

## **THE RISK OVERSIGHT COMMITTEE**

### Composition, Functions and Responsibilities

#### **By-Laws, Article II, Section 9:**

“The Board of Directors, by a vote of the majority of the whole board may appoint from the directors such committees as they may deem judicious, and to such extent as is provided by resolution delegate to such committees all or any of the powers of the Board of Directors which may be lawfully delegated, and such committees shall have and thereupon may exercise all or any of the powers so delegated to them.”

#### **New Manual on Corporate Governance, clauses 3 and 3.4:**

##### “3. Establishing Board Committees

Board committees shall be set up to support the performance of the Board’s functions, particularly on audit, ERM, RPTs, nomination and remuneration. The composition, functions and responsibilities of all committees, if established, shall be contained in a publicly available committee charter.

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3.4 The Board, taking into consideration the Company’s size, risk profile and complexity of operations, may establish a separate risk oversight committee that shall be responsible for the oversight of the Company’s ERM system to ensure its functionality and effectiveness. The risk oversight committee may be composed of at least three members, the majority of whom should be Independent Directors, including the chairman. The committee chairman should not be the Chairman of the Board or any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management. The risk oversight committee shall have the following duties and responsibilities, among others:

- (a) Develops a formal ERM plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures;
- (b) Oversees the implementation of the ERM plan, and conducts regular discussions on the Company’s prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- (c) Evaluates the ERM plan to ensure its continued relevance, comprehensiveness and effectiveness, and revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- (d) Advises the Board on its risk appetite levels and risk tolerance limits;
- (e) Reviews at least annually the Company’s risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company;
- (f) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of

concern are those risks that are the most likely to occur and to impact the performance and stability of the Company and its Stakeholders;

- (g) Provides oversight over Management's activities in managing the Company's credit, market, liquidity, operational, legal and other risk exposures, which includes regularly receiving information on risk exposures and risk management activities from Management; and
- (h) Reports to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary."