



## **Terms of Reference for the Board Risk Committee (Policy and Strategy)**

**Date**  
**Version**

## 1. DEFINITIONS

For the purpose of these terms of reference (Terms):

**Affiliate** means with respect to Philam Life, a body corporate which Philam Life controls;

**Philam Group** refers to Philam Life and affiliates particularly BPI-Philam, Philam Asset Management, Philam Properties and Philam Call Center;

**Philam Life Enterprise Risk Management (ERM) Office** refers to the department responsible for managing the risk framework for the company;

**Board** means the board of directors of Philam Life;

**Board Audit Committee** refers to the audit committee established by the Board;

**Board Risk Committee (Policy and Strategy) (BRC)** refers to the committee established by resolution of the Board in accordance with clause 2 of these Terms;

**Risk Management Committee (RMC)** refers to an oversight management committee established to have in place a comprehensive and effective system of risk management for the Philam Group;

**Financial Risk Management Committee (FRMC)** refers to a management sub-committee established under the ERMC related to financial risks

**Operational Risk Management Committee (ORMC)** refers to a management sub-committee under the ERMC related to operational risks;

**Risk Appetite** refers to the broad level of risk Philam Life is willing to take and serves as a key guide in allocating the resources of an organization in accordance with its strategic planning. An organization's risk appetite underpins its risk-adjusted return expectations, influences strategic planning and its corresponding capital allocation

**Risk Management Framework** means the framework for the governance and management of risk within the defined Risk Appetite of the organization;

**Risk Management Statement** means a high level statement of Philam Life's philosophy and approach to risk;

**Risk Measurement Systems and Metrics** means any measure, approach, quantitative technique, ratio or similar tool that is recognized by the Board to measure level and distribution of risk in Philam Life in the context of its Risk Appetite;

**Risk Management Policies** refers to guidelines meant to implement the Risk Management Framework.

## **2. CONSTITUTION**

The Board Risk Committee (Policy and Strategy) (BRC) was established by resolution of the Board on 18 July 2011. It is a Committee of the Board of The Philippine American Life and General Insurance Company (Philam Life). The Terms of Reference defines the purpose, authority and responsibilities of the BRC (Policy and Strategy).

To the extent possible, while remaining compliant with their obligations, where efficiencies of function are possible between the Board Audit Committee and BRC, these committees may work together to submit joint reports and otherwise avoid duplication of their functions.

## **3. COMPOSITION/MEMBERSHIP**

The BRC shall be composed of five (5) members, one (1) of whom shall act as Chairperson. If the Chairperson is not present at a meeting the BRC may appoint an Acting Chairperson. At least one (1) member will be an independent director.

The following persons are required to attend the BRC meeting:

- Chief Financial Officer
- Chief Actuary
- Local Risk Officer

The BRC may invite such other persons as they may deem appropriate under the circumstances.

## **4. BRC OBJECTIVES**

In consultation with AIA, the Board has, among other things, the responsibility to determine the Risk Appetite, the Risk Management Statement and the Risk Management Framework. The BRC shall provide advice to and assist the Board

in reviewing and recommending the Risk Appetite, the Risk Management Statement and the Risk Management Framework. The Board Risk Committee (Policy and Strategy) shall approve the Risk Measurement Systems and Metrics.

## **5. BRC RESPONSIBILITIES, POWERS, AUTHORITIES, AND DISCRETION**

5.1 Without limiting the generality of the BRC's objectives, it shall have the following responsibilities, powers, authorities and discretion in exercising non-executive oversight of risk:

5.1.1 The BRC is authorised by the Board to discharge its duties within these Terms including the approval of any terms of reference of relevant management committees. It is authorised to seek the risk management information it requires from the Directors and/or the management of the Philam Group who are directed to co-operate with the Board Risk Committee; and

5.1.2 The BRC is authorised by the Board to obtain external advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The BRC will be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external risk management consultant who directly advises the BRC.

5.2 In providing advice to the Board, the duties and responsibilities of the BRC shall generally include the following:

### **5.2.1 Risk Management Framework**

- (i) Reviewing Risk Policies that require approval of the Board.
- (ii) Reviewing the effectiveness of the Risk Management Framework of The Philam Group, including the allocation of resources to implement such framework;
- (iii) Reviewing results of risk measures as reported by the Philam Group RMC and to review and approve recommendations as suggested by the Philam Group RMC any outside professional advisor or Board members in relation to the risk management activities of Philam Group.

### **5.2.2 Risk Appetite, Risk Management Statement and Risk Management Framework**

In providing advice to the Board on Risk Appetite, the Risk Management Statement and the Risk Management Framework and approving the Risk Measurement Systems and Metrics, the BRC shall seek appropriate support from the Philam Group RMC, FRMC, ORMC, and the ERM Office, together with advice and input from the management or functional group heads as deemed appropriate.

### **5.2.3 Financing Risk Control**

(i) Reviewing the risks associated with significant changes as to the capital and financing structure of the Philam Group as required by any Risk Policies and/or requested from time to time by any Director in consultation with the chairman of the BRC.

(ii) In regard to (i) above:

(1) The Board Risk Committee, in advising the Board, should ensure that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Philam Group, drawing on independent external advice where appropriate and available, before the Board takes a decision whether to proceed; and

(2) The BRC should determine, on the basis of the business case presented, and the Philam Group's due diligence appraisal, whether management has sufficient basis to support a recommendation to the Board that the proposition is likely to benefit the Philam Group if it can be completed within an agreed framework.

### **5.2.4 Other Board Risk Duties and Responsibilities**

(i) To undertake or consider on behalf of the chairman of the Board or the Board, such other related tasks or topics as the chairman of the Board or the Board may from time to time entrust to it.

(ii) The BRC shall review annually these Terms and its own effectiveness and recommend to the Board any necessary changes. This shall not in any way restrict the Board carrying out its own review of the effectiveness and composition of the BRC.

(iii) To report to the Board on the matters set out in these Terms.

**6. MEETINGS, MINUTES AND RECOMMENDATIONS**

6.1 The BRC shall meet quarterly or more frequently, if necessary.

The quorum for a meeting for the BRC is to be no less than three (3) members of all currently appointed BRC members.

6.2 The Corporate Secretary or in the absence of the Corporate Secretary, the Assistant Corporate Secretary will prepare the minutes of the committee meeting and assist the chairperson in administering the business of the committee, including keeping minutes, reports and recommendations of BRC.

**7. REPORTING STRUCTURE**

The Management and Board reporting structure is set out diagrammatically in Annex A hereof.

**ANNEX A**

