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## **Terms of Reference for the Board Risk Committee**

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## 1. DEFINITIONS

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

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

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

**Board Risk Committee** refers to the committee established by resolution of the Board in accordance with clause 2 of these Terms;

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

**Risk Management Committee (RMC)** refers to an oversight management committee for BPI Philam, established to have in place a comprehensive and effective system of risk management of Financial and Non-financial risks;

**Financial Risk** includes risks related to insurance, credit, counterparties, foreign exchange, liquidity, interest rates, markets, the use of derivatives and product pricing;

**Non-financial Risk** includes risks related to operational risk (the potential direct or indirect loss including reputational loss resulting from inadequate or failed internal processes, personnel and systems or from external events) and strategic risk (the risk of unexpected changes in the regulatory, market and competitive environment in which BPI Philam operates);

**Risk Appetite** refers to the broad level of risk BPI Philam is willing to take and serves as a key guide in allocating the resource of an organization in accordance with its strategic planning. An organization's appetite for is reflected in its strategic planning and its corresponding allocations of capital.

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

**Risk Management Statement** means a high level statement of BPI Philam's attitude 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 BPI Philam in the context of its Risk Appetite;

**Risk Policies** means policies to fulfill the Risk Management Framework.

## 2. CONSTITUTION

The Board Risk Committee (BRC) was established by resolution of the Board on 30 January 2013. It is a Committee of the Board of BPI Philam Assurance Corporation (BPLAC). The Terms of Reference defines the purpose, authority and responsibilities of the Board Risk Committee (BRC).

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 report 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. The Chairperson is preferred to be an independent director or a non-executive director. At least one (1) member will be an independent director. If the Chairperson is not present at a meeting the BRC may appoint an Acting Chairperson.

The BRC may invite any of the following persons to attend the BRC meeting, (if not already a member):

- Chief Executive Officer
- Chief Operating Officer
- Chief Financial Officer
- Chief Actuary
- Chief Compliance Officer/General Counsel
- Internal Auditor
- Risk Officer

## 4. BRC OBJECTIVES

The Board has, among other things, the responsibility to determine the Risk Appetite, the Risk Management Statement and the Risk Management Framework. The Board Risk committee 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 shall approve the Risk Measurement Systems and Metrics.

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

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

5.1.1 The Board Risk Committee is authorized 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 BPLAC who are directed to co-operate with the Board Risk Committee; and

5.1.2 The Board Risk committee is authorized 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 Board Risk Committee should 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 Board Risk Committee.

5.2 In providing advice to the Board, the duties and responsibilities of the Board Risk Committee 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 BPI Philam including the allocation of resources to implement such framework;
- (iii) Reviewing results of risk measures as reported by the BPI Philam RMC and to review and approve recommendations as suggested by the BPI Philam RMC any outside professional advisor or Board members in relation to the risk management activities of BPI Philam.

### 5.2.2 Risk Appetite. Risk Management Statement and Risk Management Framework

In providing advice to the Board on the Risk Appetite, the Risk Management Statement and the Risk Management Framework and approving the Risk Measurement Systems and Metrics, the board Risk

Committee shall seek appropriate support from the BPLAC RMC 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 BPLAC as required by any Risk Policies and/or requested from time to time by any Director in consultation with the chairman of the Board Risk Committee.

(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 BPLAC, drawing on independent external advice where appropriate and available, before the Board takes a decision whether to proceed; and

(2) The Board Risk Committee should determine, on the basis of the business case presented and BPI Philam's due diligence appraisal, whether management has sufficient backing to support a recommendation to the Board that the proposition would likely benefit BPLAC 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 Board Risk Committee 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 Board Risk Committee.

(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 and may meet 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

