



**Armed Forces and Police
Mutual Benefit Association, Inc.**

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**REVISED RISK MANAGEMENT AND
RELATED PARTY TRANSACTION COMMITTEE CHARTER**
(as of 28 September 2017)

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. Ensures the adoption and proper implementation of a risk management plan, and reviews and revises the plan as needed;
2. Assesses the probability of each risk becoming reality and shall estimate its possible effect and cost;
3. Reviews and monitors strategies for managing and controlling the key risks, preventing losses and minimizing the impact of losses when they occur, and the negative impact to the Association's reputation;
4. Oversees the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached;
5. Receives, evaluates risk exposure reports from Management, and presents relevant action plans to the Board in addressing those risks;
6. Endorses, for Board approval, the proposed policies, procedures, plans and programs relative to risk management;
7. Evaluates the risk management framework and process to ensure its continued relevancy, comprehensiveness, and effectiveness; and
8. Ensures that the culture of risk awareness and its aversion is pervasive throughout the Association.

B. Related Party Transactions

1. Reviews material RPTs beyond the threshold as may be reported by the Management, for endorsement to the BOT for approval;
2. Endorses, for confirmation of the BOT, RPTs below materiality threshold;

3. Reports to BOT on a regular basis the status and aggregate exposures, including total amount, of RPTs;
4. Evaluates, on an on-going 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 shall be reflected in the relevant reports to the Board and government regulators;
5. Evaluates whether or not dealings with RPTs are on arm's length, fair, and serve the best interest of the Association and not undertaken on more favourable economic terms (i.e., price, commissions, interest rates, fees, tenor, collateral requirement, etc) taking into account the following: relationship and interest in the transaction, material facts of proposed RPT including aggregate value of transaction, benefits to the Association, availability of other sources of comparable products or services, assessment of proposed RPT comparable to others under similar circumstances;
6. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall 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 AFPMBAI's affiliation or transactions with other related parties, if any;
7. Ensures that minority shareholders are afforded protection, have the right of action which is easily accessible to them;
8. Ensures that remedies against abusive or oppressive conduct are available to minority shareholders; and
9. Oversees implementation of RPT management system, including the 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 Heads of Executive Services Division, Compliance Office, and Risk Management Office. It shall perform the following tasks:

1. Provides reports on risk management programs/plans/strategies/activities and pertinent information on related party transactions to the Committee;
2. Performs administrative functions relative to the conduct of the Committee's responsibilities; and
3. Conducts 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 28 September 2017, per Board Resolution No. 79, Series of 2017.