

# BOARD CHARTER

## **I. PURPOSE**

This Board of Trustees' (the "Board") Charter (the "Charter") sets out the key values and principles of the Board of NOVO ECIJANO TEACHER'S ASSOCIATION (the "NOVO") Within their authority in matters of governance and compliance with the Corporation Code, the Securities Regulation Code (Republic Act No. 8799), the Insurance Commission and AMLA and other applicable laws and the By- Laws of the Corporation

The Trustees, acting as the Board, 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.

## **II. ROLE OF THE BOARD**

1. The Board is primarily responsible for the overseeing the corporate governance and compliance with government standards in the industry;
2. The Board provides for an independent check on the Trustees;
3. The Board is responsible for establishing a sound system of internal control for an efficient and effective operations of NOVO;
4. The Board is responsible for:
  - i. creation, adoption and development of strategic plans and policies, risk management and governance;
  - ii. establishing policies and processes that ensure integrity of the Company's internal controls and monitoring the operational performance;
5. The Board is responsible for establishing clear roles and responsibilities in discharging its fiduciary and leadership functions.
6. The Board is responsible for ensuring there is an active cultivation of a culture of ethical conduct and sets the values to which the institution will adhere.
7. The Board is responsible for ensuring that the strategies adopted promote the sustainability of the company.
8. The Board is responsible for establishing policies and procedures for effective operations of the Company.

9. The Board shall establish appropriate a human resource policies on staffing, compensation/benefits and manpower development to apply to all employees as may be applicable
10. The Board shall ensure NOVO's compliance with all applicable laws, BSP, SEC, IC, AMLA and DepEd regulations, governance codes, guidelines and regulations and establish systems to effectively monitor and control compliance.

### **III. DELEGATION OF AUTHORITY**

All delegated authorities must emanate from the Board. Any matter of significance affecting NOVO which requires the Board's attention, including any matters which exceed the delegated authority of the executive management should be raised with the Board.

### **IV. COMPOSITION OF THE BOARD**

The Board shall ensure that it comprises a diverse mix of skills and expertise critical for effective oversight on the management of NOVO. This shall be underscored by ensuring that each member has the requisite skill and access to the necessary tools required for their effective performance.

The Board shall be composed of at least five (5), but not more than (15), members who are elected by the Members, a majority of whom are non-executive directors who possess the necessary qualifications to effectively participate and help secure objective and independent judgment on corporate affairs and to substantiate proper checks and balances, and at least three (3) of whom are independent directors, or such number as to constitute at least twenty percent (20%) of the members of the Board.

### **V. BOARD DIVERSITY**

The Board forms one of the pillars of a dynamic corporate governance framework which adheres to a board diversity policy and ensure that optimal decision-making is achieved by exercising independent judgment, responsibility and accountability.

Diversity is adopted by NOVO believing this shall affect the long-term and short-term financial value of this institution which shall ultimately benefit its members. Diversity in the members of the board increases creativity and innovation. The variety of perspectives that emerges cause decision makers to evaluate more alternatives and more carefully explore the consequences of these alternatives.

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.

## **VI. APPOINTMENT AND REMUNERATION OF BOARD MEMBERS**

- a) The Board shall consist of both Executive Directors (EDs) and Non-Executive Directors (NEDs) which shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.
- b) Non-executive directors can concurrently serve as directors to a maximum of five Insurance Commission Regulated Entities (ICREs) and publicly listed companies.
- c) They shall be determined from time to time and subject to regulatory requirements. The Board, through the Nominations Committee shall recommend Directors for appointment by the members at the Annual Stockholders Meetings (ASMs) in accordance with the By-Laws of Novo.
- d) The trustees must notify the Association's board as to where he/she is an incumbent director before accepting a directorship in another company.
- e) Independent Directors (IDs) shall be appointed as per regulatory requirements. An "Independent Director" is a person who:
  - 1. Is not or has not been an officer or employee of NOVO, its subsidiaries or affiliates or related interest during the past three (3) years counted from the date of election.
  - 2. Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer;
  - 3. Is not acting as nominee or representative of any director of NOVO, any of its related companies; and

4. Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies, either in his personal capacity or through his/her firm;

An independent director may only serve as such for a maximum cumulative term of nine (9) years.

