

**PNB GENERAL INSURERS COMPANY, INC.  
CHARTER OF THE RISK OVERSIGHT COMMITTEE (ROC)**

**Mission**

The Risk Oversight Committee (ROC) is created by the Board of Directors to assist the Board in performing its oversight functions to manage the risks of the Company.

**Membership**

Members of the ROC shall be appointed by a resolution passed by a majority of the Board of Directors. A minimum of three (3) members of the Board shall be selected as members of the RMC.

The members shall possess a range of expertise as well as adequate knowledge of the Company's risk exposures. They should also meet the requirements of the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), Insurance Commission (IC), and other applicable laws and regulations.

**Authority**

ROC has the authority to:

1. Direct Management to submit regular reports on current risk exposures on underwriting, claims handling, internal audit, marketing, credit, interest rate, liquidity, operational, legal, compliance, strategic, reputation, technology risks and other applicable risks and to address said risks.

**Note:**

Management is responsible for the preparation, presentation and integrity of information and all matters presented to the RMC. Likewise, management is responsible for implementing and maintaining the risk policies set by RMC to identify, assess, measure, manage and control risks.

1. Approve or endorse for Board approval the proposed risk policies and procedures.
2. Access all records of the Company and any of its employees, as it deems necessary.

**Meetings**

1. ROC shall conduct regular meetings at least quarterly, to discuss current risk exposures based on Management reports. Further, it may hold special meetings, as it deems necessary. Regular quarterly meetings may also be cancelled and re-scheduled by ROC as the need arises.
2. Majority of the attendance shall constitute a quorum. If the ROC Chairman is not available, he may designate any member to preside the meeting. Otherwise, the members present who constitute a quorum may elect a temporary chairman.
3. Regular resource persons shall be composed of the PNB Gen Management Team and concerned officers who have first-hand knowledge or expertise on the scheduled agenda of

the ROC meeting. The Chief Risk Officer of the Bank should also sit as a regular resource person of PNBGen.

4. The Risk Overseer shall act as the Secretariat of ROC who shall maintain minutes of the ROC meetings and other records of the Committee and ensure that ROC directives are being complied.

**Mandated Functions of Regulatory Bodies**

1. Identify and Evaluate Exposures.  
The Management Team shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur (high probability) and are costly when they happen (high severity).
2. Develop Risk Management Strategies.  
The Management Team shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.
3. Implement the Risk Management Plan.  
ROC shall communicate the risk management plan and loss control procedures to affected parties.
4. Review and Revise the Plan as Needed.  
ROC shall evaluate the risk management plan to ensure its continued relevancy, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood or harm or loss.

**Duties and Responsibilities**

Risk Category	Duties	Support Office
Credit Risk	<p>Oversee the Company’s management of the credit risk inherent in the entire portfolio and ensure the adequacy of provisions.</p> <p>Ensure that the following sound and best practices in credit risk management are in place and conduct periodic review of the same.</p> <ol style="list-style-type: none"> <li>1. Policy &amp; Infrastructure</li> <li>2. Sound Credit Granting Process</li> <li>3. System for Administration &amp; Monitoring of Exposure</li> <li>4. Portfolio Management</li> <li>5. Credit Review</li> <li>6. Review the adequacy of valuation reserves</li> <li>7. Work out system for managing problem credits.</li> </ol>	Collection Div

Market Risk Interest Rate Risk Liquidity Risk	<ol style="list-style-type: none"> <li>1. Recommend for Board approval market risk policies and risk limits for all investment placements.</li> <li>2. Approve the methodology, models and assumptions used to measure market risks.</li> <li>3. Review compliance with established limits.</li> </ol>	Treasury Div
Operational Risk Legal Risk	<ol style="list-style-type: none"> <li>1. Approve the basic structure of the framework for managing operational risk (i.e. arising from process, system, people, and external events), which includes legal risk.</li> <li>2. Mandated to be aware of the major aspects of the Company's operational &amp; legal risks, it shall: <ul style="list-style-type: none"> <li>- Review, on continuing basis, operational &amp; legal risk exposures and loss events by major business lines;</li> <li>- Oversee the effective resolution, management and control of the Company's operational &amp; legal risks.</li> </ul> </li> <li>3. Assume an oversight role thru the PNB-RMG with respect to Management's responsibility for maintaining and implementing effective policies and procedures for managing operational risk in all of the Company's products, activities, processes and systems; and thru the Chief Legal Counsel with respect to legal risk.</li> </ol>	Underwriting Group, Marketing Group, Controllership Group, Claims Group, Legal, HRD
Compliance Risk	Assume an oversight role thru the Compliance Officer with respect to compliance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.	Compliance Unit
Strategic Risk	Assume an oversight role thru the Head of Corporate Planning Division in monitoring the compatibility of the Company's strategic goals, business strategies developed, resources deployed and quality of implementation.	Corplan Div
Reputation Risk	Assume an oversight role thru the Marketing Head in ensuring the abundance of caution in dealing with customers and the community; as well as the Company's responsiveness in addressing negative public opinion.	Marketing Group
Technology Risk	Have the knowledge and skills necessary to understand and effectively manage technology-related	Systems Administrator

	<p>risks.</p> <p>Ensure that:</p> <ol style="list-style-type: none"> <li>a. An effective technology planning process exists,</li> <li>b. Technology is implemented properly with appropriate controls, and</li> <li>c. Measurement &amp; monitoring efforts effectively identify ways to manage risk exposure.</li> </ol> <p>Review, recommend for Board approval, and monitor technology projects that may have a significant impact on the company's operations, earnings or capital.</p> <p>Establish clearly defined measurement objectives and conduct periodic reviews to ensure that goals and standards established by management are met.</p>	
Financial Risk	<p>Review &amp; discuss with Management the performance vs target of major business units. RMC may request Management for an explanation on unfavorable variance and direct management to change certain policies and strategies.</p> <p>Assess how the Company generates income and analyze the sensitivity of the Company's earnings given a set of business conditions.</p>	Corplan Div
Others	Performs such other functions as may be mandated by the Board and regulatory bodies relevant to risk management.	Compliance Unit, Internal Audit, Risk Overseer

### Reporting

ROC shall report regularly to the Board of Directors the Company's over-all risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

### Resources

ROC shall ensure that the RMC Secretariat (i.e. Risk Overseer) has adequate resources at its disposal to effectively discharge its functions.

### Review of the Charter

ROC shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.