



CHARTER
RISK OVERSIGHT COMMITTEE (ROC)
 May 2019

I. Mission

The PNB Board Risk Oversight Committee is created by the PNB Board of Directors to assist the board to oversee the risk profile and approve the risk management framework of PNB and its related allied subsidiaries and affiliates. It is mandated to set risk appetite, approve frameworks, policies, plans, programs and processes for managing risk, and accept risks beyond the approval discretion provided to management.

II. Composition of the Committee

- a) The Committee shall be composed of at least six (6) members of the Board of Directors, **majority of whom shall be Independent Directors including the Chairperson. The Chairperson shall not be the Chairperson of the Board of Directors, or any other board-level committee.**

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

- b) Regular resource persons shall be composed of the President, the Head of Operations, the Sector Heads, Chief Audit Executive, Chief Compliance Office, Chief Technology Officer, the Chief Legal Counsel (during discussions where legal risks are concerned or as necessary), Chief Risk Officer, and concerned bank officers who have first-hand knowledge or expertise in the scheduled agenda of the ROC meeting.
- c) The presence of the majority of members of the committee shall constitute a quorum; and the vote of the majority of the quorum is required to approve any act in all the meetings of the committee.
- d) When there is a lack of quorum due to the absence of other members, an alternate member from among the Board Members may be appointed to attend a particular meeting and automatically sit as a voting member.
- e) Subject to Section 35 of the Corporate Code, the Board of Directors shall have the power, at any time, to change, to increase or decrease the membership of the Board Risk Oversight Committee or to fill vacancies therein, and to determine from time to time, by resolution, the number of members to constitute a quorum.

III. Authority

ROC has the authority to:

1. Direct management to submit regular reports on current risk exposures on credit, market interest rate, liquidity, operational, legal, compliance, strategic, reputation, technology and other risks as well as to address such risks;

Risk Category	Duties and Responsibilities	Support Office
	maintaining and implementing effective policies and procedures for managing operational risk in all of the Bank's products, activities, processes and systems; and thru the Chief Legal Counsel with respect to legal risk.	
Strategic Risk and Financial risk	<p>Assume an oversight role thru the Head of Corporate Planning Division in monitoring the compatibility of the Bank's strategic goals, business strategies developed, resources deployed and quality of implementation.</p> <p>Review & discuss with Management the performance vs. target of major business units. ROC may request Management for an explanation on unfavorable variances and direct management to change certain policies and strategies.</p> <p>Assess how the Bank generates income and analyze the sensitivity of the Bank's earnings given a set of business conditions.</p> <p>Oversight on the monitoring of capital and liquidity ratios (e.g. Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio, Net Stable Funding Ratio) with reference to internal and regulatory limits.</p>	Corporate Planning Division (this is reported under the Management Profitability Report on a quarterly basis under the joint Corporate Governance Committee, Executive Committee and Risk Oversight Committee
Reputational Risk	Assume an oversight role thru the Service Quality Division and Social Media Department in ensuring caution in dealing with customers and the community; as well as the Bank's responsiveness in addressing negative public opinion including monitoring of public perception of the Bank via any available means.	Service Quality Division & Social Media Department
Technology Risk	<p>Have the knowledge and skills necessary to understand and effectively manage technology-related risks.</p> <p>Ensure that:</p> <ol style="list-style-type: none"> a) An effective technology planning process exists, b) Technology is implemented properly with appropriate controls, and c) Measurement & monitoring efforts effectively identify ways to manage risk exposure. 	Operational Risk Management Division, Information Security & Technology Security Risk Division, RMG together with IT Governance Management Committee.

Risk Category	Duties and Responsibilities	Support Office
	<p>Review recommend for Board approval and monitor technology projects that may have a significant impact on the Bank'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>	
Information Security / Cyber Security	<ul style="list-style-type: none"> • Oversee the development, implementation and maintenance of the Information Security Program, making Senior Management accountable for its action. • Review and endorse for approval to the BOD the ESSP and ISP as well as information security policies including the resources needed to implement the ESSP and ISP. • Monitor and ensure that the enterprise security initiatives sustain and extend the Enterprise's strategies and objectives. • Provide guidance and recommendations on information security matters whenever necessary. 	Enterprise Information Security Group, Operational Risk Management Division, Information Security and Technology Risk Division, RMG
Compliance Risk	Assume an oversight role thru the Compliance Office with respect to compliance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards	Global Compliance Group (this is prescribed under the Board Audit & Compliance Committee monthly)
Trust Risk	Assumes the oversight role for the identification, measurement, monitoring and control of operations of the Trust Banking Group. This is a specialized function that is distinct from Trust Banking Operations.	Trust Risk Division, RMG
Credit risk	<p>Oversee the bank-wide management of the credit risk internal 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"> 1. Policy & Infrastructure; 2. Sound Credit Granting Process; 3. System for Administration & Monitoring of Exposure; 4. Portfolio Management; 5. Credit Review; 6. Review the adequacy of valuation reserves; 	Credit Risk Division, RMG

Risk Category	Duties and Responsibilities	Support Office
	7. Work out system for managing problem credits; and	
Market Risk Interest Rate Risk Liquidity Risk	1. Recommend for Board approval market risk policies and risk limits for all trading and balance sheet-related market risks and for investment securities activities; 2. Approve the methodology, models and assumptions used to measure market and interest rate risks; and 3. Review compliance with established limits.	Market, and ALM Division, RMG
Sovereign or Country Risk	Govern the broad risk categories including political convertibility, and cross border risks associated with business and products abroad.	IBG/FID
Data Privacy Risk	Assist the Board in data privacy strategies and shall also ensure that relevant policies and plan for a data privacy management system are developed by management. Actively support data privacy within the bank through clear direction, demonstrated commitment, explicit assignment and acknowledgment of data privacy responsibilities.	Data Privacy Management Division, Risk Management Group
Consumer Protection Risk	Shall assist the Board in setting consumer protection risk strategy policies, to include metrics of consumer risk tolerance and appetite levels. ROC shall ensure that relevant policies and plan for a consumer protection risk management are developed and implemented by management.	Data Privacy Management Division, Operational Risk Division, Risk Management Group
Others	Perform such other functions as may be mandated by the Board and regulatory bodies relevant to risk management.	Risk Management Group

Frequency of Meeting

The ROC shall conduct regular meetings at least monthly, to discuss current risks exposures based on Management reports. Further, it may hold special meetings as it deems necessary.

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

VI. Secretariat

The Risk Management Group (RMG) shall act as the Secretariat of the ROC who shall maintain the minutes of the ROC meetings and other records of the Committee and ensure that ROC directives are being complied.

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

VII. 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.