## **VII. RETIREMENT of 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 directors, if still constituting a quorum, provided, that any vacancy occurring by reason of removal by members, by expiration of term or increase in the number of directors shall be filled by the stockholders in a regular or special meeting called for the purpose.

## **VIII. INDEPENDENT AND NON-EXECUTIVE TRUSTEES**

Independent and non-executive trustees shall ensure that he will be able to devote sufficient time to effectively carry out his 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 NOVO.
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 or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
  7. is not affiliated with any non-profit organization that receives significant funding from the association or any of its related companies;
  8. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer.

## **IX. BOARD INDEPENDENCE**

To enhance independence, the Board shall avail an environment that ensures the members are critical and independent of one another so as to promote independent and objective judgment.

## **X. ACCESS TO INFORMATION AND INDEPENDENT ADVICE.**

1. The Board may from time to time require independent legal, financial, governance or other expert advice. To facilitate this, the Board shall ensure members obtain external advice, as may be required, at the company's expense and shall invite senior management to provide technical advice as needed.
2. The Board shall establish procedures to allow its members access to relevant, accurate and complete information and professional advice in order to discharge its duties effectively.

## **XI. BOARD TRAINING**

Each Board member shall participate in an induction program that is tailored to effectively orient with 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 association.

The Board shall ensure adequate Board development through continuous training to keep the Board well informed on critical information pertinent to the business and corporate governance environment. An annual continuing training for the Board members shall be made part of the program and planning of the association.

Thereafter, the Board shall conduct an annual review to regularly check and identify the training need requirement for each member to ensure continuous development.

## **XII. BOARD EVALUATION**

To ensure effectiveness of the members of the Board, the Board shall carryout an assessment of its performance which will include the Chairperson, committees members, individual members, the President and Chief Executive Officer and the Corporate Secretary.

The Board shall discuss the results of the evaluation exercise which shall also inform the Board on the training needs for its members which shall be included in the annual report and financial statements of the company.

## **XIII. DUTIES OF THE MEMBERS OF THE BOARD OF TRUSTEES**

Each Board member shall have the fiduciary duty to:

1. Exercise a reasonable degree of care, skill and diligence and act in good faith and in the best interests of NOVO and not for any other purpose;
2. Act honestly at all times and must not place themselves in a situation where personal interests conflict with those of NOVO;

3. Devote sufficient time to carry out their responsibilities and enhance their skills;
4. Promote and protect the image of NOVO;

#### **XIV. ROLE OF THE CHAIRMAN AND THE PRESIDENT**

The Board shall elect a Chairman and a President both of which must be trustee. The President shall keep the Board informed about the business of NOVO.

##### **A. The Role of the Chairman shall be able to:**

1. Provide leadership to the Board of Trustees and ensure its effectiveness in all aspects of its role. The Chairman shall set the Board agenda with the assistance of the President and Corporate Secretary;
2. Monitor attendance at Board meetings;
3. To ensure that there is a robust process for Board succession and that a current pool of candidates has been identified;
4. Put in place and maintain an effective delegation of authority structure to provide effective management and control over the Association's business with the assistance of the President;
5. Communicate effectively with the members and ensure that the views of the members are communicated to the Board as a whole;
6. Communicate effectively with government agencies, financial institutions, the media, the public and any relevant special interest groups;
7. Chair the Annual Member's Meeting;
8. Manage the training needs of each board member and ensure development and ensure the Board undertakes continuous development in order to enhance governance practices within the Board itself.

