



MANUAL ON CORPORATE GOVERNANCE

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I. Introduction

Mindanao Educators Mutual Benefit Association, Inc. is a non-stock, non-profit association duly registered with Securities and Exchange Commission on August 4, 2011. It caters primarily to all educators in Mindanao. The primary services of MEMBA is to provide its members with financial assistance in a form of benefits in case of sickness, disability or death of members by accumulating funds through the collection of fees or dues. This can be either stated or in irregular intervals. Our goal is to offer and provide the members with financial assistance in times of economic predicament through successful and consistent implementation of our programs. In order to meet our goals and objectives, MEMBA maintains a wide range of qualifications. We have a set of highly skilled team that provides supreme customer service. The exceptional services and well-experienced team coupled with the intensive implementation of our objectives makes Mindanao Educators Mutual Benefit Association, Inc. the primary mutual benefit association for educators.

II. CORPORATE OBJECTIVES

- To encourage thrift and savings among members.
- To encourage members to unify their resources into a common fund.
- To improve the quality of life of the educators in Mindanao by mobilizing their resources in order to provide financial support to each other.

III. Governance Structure

A. The Board of Trustees

The Board of Trustees shall be the governing body of the Association. Trustees' shall act in a manner characterized by transparency, accountability and for the best interest of the members and stakeholders.

1. Composition of the Board of Trustees

The Board of Trustees shall be composed of seven (7) members, including two (2) Independent Trustees. The Board of Trustees are elected during the Annual General Membership Meeting (AGMM).

2. Qualification of the Board of Trustees

- a. He/She is not delinquent in the payment of his regular and monthly dues;
- b. He/She always adheres to the rules and regulations imposed by the Association;
- c. He/She regularly attends the meetings of the Association;
- d. He/She actively participates in the projects and activities of the Association.

3. Disqualification of Trustees, Officers

No member convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the

Code committed within five (5) years prior to the date of his election or appointment, shall qualify as a trustee or officer.

4. Term of Office of Trustees

The Trustees shall hold office for one (1) year and until successors are duly elected and qualified.

5. Duties and Responsibilities

- The Board of Trustees shall elect among themselves or appoint officers.
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Association, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- To observe transparency and accountability for the best interest of the members and stakeholders.
- To ensure effectiveness and adequacy of the Association's control environment.
- Trustees shall be responsible for approving and overseeing the implementation of the Associations' policies and procedures.
- Ensure that the Association complies with all the relevant laws, regulations and endeavor to adopt best business practice.

6. Independent Trustee

An Independent Trustee shall refer to a person who:

- is not or was not a regular trustee, officer or employee of the Association, its subsidiaries, affiliates or related companies during the past three (3) years counted from the date of his election/appointment;
- is not acting as a nominee or representative of any trustee of other association similar or related to the association;
- is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the Association, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election/appointment;
- is not or was not retained as professional adviser, auditor, 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/appointment;
- 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 other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- is not affiliated with any non-profit organization that receives significant funding from the Association or any of its related companies;

An Independent Trustee may only serve for a maximum cumulative term of nine (9) years. After which, the independent director is no longer qualified for re-election as independent trustee, but may continue to qualify for nomination and election as a non-independent trustee.

7. Board Diversity

The Board of Trustees shall be well represented from different part of operations of the Association where there will be a diversity in the age, ethnicity, culture, skills, competence and knowledge. 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.

8. Vacancy in the Board

If any vacancy shall occur in the Board by any reason other than by removal by the members or by expiration of term, if still constituting a quorum, such vacancy may be filled by the vote of atleast a majority of the remaining trustees, in a regular or special meeting called for that purpose.

9. Board Evaluation

The best measure of the Board's effectiveness is through an assessment process. The Board shall carry out evaluations to appraise its performance as a body, which will include the chairman, individual members and officers, and assess whether it possesses the right mix of backgrounds and competencies.

10. Board Meetings

The Board of Trustees shall hold regular meetings atleast once every quarter.

Special Meetings of the Board may be called by the chairman or by written request of any four (4) trustees. Notices of all special meetings of the Board of Trustees shall be mailed to each trustee at his last known postal address, or delivered to him personally, or at his office, or transmitted by telegraph or telephone or by e-mail atleast one (1) day prior to the date fixed for the meeting, and shall specify the time, date and place.

11. Compensation of Trustees

The trustees of the Association shall not receive any salary, compensation, emolument or remuneration.

