



Armed Forces and Police Mutual Benefit Association, Inc.

Col Bonny Serrano Road cor. EDSA, Camp Aguinaldo, Quezon City, 1110
Trunkline: +63 (2) 8822-MBAI (6224) | Email: mail@afpmbai.ph
Web: www.afpmbai.com.ph | Facebook: AFPMBAIOfficial

REVISED RISK OVERSIGHT AND RELATED PARTY TRANSACTION COMMITTEE (RORPTC) CHARTER

(as of 1 March 2022)

I. Purpose

The Committee's purpose is to ensure that appropriate systems for risk management and related party transactions (RPTs) are in place and comply with applicable laws, regulations, and relevant standards.

II. Principles of Good Governance

The Committee shall adhere to the principles of good corporate governance, as enumerated in the Governance Committee Charter and the Manual of Corporate Governance.

III. Scope

The Committee shall have oversight on matters involving management of key risks, and RPTs, and other specific AFPMBAI Strategic Objectives that may be assigned by the Board of Trustees.

IV. Authority

The Board authorizes the Committee, within the scope of its responsibilities, to:

A. Seek any information it requires from:

1. Any employee who is directed to cooperate with any request made;
2. External parties;
3. Board of Trustees, top management, line managers and supervisors, TWG.

B. Obtain outside independent, expert, or other professional advice;

C. Require the attendance of Association officers during meetings, as appropriate.

The Chairman and each member of the Committee shall be entitled to rely on the integrity and expertise of those persons providing information to the Committee and on the accuracy and completeness of such information presented.

V. **Resources**

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including sole authority to engage, retain, and terminate independent consultants to the Committee as it may deem necessary or helpful in carrying out its responsibilities, and to establish the fees and other terms for the retention of such consultants, such fees to be borne by the Association.

VI. **Responsibilities**

The Committee shall have the following responsibilities:

A. Risk Management

1. Develop 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. Ensure the adoption and oversee the proper implementation of the enterprise risk management plan; review and revise the plan as needed through a risk management oversight committee. The RORPTC conducts regular discussions on the Association's prioritized and residual risk exposures based on regular risk management and assesses how the concerned units or offices are addressing and managing these risks.
3. Evaluate the risk management plan and process to ensure its continued relevance, comprehensiveness and effectiveness. The Committee is to revisit and monitor defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss.
4. Advise the Board on its risk appetite levels and risk tolerance limits.
5. Review at least annually the Association'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 estimate 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. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly information on risk exposures and risk management activities from Management;
8. Report to the Board on a regular basis, or as deemed necessary, the Association's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary; and,
9. Ensure that the culture of risk awareness and its aversion is pervasive throughout the Association.

B. Related Party Transactions (RPTs)

1. Review material RPTs beyond the threshold as may be reported by the Management, for endorsement to the BOT for approval;
2. Endorse, for confirmation of the Board, RPTs below materiality threshold;
3. Evaluate, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators
4. Evaluates whether or not dealings with all material RPTs are on arm's length, fair, and serve the best interest of the Association to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non- related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
 - a. The related party's relationship to the company and interest in the transaction;
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - c. The benefits to the Association of the proposed RPT;
 - d. The availability of other sources of comparable products or services; and

- e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Association should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
5. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the AFPMBAI's affiliation or transactions with other related parties;
6. Report to BOT on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
7. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
8. Ensure that minority shareholders are afforded protection, have the right of action which is easily accessible to them;
9. Ensure that remedies against abusive or oppressive conduct are available to minority shareholders; and,
10. Oversee the implementation of the RPT management system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

VII. Membership

The Committee shall be composed of members duly appointed by the Board of Trustees, majority of whom are independent trustees, with no executive trustees. The Committee Chairman and Vice Chairman shall be elected by its members and endorsed for approval of the Board of Trustees through the Governance Committee. The Chairman of the Committee should be an independent trustee. Membership in the Committee shall be co-terminus with the membership in the Board.

VIII. Meetings

The Committee may meet monthly, or as needed, prior to every Board meeting. Resource persons may be invited, as needed. The Board Relations Office shall take and safekeep the Minutes of the Committee's meetings.

IX. The Role of the Technical Working Group (TWG)

The TWG for the Committee is composed of the Chairman of the Risk Management Committee, Risk Officer, and Heads of the Compliance Office and Risk Management Office. It shall perform the following tasks:

1. Provide reports on risk management programs/plans/strategies/activities and pertinent information on related party transactions to the Committee;
2. Perform administrative functions relative to the conduct of the Committee's responsibilities; and
3. Conduct research/studies, as may be required, and present the output to the Committee.

X. Board Assessment of the Committee

The Committee will be assessed based on the Performance Management System approved by the Board of Trustees.

XI. Charter Review

This Charter shall be reviewed at least every two (2) years, and updated as needed. All revisions shall be submitted to the Board of Trustees for approval.

Approved by the Board of Trustees on 1 March 2022, per Board Resolution No. 017, Series of 2022.