



**RISK MANAGEMENT
COMMITTEE CHARTER
(As amended 01 August 2019)**

MISSION STATEMENT

The **Risk Management Committee (RMC)** of the Board of Directors shall oversee and manage the Bank's exposures to financial and non-financial risks and monitor its regulatory and internal capital adequacy vis-à-vis these exposures to risks. The committee shall nurture a culture of risk management across the enterprise and shall implement and oversee the Bank's risk management program to assist the Board in fulfilling its responsibilities relating to the management of risks. The committee shall also exercise risk oversight over the various subsidiaries across the BPI Group through the subsidiaries' Board-level Risk Management Committees.

RESPONSIBILITIES

A. Develop, Implement, and Oversee the BPI Risk Management Program

1. Establish an enterprise risk management and governance framework to be made consistent across the BPI Group and define the organization's enterprise risk management objectives, direction, and strategy, and ensure that it is aligned with the Bank's overall business objectives.
2. Define, formulate, and approve the Bank's risk appetite statements and limits structures and establish risk strategies, including but not limited to, controlling risk tolerances, risk exposure allocation and capital allocation, and maintain overall risk profile; taking into consideration the overall business environment, regulatory landscape, and the Bank's business strategy.
3. Advise the Board on the Bank's overall current and future risk appetite; monitor and regularly review that Senior Management's actions and implementation are consistent with the approved risk appetite, policies, and strategy; and report the state of risk culture of the Bank to the Board.
4. Review and assess the integrity, independence, adequacy, and effectiveness of the risk management functions of the Bank and across the BPI Group as part of its risk oversight function.
5. Propose, review, and approve risk management frameworks, policies and guidelines that are compliant with regulatory requirements and aligned with international standards on risk management best practices.
6. Review key risk and capital management methodologies, risk metrics and rating systems, key risk indicators, and results of stress testing exercises, and give special attention to the quality, completeness, and accuracy of the risk data used to make decisions.
7. Monitor and ensure that the necessary infrastructure, technology, processes, and training are adequate for the effective implementation of the Bank's enterprise risk management program. Ensure that the risk management function has adequate resources (such as financial budget, training,

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- and manpower complement) to carry out its risk management functions and to effectively oversee the risk-taking activities of the Bank.
8. Review and revise the Bank's overall risk management program to ensure that it is kept relevant, comprehensive and effective; and key components of which duly communicated across the different levels of the organization where appropriate.
 9. Evaluate annually the performance of the Committee as a body and report the results to the Board or to such committee that may be appointed by the Board for review. This also includes detailed accomplishment reports on work performance and activities done for the period.
 10. Select/Appoint, remunerate, and dismiss the Chief Risk Officer for approval and confirmation of the Board. Assess the annual performance of the Chief Risk Officer and risk management functions taking into account how it carried out its duties and responsibilities.

B. Identify, Assess, Report, and Manage Risk Exposures

1. Ensure the proper identification, measurement, monitoring and control of the 1. Bank's material individual and aggregate risk exposures vis-a-vis acceptable risk appetite, tolerances and approved risk limits. This also includes the review of material risk exposures across the BPI Group as part of its risk management oversight function.

a. Credit Risk

- 1) Review the total loan portfolio and monitor and control existing credit exposures to different industries, borrower-groups, classification of account, and/or customer segments to monitor loan portfolio quality, provisioning levels, and credit concentration risk, if any.
- 2) Oversee the development and maintenance of an effective internal credit risk rating system in compliance to Basel and BSP requirements, including risk-adjusted pricing structure, and credit risk reviews of business segments, programs, and loan portfolios.
- 3) Review stress tests and sensitivity analyses of the loan portfolio and compliance to regulatory ceilings, metrics, and limits.

b. Market and Liquidity Risks

- 1) Monitor and control the Bank's exposures to market risk, interest rate risk in the banking book, and liquidity risk and review compliance with defined risk limits and regulatory requirements.
- 2) Monitor and ensure adequate levels of liquidity, both under normal and stress scenarios.

c. Operational and IT Risks

- 1) Review Management's assessments and treatment plans on various operational and IT key risk indicators including technology and outsourcing activities.



