

**I. INTRODUCTION**

The Risk Oversight Committee (ROC) has been established to assist the Board of Directors in the effective discharge of its function in overseeing the risk management program of the Bank.

An effective risk management program is a critical component for the safe and sound operation of the Bank. It is a key element in achieving AUB's goals and objectives, optimizing growth and capital while minimizing losses to the Bank.

**II. OBJECTIVES OF RISK OVERSIGHT COMMITTEE**

The Risk Oversight Committee has been created for the following objectives:

- To ensure that the Bank maintains an integrated and effective enterprise risk management program covering the risk categories as defined under BSP Circular Nos. 510 and 971 ( 2017).
- To ensure that the risk management program of the Bank is properly implemented.

**III. STRUCTURE****A. MEMBERSHIP**

1. The Board of Directors shall appoint the members of the Risk Oversight Committee.
2. The Risk Oversight Committee shall be composed of the following:
  - a. At least 3 members of the board of directors majority of whom should be independent, including the Chairman. The Chairman should not be the Chairman of the Board or any other committee.
  - b. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.
  - c. Risk Management Officer (non-voting)
3. The Secretary of the Committee shall be the Risk Management Officer.
4. Sub-committees may be created in order to reinforce the monitoring and management of all risk elements.

**B. MEETING ARRANGEMENTS**

1. The Risk Oversight Committee shall meet at least monthly and at such other times it deems necessary;
2. A quorum shall constitute more than half the number of members of the Risk Oversight Committee;
3. A resolution shall constitute the majority votes by committee members present during the meeting;
4. The Risk Oversight Committee may invite other officers / personnel responsible for any matter related to the meeting agenda to provide representation in the meeting;
5. The Secretary of the Risk Oversight Committee shall arrange the meeting schedule and prepare the agenda. The Secretary shall send out the meeting agenda, risk management reports, minutes of previous meeting, and other necessary documents to all committee members at least one week before the scheduled ROC meeting for the members to review the necessary details.

**IV. DUTIES AND RESPONSIBILITIES**

The Risk Oversight Committee has the responsibility to:

1. Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
2. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The ROC 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;
3. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The ROC 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;
4. Advises the Board on its risk appetite levels and risk tolerance limits;
5. 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;
6. Assess 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 corporation and its stakeholders;
7. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
  8. 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.

## **V. ANNUAL REVIEW**

At least annually, the Risk Oversight Committee shall review and assess the adequacy of its Charter and its overall performance then recommend changes for the approval of the Board when and where necessary.

