



**PHILGUARANTEE**

Philippine Guarantee Corporation

# **PHILIPPINE GUARANTEE CORPORATION**

**CHARTER OF THE  
RISK OVERSIGHT COMMITTEE  
2021**

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**WHEREAS**, pursuant to Executive Order No. 58 signed on 23 July 2018 by the President of the Philippines and the Department of Finance (DOF) issuance of Memorandum Circular 2019-001 dated 03 September 2019, the Trade and Investment Development Corporation of the Philippines (TIDCORP) also known as Philippine Export-Import Credit Agency (PHILEXIM) is renamed as Philippine Guarantee Corporation (PHILGUARANTEE) effective 31 August 2019, following the merger and consolidation of Philippine Guarantee Programs and Agencies, with PhilEXIM as surviving entity.

Being the Principal Agency for State Guarantee Finance of the Philippines, the primary objective of PHILGUARANTEE is to perform its development financing role through the provision of credit guarantees in support to trade and investments, exports, infrastructure, energy, tourism, agricultural business/modernization, housing, MSMEs and other priority sectors of the economy, with the end in view of facilitating and promoting socio-economic and regional development;

**WHEREAS**, in order to manage the major risks that are inherent to a government financial institution/export-import credit and to provide reasonable assurance that TIDCORP's key objectives/purposes will be achieved at the same time maintaining its viability, the Board of Directors of TIDCORP, by virtue of the powers and authority vested in the Board by its Charter, created and constituted a Risk Oversight Committee (ROC), a Board-level Committee which shall assist the Board in the development and oversight of the Corporation's risk management plan and program, and adopted the TIDCORP ROC Interim Charter as approved by the Board of Directors under Board Resolution No. 1746, Series of 2005 issued on 22 September 2005;

**WHEREAS**, pursuant to the approval by the TIDCORP Board of Directors under Board Resolution No. 2747, Series of 2014 issued on 30 October 2014 of the revisions to the TIDCORP Manual of Corporate Governance, the TIDCORP ROC Interim Charter was amended on 07 July 2015 to align the same with the revised Manual of Corporate Governance by incorporating the changes/revisions related to the ROC.

**WHEREAS**, there is a need to amend the ROC Charter to align with the current changes in the Corporation's functions and organization following the implementation of E.O. 58;

**NOW, THEREFORE, WE THE BOARD OF DIRECTORS OF PHILGUARANTEE** do hereby amends the Charter of the ROC of PHILGUARANTEE as follows:

#### **Section 1. PURPOSE**

The Risk Oversight Committee is established to oversee the realization of the risk governance reforms of PHILGUARANTEE and ensure that the risk-related reforms are sufficient, efficient and effective for the performance of PHILGUARANTEE's mandate.

#### **Section 2. DEFINITION OF TERMS**

For purposes of this Charter, the following terms shall be understood as follows:

<b>Corporation or PHILGUARANTEE</b>	refers to the Philippine Guarantee Corporation
<b>Board</b>	refers to the Board of Directors of PHILGUARANTEE
<b>Charter</b>	refers to the ROC Charter
<b>Committee</b>	refers to the Risk Oversight Committee of the Corporation
<b>Management</b>	refers to the body composed of the President & CEO and other Officers of the Corporation that



governs its day-to-day conduct of business and implementation of its business strategies, plans and policies.

**Risk governance framework**

refers to the framework through which the Board and management establishes PHILGUARANTEE's strategy; articulate and monitor adherence to risk appetite and risk limits; and identify, measure, and manage risks.

**Risk appetite statement**

refers to the articulation in written form of the aggregate level and types of risk that PHILGUARANTEE is willing to accept, or to avoid, in order to achieve its business objectives. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate.

**Risk limits**

refers to the allocation of PHILGUARANTEE's risk appetite statement to: specific risk categories (e.g., credit, market, liquidity, operational); the business unit; lines of business or product level [e.g., concentration, value-at-risk (VaR), or other limits]; and other levels, as appropriate.

### **Section 3. COMPOSITION OF THE COMMITTEE**

The Committee shall be composed of at least three (3) members of the Board, majority of whom shall be independent directors, including the Chairperson. The members of the Committee, including the Chairperson, shall be appointed or designated by the Board. The Committee's Chairperson shall not be the chairperson of the Board, or any other Board-level committee. The Committee members 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.

The Committee members are encouraged to attend seminars/trainings/workshops related to the functions and responsibilities of the Committee. They are however required to attend seminar/s on corporate governance pursuant to the guidelines of the Governance Commission on Government Owned and Controlled Corporations (GCG), expense of which shall be shouldered by the Corporation.

### **Section 4. TERM OF OFFICE**

The Chairperson and the members of the Committee shall hold office for a period of one (1) year. In case of permanent incapacity, resignation, removal or death, the vacancy shall be filled-up by appointing or designating one from among the members of the Board, who shall serve for the unexpired portion of the term.

