework of governance by which the Board of Directors, officers, executives and employees shall strive to achieve the strategic objectives to sustain long term viability.*

## II. MEMBERS' RIGHTS AND PROTECTION

#### **A. MEMBER'S RIGHTS**

The Association shall at all times respect and uphold the rights of its members as provided for in the Corporation Code, as well as the Articles of Incorporation, By-Laws and all resolutions adopted by the Board establishing and designating classes or series of shares of stock of the. 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 of the rights of the members freely and independently of each other. Any member 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 any of the officers of the Association and/or members of the Board of Trustees.

### **III. GOVERNANCE STRUCTURE**

#### **A. BOARD OF TRUSTEES**

The Board of Trustees has the responsibility to ensure that the association adheres to sound corporate governance standards. All delegated authorities must emanate from the Board. Any matter of significance affecting the association which requires the Board's attention, including any matters which exceed the delegated authority of the executive management should be raised with the Board.

The members of the Board of Trustees, have the fullest powers to regulate concerns of the association according to their best judgment having in mind the best interest of the organization giving supreme consideration to its members.

Diversity in the members of the board enhances the effectiveness of corporate leadership and ultimately the same shall promote more effective member relationships which shall not be limited to gender diversity but diversity in terms of age, ethnicity, culture, skills, competence and knowledge.

Each Board member shall participate in an induction program that is tailored to effectively orient with the association's business, strategy, objectives, policies, procedures, operations, management and the business environment for effective and efficient performance on the Board to be able to exercise sound and objective judgment about the affairs of the association.

### **Composition of the Board of Trustees**

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 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.

### **Qualifications for Trusteeship**

The minimum qualifications for trusteeship shall be those set forth below. 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 in good standing
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.

### **Disqualifications from Trusteeship**

The grounds for disqualification from trusteeship in the Association 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.

#### **(a) 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 Association 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.

### **(b)Temporary Disqualification**

The 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 Trustee of any 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; 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 Corporate Governance 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.

### **General Responsibilities of the Board of 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 Association in consonance with the corporate governance principles instituted in this Manual and shall be responsible for fostering the long-term success of the Association and securing its sustained competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of the Association, its members and other stakeholders, as a whole. Trustee shall:

- a. act within the scope of power and authority of the Association 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 Association; and
- c. act in the best interest of the Association and for the common benefit of the Association's stockholders and other stakeholders
- d. 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;
- e. constitute the necessary committees which it deems necessary to assist the Board in the performance of its duties and responsibilities;
- f. select and appoint the President and other Officers;
- g. determine and review, together with Management, the Association's vision, mission and strategic objectives;
- h. oversee Management's establishment and maintenance of effective and adequate financial reporting and internal control systems;
- i. ensure that the Association has an internal audit system and an independent audit mechanism for the proper audit and review of the Association's financial statements by independent auditors;
- j. ensure that the Association complies with all relevant laws, rules and regulations of the Securities and Exchange Commission, bureau of Internal Revenue (BIR), Insurance commission (IC), Bankio Sentral Ng Pilipinas (BSP), Department of Eduction (DepEd), Local Government Unit (LGU) and other government agencies
- k. ensure that the Association 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.

### **Independent and Non-Executive Members of the Board of Trustees**

Independent and non-executive trustees shall ensure that he/she will be able to devote sufficient time to effectively carry out his/her duties and responsibilities.

An independent trustee shall refer to a person who –

1. is not or was not a trustee, officer or employee of the association, its subsidiaries, affiliates or related interests during the past three (3) years counted from the date of his election/appointment;
  2. is not or was not a trustee, officer, or employee of the association and their related companies during the past three (3) years counted from the date of his election/appointment;
  3. is not a close family member of any trustee, officer or stockholder holding shares of stock in the association;
  4. is not acting as a nominee or representative of any trustee of other association similar or related to the association.
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5. is not or was not retained as professional adviser, consultant, agent or counsel of the Association, any of its related companies, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
  6. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the association or with any of its related companies;
  7. is not affiliated with any non-profit organization that receives significant funding from the association or any of its related companies;

### **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.

### **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 personally, 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.

### **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 majority vote of the members.

### **Retirement of a Trustee**

As a general rule, a Trustee may be re-elected until the calendar year in which that Trustee turns 75 years of age. However, the Board may waive this requirement as to any Trustee if it deems a waiver to the best interest of the association.

Any vacancies occurring in the Board may be filled by the vote of at least a majority of the remaining Trustee, if still constituting a quorum, provided, that any vacancy occurring by reason of removal by Trustee, by expiration of term or increase in the number of trustees shall be filled by the members in a regular or special meeting called for the purpose.

## **B. OFFICERS OF THE ASSOCIATION**

### **(a) THE PRESIDENT**

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

The President shall ensure that Board meetings are held in accordance with the By- Laws and annual schedule approved by the Board. He/She shall supervise the preparation of the agenda of each meeting in coordination with the Corporate Secretary, taking into consideration the proposals of the Trustees, Members, Committee Officers, other members of the management team. He/She shall provide leadership for the whole organization and ensure that every member of the association works effectively and performs its duties responsibly. He/She shall also ensure that the lines of communication and flow of information between officers, Board of Trustees and Members are maintained. The duties and Responsibilities of the President shall include:

- a) The general care, management and administration of the business operations of the association. He/She shall ensure that:
  - (i) the business and affairs of the association 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 President shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board.
- c) All other duties and as may be approved by the board and embodied in the board charter.