##### **B. The role of the President shall be to:**

1. Ensure that the policies spelt out by the Board is in sync with the corporate strategy;

2. Identify and recommend to the board competent officers to manage the operations of the institution. In the fulfilment of this duty, the President ensures that the institution's human resources policy is adhered to;
3. Co-ordinate the operations of the various departments within the institution;
4. Establish and maintain efficient and adequate internal control systems;
5. Design and implement the necessary management information systems in order to facilitate efficient and effective communication within the institution;
6. Ensure that the Board is frequently and adequately appraised about the operations of the NOVO

## **XV. THE CORPORATE SECRETARY**

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

1. provide guidance to the Board on its duties and responsibilities and on other matters of governance;
2. ensure that the Board complies with its obligations under the law
3. assist the Chairman of the Board in organizing the Boards activities;
4. assist the Board with evaluation exercise;
5. carry out any other duties as may be assigned by the Board from time to time.

## **XVI. THE COMPLIANCE OFFICER**

The Board shall appoint/elect a Compliance Officer who shall be charged with the following responsibilities:

1. Develop, initiates, maintains and revises policies and procedures for the general operation of NOVO, 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 with in the institution are being appropriately evaluated, investigated and resolved.

## **XVII. THE EXTERNAL AUDITOR**

The Board shall appoint and secure the services of an external auditor who shall be charged with the following responsibilities:

1. ensure that sound corporate governance as reflected in the financial records and reports of the Company shall be maintained and complied with.
2. Evaluate financial statements and assessing accounts for accuracy and compliance;
3. Investigate internal systems and assess risk management approaches adopted by the Board;
4. Perform inquiries and audit in different departments and committees;
5. Report findings of irregularities, error and fraud to the Board.

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

## **XVIII. BOARD COMMITTEES**

The Board may discharge any of its responsibilities through Board Committees appointed from amongst its members subject to the applicable laws.

The Board appoints the Chairpersons of the Committees and shall approve appropriate terms of reference for the Committees. The Board may be required to establish other committees from time to time.

The Board has established the following committees:

- Audit Committee
- Corporate Governance which includes Nominations and Remuneration Committee

Each board committee shall have the following obligations:

1. The Committees shall report to the Board on matters referred to it by the Board and on the proceedings following each meeting of the committee. The report shall include findings, matters identified for specific recommendation to the Board, action points and any other issues as deemed appropriate.
2. The committees shall liaise with each other in so far as it is expedient to effectively perform their different roles.
3. The Board remains collectively responsible for the decisions of any committee and shall review the effectiveness and performance of committees annually.

## **XIX. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS**

NOVO recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire group where said Institutions belong. In the exercise of appropriate oversight and implementation of effective control systems for managing said exposures, all Trustees are required to:

1. Declare any interests that may give rise to potential or perceived conflict;
2. Declare as soon as they become aware that a subject to be discussed at a Board or committee meeting may give rise to a conflict of interest at the outset of the applicable meeting.
3. The conflicted Trustee or officer shall not participate further in the discussion of that subject, nor vote on it.

4. The Board evaluates all potential or perceived conflict of interest as declared and approves such transactions with the Bank as may be appropriate.
5. A register of declared Conflicts of Interest shall be maintained by the Corporate Secretary.

## **XX. CODE OF CONDUCT**

1. The Board adopts a Code of Conduct for all trustees and employees;
2. NOVO adopts effective whistleblowing mechanisms that encourage members, employees and trustees to bring out information helpful in enforcing good corporate governance practices.
3. The Board also adopts the Code of Conduct as prescribed by the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC); Insurance Commission (IC), Department of Education (DepEd) and all other allied and related government agencies that governs the operation of NOVO.

## **XXI. RELATIONSHIP WITH MEMBERS**

The Board recognizes, respects and protects the rights of its members and it shall provide members with information as is required under applicable laws and establishes mechanisms to ensure effective communication with them.

## **XXII. ADOPTION AND AMENDMENT**

The Board shall adopt this Board Charter which shall be reviewed periodically or as the need arises.