12. Access to Information and Reports

Management shall provide the Board with complete adequate and timely information about matters to be taken up during the meeting.

B. The Officers of the Association

1. President

He shall perform such duties as the Board of Trustees or the Chairman shall from time to time designate or require. In addition to such duties as may be imposed

upon him by the Board of Trustees or the Chairman, he shall have general supervision, direction and control of the business, affairs and properties of the association, officers and employees. He shall have the general powers and duties of the management usually vested in the office of the President of the Association.

He shall execute all contracts approved by the Board of Trustees, for and on behalf of the Association.

He shall from time to time report to the Board of Trustees all matters within his knowledge which may affect the interests of the Association. He shall act according to his best judgment and discretion in matters requiring immediate action and which cannot properly be brought before the attention of the Board unless these powers in the particular regard are restricted by the By-Laws or any other resolution of the Board.

2. Vice-President

Shall exercise such powers and perform such duties as maybe prescribed in the By-Laws as well as those which the Board of Trustees may determine. In the absence or temporary incapacity of the President, the Vice-President shall act as President, unless the Board appoints another trustee to fill in such position.

3. Corporate Secretary

The Secretary must be a citizen and resident of the Philippines. Shall keep minutes of all meetings of the members, Board of Trustees, and of all committees in a book or books kept for that purpose and shall furnish a copy of all minutes to the President of the Association.

Shall have charge of the membership book and such other books and papers as the Board of Trustees may direct. He shall attend to the giving and serving of all notices, and he shall have such powers and perform such other duties as pertaining or as are incident to his office, or as the Board of Trustees may from time to time prescribe.

4. Treasurer

Shall have charge of the funds receipts and disbursements of the Association. He shall keep all the moneys and other valuables of the Association in such bank or banks as the Board of Trustees may designate. He shall keep and have charge of the books of accounts. He shall also perform such other duties and functions as may be assigned to him from time to time by the Board of Trustees.

IV. Board Committees

The Board shall constitute Committees in aid of good corporate governance.

1. Election Committee

The Board of Trustees shall appoint members of the Election Committee consisting of a chairman and two (2) members who shall be responsible in the planning of all activities relative to the election of the Board of Trustees. If any member of the committee shall refuse to serve, or neglect to perform his duty or his office shall become vacant, the Board of Trustees may appoint a substitute in his place.

The Election Committee shall hold and take charge of the election of the Board of Trustees and shall be authorized to appoint deputies to assist them in the distribution, collection and counting of proxies during the annual general membership meeting. It shall have the authority to declare the winning candidates for the Board of Trustees.

2. Nomination Committee

The Nomination Committee shall be composed of at least three (3) members of the Board of Trustees, one of whom must be an Independent Trustee.

The Nomination Committee shall establish guidelines in the determination of qualified candidates to the Board of Trustees or officers of the Association and based thereon, shall review and evaluate the qualifications of all persons nominated as candidates to the Board of Trustees, including the Independent Trustees and officers of the Association.

If any member of the committee shall refuse to serve, or neglect to perform his duty or his office shall become vacant, the Board of Trustees may appoint a substitute in his place.

3. Audit Committee

The Audit Committee shall be composed of at least three (3) members of the Board of Trustees, one of whom must be an independent trustee.

The Audit Committee shall provide oversight of the Association's internal and external auditors. It shall be responsible for the selection and evaluation of internal and/or external auditors. It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the Association.

If any member of the committee shall refuse to serve, or neglect to perform his duty or his office shall become vacant, the Board of Trustees may appoint a substitute in his place.

4. Remuneration or Compensation Committee

The Remuneration Committee shall be composed of at least three (3) members of the Board of Trustees, one of whom must be an independent trustee.

The Remuneration Committee shall be responsible for setting up remunerations for all the members of the board, officers and employees of the Association. It shall also recommend and monitor the level and structure of salaries and benefits.

If any member of the committee shall refuse to serve, or neglect to perform his duty or his office shall become vacant, the Board of Trustees may appoint a substitute in his place.