### **Section 5. DUTIES AND RESPONSIBILITIES**

The Committee shall advise the Board on PHILGUARANTEE's overall current and future risk appetite, oversee Management's adherence to the risk appetite statement, and report on the state of risk culture of PHILGUARANTEE. The Committee shall:

- a. **Oversee the risk management framework.** The Committee shall oversee the enterprise risk management/governance 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.
- b. **Oversee the adherence to risk appetite.** The Committee shall ensure that the current and emerging risk exposures are consistent with PHILGUARANTEE'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.
- c. **Oversee the risk management function.** The Committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO) who shall head the risk management function of PHILGUARANTEE. It shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of PHILGUARANTEE.
- d. **Establish a risk governance structure.** The Committee shall be responsible for approving the risk governance framework, subject to the final approval by the Board. The Committee shall also review and approve policies pertaining or in relation to risk management and oversee Management's implementation thereof.
- e. **Ensure independence of risk management function.** The Committee shall provide adequate separation of duties in the risk management process to avoid potential conflicts of interest. The Committee shall see to it that risk measurement, monitoring and control functions are sufficiently independent from position-taking functions.
- f. Provide quarterly reporting and updating to the Board on key risk management issues.



## **Section 6. POWERS AND AUTHORITY**

For the effective and efficient discharge of its responsibilities, the Committee shall have the following authority and/or prerogatives:

- a. Recommend to the Board, upon endorsement of the President and Chief Executive Officer (CEO), the appointment of a Chief Risk Officer (CRO) who shall have the rank of at least a Vice President or as may be determined by the Board. He shall be directly under the administrative supervision of the President and CEO and shall report to the Board through the Committee on the implementation of the risk governance framework and ongoing activities related thereto.

The CRO shall perform the following duties and responsibilities:

- i. Oversee the risk management function and support the Board in the development of the risk appetite and risk appetite statement of PHILGUARANTEE, and for translating the risk appetite into a risk limits structure;
  - ii. Propose enhancements to risk management policies, processes, and systems to ensure that PHILGUARANTEE's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities; and
  - iii. Advise the Board in areas of risk exposures and risk management activities of PHILGUARANTEE.
- b. Review and approve the qualification standards, job description and responsibilities of the CRO.
  - c. Together with the President and CEO, assess the performance of the CRO and recommend any appropriate action relative thereto.



## **Section 7. COMMITTEE MEETINGS**

The Committee shall meet as often as necessary or as it deems appropriate or upon the directive of the Board *en banc* at times and places to be decided by the Committee. The presence of three (3) members of the Committee shall constitute a quorum.

Attendance of a member through teleconferencing or video conferencing shall be allowed in accordance with SEC Memorandum Circular No. 15, s. 2001 and Memorandum Circular No. 6, s. 2020, and as recognized under GCG Memorandum Circular No. 2014-03. The attendance and participation of the members in the committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of the Committee and the Board.

The Chairperson shall preside over the meetings of the Committee. In the event the Chairperson is not present at a duly convened meeting, the Committee members present shall select from among themselves the members who shall preside over the meeting.

The Committee, as needed and when appropriate, is authorized to call members of Management and staff or invite other Board members who are not members of the Committee, to attend the meetings and provide inputs, information and/or advice and extend such other assistance, as it may deem necessary to accomplish their duties and responsibilities.

All actions of the Committee shall be made by a majority of the members present at a meeting where a quorum is duly constituted. After each meeting, the Chairperson shall report to the Board *en banc*, all significant matters that transpired, were discussed and/or acted upon by the Committee, for the Board's information, notation and/or approval.

## **Section 8. SECRETARIAT**

The Office of the Corporate Secretary (OCS) shall serve as the Secretariat which shall assist the Committee in carrying out its functions effectively and efficiently.

The Chairperson with the assistance of the Corporate Secretary shall set the Agenda for every meeting of the Committee, and copies of the Agenda together with the materials of the meeting shall be distributed to the members prior to the next scheduled meeting.

All Committee meetings shall be recorded by the OCS. The OCS shall prepare the minutes and other records of the meetings and perform other administrative support to the Committee. The minutes of the meetings should be sent to the members at a reasonable period of time after every meeting.

The OCS shall see to it that the instructions/directives of the Committee are communicated to the concerned department/unit through the President and CEO, and update the Committee of the compliance, upon receiving the corresponding status or submission of the concerned department/unit.

## **Section 9. ASSISTANCE OF CONSULTANT/S**

In the performance of their duties, the Committee or the CRO, subject to the approval of the Board and availability of funds, may hire or retain risk management consultant/s or other expert/s on relevant fields, expense of which shall be shouldered by PHILGUARANTEE.

## **Section 10. REVIEW OF THE CHARTER**

The Committee shall review this Charter at least once a year and submit it to the Board for approval together with such amendments, if any, or as it deems

necessary and appropriate in light of PHILGUARANTEE's needs, alignment to corporate governance principles/guidelines and legal and regulatory development.

## **Section 11. EFFECTIVITY**

This Charter of the Risk Oversight Committee of PHILGUARANTEE, as amended, shall take effect immediately upon approval of the Board.