	LBP LEASING AND FINANCE CORPORATION		DOCUMENT CODE: LLC-RMO-PM-004.02	
	RISK MANAGEMENT MANUAL		REVISION NO.: 2	EFFECTIVITY DATE: 03/24/2022
			PAGE NO.:	Page 10

## II. Risk Management Charters

### A. Risk Management Committee Charter

#### 1. Role and Authority

The Riskcom is appointed by the Board of Directors (BOD) to advise the BOD on LLFC's overall current and future risk appetite, oversee Management's adherence to the risk appetite statement; and report on the state of LLFC's culture. The Riskcom shall:

- Oversee the risk management framework. The Riskcom shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
- Oversee adherence to risk appetite. The Riskcom shall ensure that the current and emerging risk exposures are consistent with LLFC's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.

Oversee the risk management function. The Riskcom shall be responsible for the appointment/selection, remuneration, and dismissal of the Risk Management Officer. It shall ensure that the risk management function has adequate resources and effectively oversees the-risk taking activities of LLFC.


#### 2. Composition and Chairperson

The Riskcom shall be composed of at least three (3) members of the BOD, majority of whom shall be independent directors, including the Chairperson. The Riskcom's Chairperson shall not be the chairperson of the board of directors, or any other board-level committee. The Riskcom shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts to assist it in discharging its responsibilities.

#### 3. Meetings and Procedures

The Riskcom shall hold regular meetings at least quarterly, or as often as it considers necessary and appropriate. The Riskcom Chairman or the majority of its members may call a special meeting when deemed necessary. A majority of the members will constitute a quorum. *The Chairperson shall be the presiding officer during committee meetings.*

A notice of each meeting confirming the date, time and venue must be forwarded to each member of Riskcom before the scheduled date of the meeting. The agenda of each meeting will be circulated, whenever reasonably practicable, to each member prior to the meeting.

	<b>LBP LEASING AND FINANCE CORPORATION</b>	DOCUMENT CODE: <b>LLC-RMO-PM-004.02</b>	
	<b>RISK MANAGEMENT MANUAL</b>	REVISION NO.: <b>2</b>	EFFECTIVITY DATE: <b>03/24/2022</b>
		PAGE NO.: <b>Page 11</b>	

*Participation of Committee members or presenters may be in person or through modern technologies (teleconferencing or videoconferencing). Reasonable effort should be made to have all members of the Committee participate."*

The Risk Management Officer shall serve as the Secretariat of the Riskcom and shall keep written minutes of its meetings. Minutes of the proceedings shall be signed by the Secretariat and the members of the Committee and made available prior to the next meeting and approved therein.

The Committee may request any director, officer or employee of LLFC or other persons whose advice and counsel are sought by the latter to attend any meeting in order to provide information as it deems necessary.

The Riskcom shall report to the Board of Directors matters discussed at each meeting along with the actions taken during said meeting.

#### **4. Duties and Responsibilities**

##### **4.1 Core Duties and Responsibilities**

The Riskcom shall perform the following core duties and responsibilities:


- Perform oversight risk management functions including crisis management, in the areas of mitigating/managing strategic, credit, market, interest rate, liquidity, operational, reputational, legal and other risks. It shall include receiving and reviewing from Senior Management periodic information on risk exposures and risk management activities.
- Develop risk management policies of LLFC, ensure compliance with the same, and ensure that the risk management process and compliance are embedded throughout the organization.
- Provide quarterly reporting to, and updating the Board on key risk management issues.

##### **4.2 Specific Duties and Responsibilities**

The Riskcom shall perform the following specific duties and responsibilities:

- Review the current environment of LLFC including emerging risks, interrelationship between risks and LLFC's risk appetite.
- Review or discuss with Management, when appropriate, LLFC's risk management and risk assessment guidelines and policies on business risks including but not limited to risks related to credit, market, liquidity, and operations.
- Review the major risk exposures of LLFC against established risk measurement methodologies and the steps Management has taken to monitor and control such exposures.
- Receive reports regarding the results of risk management reviews and assessments.



	<b>LBP LEASING AND FINANCE CORPORATION</b>		DOCUMENT CODE: <b>LLC-RMO-PM-004.02</b>	
	<b>RISK MANAGEMENT MANUAL</b>		REVISION NO.: <b>2</b>	EFFECTIVITY DATE: <b>03/24/2022</b>
			PAGE NO.:	<b>Page 12</b>

- e. Oversee LLFC's processes and policies for determining risk tolerance and review management's measurement and comparison with overall risk tolerance.
- f. Oversee management functions and approve proposals regarding LLFC's policies, procedures, and practices relative to management of business risks ensuring that:
  - i. Limits are observed
  - ii. System of limits remain effective; and
  - iii. Immediate corrective actions are taken whenever limits are breached of whenever necessary
- g. Ensure compliance with written policies and procedures related to the management of risks, which shall include:
  - i. comprehensive risk management approach
  - ii. detailed structure of limits, guidelines and other parameters used to govern risk-taking units
  - iii. clear delineation of lines of responsibilities for managing risk
  - iv. adequate system for measuring risk and
  - v. effective internal controls and comprehensive risk reporting process
- h. Review other major risk exposures as deemed appropriate
- i. Review and assess the likelihood and magnitude of the impact of material events on the LLFC and/or recommend measures, responses or solution to avoid or reduce negative impact of material events
- j. Endorse to the BOD the appointment and, when and if appropriate, replacement of the Risk Management Officer, who shall report directly to the Committee
- k. Review and evaluate annually the performance of the Risk Management Officer
- l. Report Committee activities to the BOD when and with such recommendations as deemed appropriate or required
- m. Perform annually a self-assessment of the Risk Management Committee performance
- n. Perform such other duties and functions and/or assume such responsibilities as may be delegated by the BOD.

## **5. Independence**

The Riskcom shall be an independent committee and for this purpose, it shall report directly to and hold office on the authority of the Board of Directors.

## **6. Review of the Charter**

The Riskcom shall review and assess the Charter from time to time in order to determine its adequacy and make improvements thereof, as deemed necessary or valuable. The Board will approve any recommended amendments to the Charter that will emanate from the Riskcom.