V. Corporate Governance Rules and Principles

Members of the board, management, officers and employees are committed to adhere to ethical business conduct/corporate governance rules and principles as follows:

- a. All dealings of the Association with any of its trustees, officers, and their related interests shall be in the regular course of business and upon terms not less favorable to the Association than those offered to others to avoid insider abuses.
- b. The Board of Trustees and the created committees must be able to perform their duties with a high degree of independence; Board of Trustees, officers and employees shall not engage in any act or omission which may be considered as conducting business in an unsafe and unsound manner;
- c. Every member of the organization should promote the good reputation of the Association in dealing with members and other parties that transact business with the institution (e.g. ensuring payment of claims within the 10-day target);
- d. The Association office's facilities shall not be used in the furtherance of any criminal activity;
- e. Members of the board and senior management shall disclose material interest in transactions affecting or which may affect the Association;
- f. The trustee shall notify the board of trustee before accepting a directorship in another company.
- g. Non-executive trustees shall be allowed to concurrently serve as director/trustee to a maximum of 5 (five) Insurance Commission Regulated Entities (ICREs) and publicly-listed companies;
- h. The board shall review all material transactions that are not done in the ordinary course of business;
- i. Board of Trustees, officers and employees shall not enter into business transactions where conflict of interest may arise;
- j. Board of Trustees, officers and employees shall not accept material benefits/information from someone doing business with the Association; and
- k. The board shall put in place a system for imposition of sanctions and/or penalties for violation of the code/standards.

VI. Development Program for the Board and Officers

The Association places high value on its human resources including Board of Trustees and recognizes the importance of competence, hence, all Board Members and Officers shall be eligible for continuous development program such as local trainings, seminars, workshops and conferences.

All newly elected/appointed Board of Trustees shall be required to undergo an orientation on the overall operations of Association, duties and responsibilities of the Board and of the officers of the Board are likewise discussed.

As required, the all new Board members shall undergo after election/appointment training on Anti Money Laundering Act (AMLA) and Good Governance. This is intended to familiarize the new Trustees on their roles and responsibilities in the Board and Committees, the organization's strategic plans, organizational structures, business activities, compliance programs, and Corporate Governance Manual.

VII. The Management

The Management is represented by a Management Committee (ManCom) composed of officers and executives formed and headed by the Chief Executive Officer. All principal policies and directions governing the organization, management and operation of the Association shall be implemented by the ManCom, subject to Board approval when required by existing laws. The ManCom shall regularly report to the Board at its regular Board meeting, or

during special meeting whenever necessary or requested by the Board, through the Chief Executive Officer, on all matters concerning the Association's operation as well as significant events or occurrences affecting the Association.

The CEO has the following roles and responsibilities, among others:

- a. Determines the Association's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the Association's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the Association and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the Association's industry and market and keeps up to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the Association;
- f. Manages the Association's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the Association; and
- i. Serves as the link between internal operations and external stakeholders.

Decisions of the management on the major acquisitions, procurements, changes on the policies/benefits of the members and other major decisions that is not in the usual business operation of the Association shall require Board approval.

VIII. Check and Balance

1. The External Auditor

The Association is in compliance with Insurance Commission Circular No. 29-2009 dated November 10, 2009 in the selection of external auditors.

- a. Only external auditors accredited by Insurance Commission are being engaged;
- b. No external auditor may be engaged if he or any member of his immediate family had or has committed to acquire any direct or indirect financial interest;
- c. The external auditor and the members of the audit team do not have any claim with the Association;
- d. The external auditor is not currently engaged nor was engaged during the preceding year in providing the following services to the Association:
 - Internal audit functions;
 - Implementation and assessment;
 - Other services which could affect his independence.
- e. The external auditor, auditor-in-charge and members of the audit team adhere to the highest standards of professional conduct and shall carry out services in accordance with relevant ethical and technical standards.

2. The Internal Auditor

A separate internal audit function is essential to monitor and guide the implementation of company policies. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the company's governance, and control functions. The following are the functions of the internal audit, among others:

- a. Focusing on reviewing the effectiveness of the governance and control processes in:
 - (1) promoting the right values and ethics,
 - (2) ensuring effective performance management and accounting in the organization,
 - (3) communicating risk and control information, and
 - (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Performs regular and special audit as contained in the annual audit plan
- c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h. Monitors and evaluates governance processes.

