



## **RIZAL COMMERCIAL BANKING CORPORATION (RCBC) RISK OVERSIGHT COMMITTEE (ROC)**

### **CHARTER**

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

The RCBC 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 other risk committees of the Group, with the principal purpose of assisting the Board in fulfilling its risk oversight responsibilities. The ROC oversees:

1. The Risk Governance Framework;
2. The Risk Management Function;
3. Adherence to Risk Appetite;
4. Capital Planning and Management; and
5. Recovery Plans.

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

1. The Board has the sole authority to appoint the members of the ROC, its Chairperson, and its Vice Chairperson. 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 from the Committee membership.
4. The Chief Risk Officer (CRO) and Head of the Risk Management Group (RMG), or his/her designate, shall act as the ROC's Secretariat.



**C. MEETINGS AND ATTENDEES**

1. The Committee shall meet physically or virtually every month, at the minimum, or as frequently as considered necessary by the Committee. Meetings of the Committee shall be convened by the Chairperson as deemed appropriate or upon request of the majority of the members.
2. The Chairperson of the ROC presides over regular meetings, with the Vice Chairperson taking over in cases wherein the Chairperson is absent.

Moreover, the Chairperson shall have the authority to:

- a. Call for Committee meetings;
- b. Clear matters for inclusion in the meeting Agenda;
- c. Set cut-offs for information that the Committee may require or consider; and
- d. Authorize the release of the Committee’s meeting Minutes.

In addition, the Chairperson authorizes the ROC Secretariat to use discretion to release the Committee’s meeting Minutes or excerpts of the Minutes to a requesting party, following a formal request via electronic mail.

3. To safeguard confidentiality, information is shared on a needs basis. Attendance to the ROC therefore is restricted and must be pre-cleared with the Chairperson or the CRO and Head of RMG through the ROC Secretariat. ROC members and all Directors of the Board have full access to attend any session of the ROC. All other attendees are permanent invitees or required on a needs basis.

From time to time, heads of businesses and functions may be required to attend the ROC. In such cases, a formal invitation will be issued to them by the ROC Secretariat. Invitees must appear at the allocated time and leave the Committee as soon as the Committee is ready to move to the next Agenda item.

<b>Attendee</b>	<b>Basis of Attendance</b>
All Members of the Board of the RCBC Parent Bank, including those that are not members of the ROC	No approval needed. May notify the ROC Secretariat in advance.
President of the RCBC Parent Bank	Permanent invitee
CRO and Head of RMG	Presenters; permanent invitees.
Division and Department Heads of RMG	
Chief Credit Officer and Head of Credit Management Group	
Group Head of Internal Audit	Permanent invitee
Group Head of Regulatory Affairs	Permanent invitee
Group Head of Corporate Planning	Permanent invitee
Group Head of Controllership	Permanent invitee



<b>Attendee</b>	<b>Basis of Attendance</b>
Group Head of Treasury	Permanent invitee
Group Head of Data Science & Analytics	Permanent invitee
Other Group Heads	By invitation only
Senior Officers of the RCBC Parent Bank and delegates of Group Heads	By invitation only. Must be nominated by the Group Head. Name clearance by the Chairperson of the ROC or the CRO and Head of RMG is required.
Presidents and Senior Officers of RCBC Subsidiaries	By invitation only

**D. VOTING AND QUORUM**

1. The presence of the majority of all members, either physical or via video / teleconference as allowed by applicable regulations, shall constitute a quorum, provided that either the Chairperson or Vice Chairperson 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 Chairperson’s or the Vice Chairperson’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) and the Sustainable Finance Framework (BSP Circular No.1085, Series of 2020).

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 risk governance framework. The ROC ensures that an appropriate risk governance framework is in place, and adopted (as appropriate) across all entities of the RCBC Group;
3. Oversee the integration of sustainability principles into the risk governance / risk management frameworks. The ROC shall:
  - a. Institutionalize the adoption of sustainability principles, including those covering environmental and social risk areas in the Bank, by incorporating the same in the risk management frameworks as well as in the Bank's strategic objectives and operations taking into account the Bank's risk appetite and ability to manage risk;
  - b. Promote a culture that fosters environmentally and socially responsible business decisions. The ROC shall ensure that sustainability implications are considered in the overall decision-making process;
  - c. Approve the Bank's Environmental and Social Management System (ESMS) that is commensurate with the Bank's size, nature, and complexity of operations and oversee its implementation. The ROC shall ensure that the ESMS is aligned with internationally recognized principles, standards and global practices and forms part of the enterprise-wide risk management system;
  - d. Ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;
  - e. Adopt an effective organizational structure to ensure attainment and continuing relevance of the Bank's sustainability objectives. The ROC shall monitor the Bank's progress in attaining sustainability objectives;
  - f. Ensure that adequate resources are available to attain the Bank's sustainability objectives. The ROC shall ensure that the members of the Board, senior management and personnel are regularly apprised of the developments on sustainability standards and practices; and
  - g. Ensure that the sustainability agenda is integrated in the Bank's performance appraisal system;
4. 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;
5. 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;
6. 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;
7. 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;
  8. 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;
  9. Consider and periodically review products and product programs directly related to altering the make-up of the risk profile of the Group;
  10. 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;
  11. Review and approve results of stress tests, including output from the ICAAP;
  12. Oversee the risk management function. The ROC shall be responsible for the appointment/selection, remuneration, and dismissal of the 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;
  13. Oversee recovery plans. The ROC shall 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.
  14. 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;
  15. Delegate to Management certain authorities in the interest of instituting an efficient and responsive risk management infrastructure; and
  16. 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 Chairperson, 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 of its deliberations and decisions. Subsequent to the scheduled meeting, the ROC shall be provided with the Data Pack containing official data that are available 15 business days from previous month-end. The Data Pack will be circulated for the ROC's notation and will supersede the preliminary data presented during the ROC meeting. Such records (e.g. minutes of meetings or summary of matters reviewed and decisions taken, the Data Pack) 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 Chairperson to the immediately following Board Meeting for notation, and confirmation of 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.

Adopted by the Risk Oversight Committee on September 17, 2021.

For the Risk Oversight Committee:

**VAUGHN F. MONTES, Chairperson**

**LAURITO E. SERRANO, Vice Chairperson**

**GAYATRI P. BERY, Member**