### **Compensation of the President**

The compensation of the President 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, trustees' approval.

### **(a) THE CORPORATE SECRETARY**

#### **Qualifications of the Corporate Secretary**

- 1) The Corporate Secretary shall be Filipino citizen and resident of the Philippines.
- 2) The Corporate Secretary 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.

3) The Corporate Secretary must have a working knowledge of the operations of the Association and should be able efficiently and effectively discharge the duties and obligation of her/his office in accordance with industry's best practice.

### **Duties and Responsibilities of the Corporate Secretary**

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

2) 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.

### **(c) EXTERNAL AUDITOR**

#### **Selection/Appointment/Resignation/Dismissal**

1) 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.

2) 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.

### **Functions and Restrictions of the External Auditor**

- 1) 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.
- 2) The External Auditor of the Company shall not at the same time be engaged as the internal auditor thereof.

#### **(d) COMPLIANCE OFFICER**

The Board shall appoint/elect a Corporate Secretary who shall be charged with the following responsibilities:

1. Develop, initiates, maintains and revises policies and procedures for the general operation of the Association, its committees to ensure its programs and related activities are in compliance with the legal, ethical and proper conduct requirements of all related government agencies;
2. Review all internal and external communication and legal documents to comply with the standards of conduct to ensure relevance in providing guidance to the Board;
3. Respond to alleged violations of rules, regulation policies, procedures and standards of conduct by evaluating or recommending the initiation of investigative procedures;
4. Develops and oversee a system for uniform handling of violations;
5. Act as an independent review and evaluation body to ensure that compliance concerns within the institution are being appropriately evaluated, investigated and resolved.

#### **IV. BOARD COMMITTEES**

The Board may delegate some of its functions, but not its responsibilities, to Board-level committees. In this regard, the Board shall:

1. Approve, review, and update, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures.
2. Appoint members of the committees taking into account the optimal mix of skills and experience to allow the Board, through the committees, to fully understand and objectively evaluate the relevant issues.
3. In order to promote objectivity, the Board shall appoint independent directors and non-executive members of the Board to the greatest extent possible.
4. Ensure that each committee shall maintain appropriate records of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

The members of the Board of Trustees shall set out and define the key values and principles in a separate Board Charter <sup>1</sup>.

To aid the Board in the optimal performance of its roles and responsibilities and To aid in ensuring compliance with the principles of good corporate governance, the Board shall constitute the following committees:

- a. Audit Committee;
- b. Corporate Governance Committee.

#### **A. AUDIT COMMITTEE<sup>2</sup>**

As an extension of the Board of Trustees, the Audit Committee shall assist the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective oversight of internal and external audit functions, transparency and proper reporting, compliance with laws, rules and regulations and code of conduct, and adequate and effective internal controls.

#### **B. CORPORATE GOVERNANCE COMMITTEE <sup>3</sup>**

The Corporate Governance Committee (CGCCOM) shall assist the Board of Trustees in fulfilling its corporate governance responsibilities and in providing oversight on the implementation of the Association's Compliance System. The committee is tasked with establishing a formal and transparent procedure in determining the remuneration of directors and officers that is consistent with the Bank's culture, strategy, business environment and industry practice.

### **V. CORPORATE POLICIES**

To aid the Board in the optimal performance of its roles and responsibilities, the following policies, among others, have been created:

#### **a. DISCLOSURE AND TRANSPARENCY<sup>4</sup>**

The essence of corporate governance is transparency. It is therefore essential that the Association shall make a full, fair, accurate and timely disclosure to the members every material fact or event that occurs, particularly on the

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<sup>1</sup> Board Charter

<sup>2</sup> Audit Committee Charter

<sup>3</sup> Corporate Governance and Compensation Committee

<sup>4</sup> Policy on Disclosure and Transparency

acquisition or disposal of significant assets, which could adversely affect their viability.

The Association shall adhere at all times to full disclosure of material information dealings. Likewise, the minimum information required to be posted on the company's website, arranged under SEC-recommended topic headings, shall be retained for a period of five (5) years. Any items in the required website template prescribed by the SEC could be added or removed any time as the need arises.

**b. WHISTLE-BLOWING POLICY<sup>5</sup>**

All employees are encouraged to play their part in improving the overall effectiveness and success of the Association and in strengthening its system of integrity. The Association has adopted a Whistle-blowing Policy which aims to guide officers and staff on reporting complaints related to fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and controls.

**c. ANTI-CORRUPTION POLICY<sup>6</sup>**

The employees of the Association are committed to act professionally, fairly, and with integrity in all of its business dealings and relationships, wherever it operates, and implement and enforce effective systems to counter bribery and has adopted a policy.

**d. CORPORATE PARTICIPATION POLICY<sup>7</sup>**

Employee participation is deemed necessary in the name of good governance and corporate social responsibility. The Board encourages all members to personally attend the annual meeting and exercise their rights without due restrictions. Each member is encouraged to exercise their right to participate and is ensured that each one will be treated equally, without discrimination.

**VI. MONITORING AND IMPLEMENTATION**

The Board 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 President any violation of this Manual.

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<sup>5</sup> Policy on Whistle Blowing

<sup>6</sup> Policy in Anti-Corruption Policy

<sup>7</sup> Policy on Corporate Participation

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.

This Manual shall be subject to the rules and regulations, now or hereinafter enacted, by the SEC, BSP, PSE and other regulatory bodies.