- 2) Review the adequacy of the operational and IT risks loss data.
- 3) Monitor the performance and results of risk and control self -assessments by Bank units.
- 4) Monitor completeness and relevance of management and operating manuals including business continuity plans.
- 5) Approve recommendations of operational and IT risk management strategies including the enhancements of risk management processes and controls.
- 6) Oversee implementation of sound business continuity management and crisis resiliency risk management frameworks.

d. Other Risks

- 1) Oversee implementation of the Bank's risk management frameworks and system covering other risk areas (including new, evolving, and/or emerging risks) such as brand and reputational, model risk, amongst others.
 - 2) Review reports on events and issues that may affect the Bank's brand and reputation.
 - 3) Review independent model validation reports, activities, and risk models-related policies.
2. Provide Senior Management recommendations and/or plans of actions, including resolutions to significant risk issues and exposure limit breaches, to minimize losses from probable or realized risks (including new, evolving, and/or emerging risks). This includes the approval of corresponding sanctions for excessive risk-taking at the business unit level (first line of defense) as recommended by the Chief Risk Officer.
 3. Regularly report to the Board the Bank's overall risk exposure and necessary action taken/ recommendations to reduce, mitigate, and/or transfer risks.

C. Monitor and Oversee the BPI Capital Management program

1. Monitor the Bank's capital, encompassing both the demand and supply of capital, 1. to ensure that the enterprise maintains an appropriate level and quality of capital commensurate with all relevant risks to which the enterprise is exposed, vis-a-vis related business opportunities, and in compliance with regulatory requirements, specifically the Bank's ICAAP program.
2. Review the Bank's policies and processes for the management of capital and ensure that capital planning, capital management, and recovery planning are effectively implemented, communicated and integrated into Bank's overall risk management culture and approach.

- D. Perform other functions** as may be mandated by the Board relating to the management of the Bank's capital and risks covering credit, market, liquidity, operational and IT, reputational, strategic and other identified material risks to the Bank.

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AUTHORITIES

A. Rights and Powers

1. Form sub-committees and delegate its risk and capital management functions to sub-committees or line management as may be deemed necessary.
2. Require and/or review reports (including Minutes of the meetings) from the Bank's management committees, Chief Risk Officer, Risk Management Office, and Risk Management Committees of the BPI subsidiaries that are necessary to monitor and assess risk exposures and capital adequacy and their overall implication to the Bank and the BPI Group.
3. Recommend to the Board for approval the –
 - a. most appropriate risk and capital structure for the Bank and the BPI Group in consideration of the BPI Group's long-term strategic objectives, current business plans, and risk appetite
 - b. BPI Group's risk and capital management policies
4. Confirm and/or approve proposals relating to risk management policies, risk limits, risk exposure allocation, capital allocation, risk management metrics, methodologies, and systems.
5. The committee shall have unrestricted access to Management and employees of the Bank and Management may be called upon to attend and/or present in RMC meetings as the need arises.
6. The committee shall also have access to independent experts to assist in discharging its responsibilities including new regulations, developments, and trends on risk management.

B. Scope of Authority

Monitoring of the Bank's management of risk exposures in credit, market, liquidity, operational and IT, reputational, strategic and other identified material risks to the Bank.

MEMBERSHIP

- A. **Composition** – RMC members shall be appointed by the Board of Directors. The RMC shall be composed of at least three (3) members of the Board, majority of whom shall be Independent Directors, including the Chairperson. The RMC shall possess a range of knowledge and expertise on risk management issues and best practices. The Chairperson shall not be the Chairperson of the Board of Directors or of any other board-level committee.
- B. **Authority to change** the composition of the committee shall rest with the Board of Directors.

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MEETINGS

- A. Frequency** of meetings - The Committee shall convene regularly every month. Special meeting may be called if required, including special joint meetings in conjunction with other Board-level committees such as the Audit Committee and Corporate Governance Committee to foster collaboration, dialogue, and synergy at the Board committee levels.
- B. Quorum** shall consist of any three (3) committee members
- C. Agenda** shall be –
 - 1. Prepared by the Corporate Secretary or his/her designated alternate, in coordination with the Risk Management Office
 - 2. Transmitted by the Corporate Secretary to the RMC members before the scheduled meeting date
- D. Minutes** of the meeting –
 - 1. The Corporate Secretary shall be responsible for the preparation and safekeeping of the Minutes.
 - 2. The Committee shall approve the minutes in the next committee meeting subject to the confirmation of the Board.

CHARTER CHANGES

- A. Proposal** - changes to the charter may be initiated by any of the Committee members
- B. Endorsement** - by the Committee Chairman
- C. Approval** - by the Board of Directors