3. The Compliance Officer

To ensure the Association's adherence to the guidelines on corporate governance set herein, the Chairman of the Board shall designate a Compliance Officer. He shall have direct reporting responsibilities to the Board of Trustees and shall be tasked to do the following duties:

- a. Coordinate, monitor and facilitate compliance with existing laws, rules and regulations and with the provisions and requirements of this Manual;
- b. Determine violations with existing laws, rules and regulations and with the provisions of the Manual and recommend appropriate sanctions and/or penalties for violation thereof, for further review and approval of the Board of Trustees;
- c. Identify, monitor and control compliance risks;
- d. Ensures proper on boarding of new trustees (i.e., orientation on the company's business, articles of incorporation and by-laws, among others);

- e. Monitors, reviews, evaluates and ensures the compliance by the association, its officers and trustees with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- f. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- g. Ensures the integrity and accuracy of all documentary submissions to regulators;
- h. Appears before the IC when summoned in relation to compliance with this Code;
- i. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- j. Identifies possible areas of compliance issues and works towards the resolution of the same;
- k. Ensures the attendance of board members and key officers to relevant trainings; and
- l. Performs such other duties and responsibilities as may be provided by the Board.

IX. Members

The Board shall determine the qualifications of an applicant for membership.

Membership shall be voluntary and upon application and approval by the board of trustees or by an official so delegated by the Board.

Such membership shall be effective on the date on which payment of the initial membership fee and first monthly contribution are actually received by the Association. Persons qualified to become member shall be but not limited to the following:

1. All teaching and non-teaching personnel of public schools of the Department of Education, Technical Education and Skills Development Authority, private schools, colleges and universities.
2. Officers and Employees of the Association and their qualified dependents.
3. Officers and Employees of the subsidiaries and affiliates of the Association.
4. Officers and Employees receiving regular monthly income from an institution or agency supervising or supporting teachers to uphold quality education whether public or private, accredited by and acceptable to the Board of Trustees.

A member may designate any person or group of persons as his beneficiary or beneficiaries. In the absence of this designation, benefits and other amounts accruing to the member will be disposed according to the rules of succession.

Any member shall have the right at all times to change the beneficiary or beneficiaries or add another beneficiary or beneficiaries in accordance with such rules and regulations as the association may adopt, unless he has expressly waived this right in the membership certificate.

X. Stakeholders

The Association is committed to protect the welfare and rights of its stakeholders by ensuring quality service are given to them and every transaction with them are conducted in a transparent and fair manner.

1. Members

The Association exists primarily for the benefits of its member. The sustainability of the Association relies on active involvement and participation of the members on the affairs of the Association. The Association shall allocate funds for events and or social community activities, such brigada eskwela in support to the members.

2. Employees

The progress of the Association depends on its human resources and that only through carefully selected, well-trained, result-oriented and dedicated employees can the Association achieved its objectives. The Association shall address to the Philippine's Labor Laws that will protect the well-being of the employees.

The practical activities for the workplace organization must focus on improving the workplace organization for purposes of health and safety, quality and efficiency; how employees will operate within it.

Another means of protecting the health and safety of the employees is thru Annual Physical.

The employees shall be given trainings in the form of (i) formal – undergraduate course and/ or Masters degree; (ii) on the job training or coaching; (iii) In house lectures; and, (iv) local courses, seminars, study tours, workshops and conferences.

3. Regulatory Agencies

Regulatory agencies are essential in any industry as they provide the framework to which an Association should legally operate. These policies, guidelines and circulars issued by the regulatory agencies promote fairness and increase the level of confidence of the members, implementers and other stakeholders. The Association shall ensure full compliance to the requirements, policies, circulars, memoranda, and guidelines issued by regulatory agencies such as the Insurance Commission, Securities and Exchange Commission, Bureau of Internal Revenue, Local Government Units and other government agencies.

4. Supplier/Contractors

The Association shall leverage upon effective and efficient third-party products and services through a standard selection and contracting process where objective evaluation of suppliers and solutions shall be driven by the Association's business goals.

5. Creditor

The Association is committed to meet its obligations to the members, suppliers and 3rd party service providers by monthly monitoring of the liquidity ratio and by matching of asset versus the liabilities to ensure enough liquidity to meet the Association's obligations. And in accordance with the law, Association's creditors are given priority in payment of obligations in the normal course of business and in the event of liquidation.

XI. Disclosure and Transparency

One of the core values of corporate good governance is transparency. The Board together with the management and employees commit to promote and ensure full disclosure, transparency and shall remain accountable to this Manual.

The Board commits at all times to comply with all disclosure requirements specifically those that will include material information as mandated by regulators within the prescribe period of time. The following material information that shall be publicly made available through the Association's official website and Annual Report are financial and non-financial reports such as (and not limited to) earnings, material acquisition, audited financial statements, board structure.