



## **RIZAL COMMERCIAL BANKING CORPORATION GROUP RISK OVERSIGHT COMMITTEE**

### **CHARTER**

#### **A. PRINCIPAL PURPOSE/OBJECTIVE**

The RCBC Group Risk Oversight Committee (the ROC) is a board-level committee of the Rizal Commercial Banking Corporation (RCBC) Board of Directors (the Board), from which it derives its authority and to which it regularly reports. While the Board has overall responsibility, the Board delegates some of its functions to the ROC with respect to the oversight and management of risk exposures of the RCBC parent bank and subsidiaries (the Group). In this regard, the ROC exercises authority over all other risk committees of the Group, with the principal purpose of assisting the Board in fulfilling its risk oversight responsibilities. The ROC shall:

1. Oversee the risk management framework;
2. Oversee adherence to risk appetite;
3. Oversee the risk management function; and
4. Oversee capital planning and management.

#### **B. COMPOSITION AND CHAIRPERSON**

1. The Board has the sole authority to appoint the members of the ROC, its Chair, and its Vice Chair. As such, it is also the Board's sole discretion to remove or replace any ROC member at any time for justifiable reasons.
2. The committee shall be composed of at least three (3) non-executive members of the Board, none of whom is also a member of a management committee. Majority of the members shall be independent directors, including the chairperson. The ROC's chairperson shall not be the chairperson of the Board, or any other board-level committee. The ROC shall possess a range of expertise on risk management issues and practices and adequate knowledge of the Group's risk exposures. It shall have access to independent experts to assist in discharging its responsibilities.
3. Each committee member's tenure shall commence upon his/her appointment; and shall continue to subsist until such time that any one of the following occurs:
  - a. The Board withdraws their appointment to the ROC;
  - b. They cease to be an incumbent member of the Board; and
  - c. They voluntarily resign the committee membership.
4. The Head of the Corporate Risk Management Services Group, or their designate, shall act as the ROC's Secretariat.

#### **C. MEETINGS AND ATTENDEES**

1. The ROC shall hold monthly regular meetings and at such additional times as may be necessary to discharge its duties and responsibilities.
2. Meetings may be held in any designated area whereby a quorum may be physically established, or interactive participation by committee members may be achieved.



3. The Chair of the ROC presides over regular meetings, with the Vice Chair taking over in cases wherein the Chair is absent.

Moreover, the Chair shall have the sole authority to call for committee meetings, authorize the release of the committee's meeting Minutes, clear matters for inclusion in the meeting Agenda, and set cut-offs for information that the committee may require or consider.

4. Due to the highly sensitive nature of discussions at ROC meetings, restrictions regarding attendance are set. Only the following may be present at ROC meetings:
  - Board Members, whether or not they are members of the ROC, are welcome to attend
  - Senior Management
  - Group Heads of the risk management groups
  - Select Officers and Associates of the risk management groups with relevant items on the agenda
  - Officers and associates of other groups, other directors, officers, or employees of the RCBC Group, and all others that have matters to be taken up can be invited to participate
  - ROC Secretariat

#### **D. VOTING AND QUORUM**

1. The presence of the majority of all members, either physical or via teleconference as allowed by applicable regulations, shall constitute a quorum, provided that either the Chair or Vice Chair is among those present.
2. Voting on committee matters shall be on a one member-one vote basis. Where a quorum is present, a majority vote of all members present shall constitute an official action of the ROC, and shall have immediate effect without need for further confirmation from the Board, unless such action is one that specifically requires Board confirmation or approval.
3. When approval of the ROC is immediately needed, but the Committee is otherwise unable to meet for whatever reason, approval via routing or electronic mail shall be considered valid and operative, provided that the concurrence of the majority of all ROC members is secured, one of which must be the Chair's or the Vice Chair's. The said approval should then be at least noted by the Committee en banc in the immediately following regular ROC meeting.

#### **E. SCOPE OF AUTHORITY AND RESPONSIBILITY**

The Committee's scope of authority shall be in accordance with its principal purpose and objective herein set, and guided by the directives as contained in relevant provisions of the Manual of Regulations for Banks (MORB).

The ROC shall be forward-looking in its oversight function. It shall monitor and anticipate risks, advise the Board on the overall current and future risk appetite, set risk limits, oversee Senior Management's adherence to the risk appetite statement and risk limits, and report on the state of risk culture. The ROC shall:

1. Oversee capital planning and management. The ROC shall review, evaluate, periodically assess for, and report to the Board, the Group's Internal Capital Adequacy Assessment Process (ICAAP), especially relating to:



- a. Current and projected capital and risk-weighted asset levels and requirements;
  - b. Capital allocation among risk-taking units of the Group; and
  - c. Perceived threats to capital adequacy arising from both identified and unexpected risk factors;
2. Oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that implementation is carried out on an enterprise-wide basis, and that corrective actions are promptly implemented to address risk management concerns;
  3. Approve and oversee the continuous development of policies and procedures designed to:
    - a. Define, identify, measure, control, and monitor the principal risks faced by the Group;
    - b. Establish and communicate risk management controls throughout the Group; and
    - c. Promote a risk culture that requires the highest standards of ethical behavior by risk taking personnel and risk managers;

Principal risks in the current context include: AML/CFT risks, cyber security risks, IT risks, climate change, market volatility, and political risks. The ROC will ensure that the enterprise risk management framework will have specific focus on policies, risk appetite limits, due diligence practices, and risk mitigation programs for these risks.

4. Consider and evaluate for the Board the levels of risk appetite proposed by the various risk-taking units of the Group, and to ensure that these levels are commensurate to a decided risk-reward strategy;
5. Approve and periodically review the Group's system of limits covering:
  - a. Performance vs. risk appetite;
  - b. Risk concentration;
  - c. Risk trends; and
  - d. Risk tolerance levels;
6. Oversee adherence to risk appetite and compliance to established risk management policies and limits. The ROC shall ensure that the current and emerging risk exposures are consistent with the Group's strategic and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others;
7. Oversee the system of limits to discretionary authority that the Board delegates to Management, and ensure that the system remains effective, that the limits are observed, and immediate corrective actions are taken when limits are breached;
8. Consider and periodically review product/s and product program/s directly related to altering the make-up of the risk profile of the Group;
9. Evaluate the profile, direction, magnitude and distribution of risks across the Group from a consolidated perspective, thereby exercising supervision and review authority over the risk committees of the various Group subsidiaries;
10. Oversee the risk management function. The ROC shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources including



personnel, systems, and other risk management capabilities necessary for the conduct of sound risk management, and effectively oversees the risk taking activities of the Group;

11. Provide a forum for sharing strategic initiatives to ensure that the risk management function is able to address and support changes within the Group in a proactive manner; and
12. Delegate to Management certain authorities in the interest of instituting an efficient and responsive risk management infrastructure;
13. Assume other responsibilities as are required by existing and future regulations, and/or delegated to it by the Board from time to time.

#### **F. REPORTING AND SELF-EVALUATION**

1. The ROC is entitled to receive periodic reports from the subsidiary risk committees of the Group and from Management on matters relating to risk and capital pursuant to a schedule that the Committee may develop.
2. The ROC, via its Chair, shall report to the Board on a periodic basis its actions and dispositions, and with such recommendations as deemed appropriate or required.
3. The ROC shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of its 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.
4. The approved Meeting Minutes of the ROC shall be reported by the ROC Chair to the immediately following Board Meeting for notation, and confirmation of certain previous ROC action/s requiring final Board approval.
5. The ROC shall perform an evaluation of its own performance at least on an annual basis, with the results communicated to the Board.

#### **G. CHARTER AMENDMENTS**

The ROC shall assess the adequacy of this Charter every year, at the minimum, and recommend changes thereto to the Board. The Board shall approve, review, and update this Charter, at least annually or whenever there are significant changes therein.

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Adopted by the Risk Oversight Committee on 26 February 2018.

For the Risk Oversight Committee:

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**VAUGHN F. MONTES, Chairman**

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**MELITO S. SALAZAR, Vice Chairman**

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**RICHARD G.A. WESTLAKE, Member**