

PROFESSIONAL SERVICES, INC

CHARTER OF THE BOARD RISK OVERSIGHT COMMITTEE

Section 1. PURPOSE

- 1.1.** The Board Risk Oversight Committee (the “Committee”) is established by and among the Board to properly align with Management as it embarks on a risk management program. The Committee shall provide assistance in fulfilling the Board’s oversight responsibility in relation to Corporation’s risk management practices, ensuring that there is an effective and integrated risk management process in place.¹

Moreover, to increase efficiency and allow deeper focus in risk governance and management, the Committee shall provide a forum for cooperation and ideal venue for discussion among those charged with governance and risk management functions.

Section 2. MEMBERSHIP

- 2.1.** **Composition** – The Committee shall be composed of at least three (3) directors, of which the Chairperson shall be an independent director. It is necessary that at least one (1) member of the Committee must have relevant, thorough knowledge and experience on risk and risk management.² The current members of the Committee shall serve as such until their successors shall have been qualified and appointed.
- 2.2.** **Regular Attendees** – The Committee shall invite the Chief Risk Officer (CRO)³ and the Chief Finance Officer (CFO)⁴ as regular attendees in their meetings. Attendees shall participate in the discussion as regular members, but cannot vote.
- 2.3.** **Term** – The members of the Committee shall be appointed by the Board during the Board’s annual organizational meeting. Each member shall serve upon his or her election

¹ Manual on Corporate Governance, Section 1(3)(H)

² Manual on Corporate Governance, Section 1(3)(H)

³ CRO is a member of Corporation’s management team in charge of risk management functions. He or she monitors management activities in managing credit, market, liquidity, operational, legal, and other risk exposures of the Corporation. He or she provides the Board with information on risk exposures and risk management activities from Management [Manual on Corporate Governance, Section 1(5)(D)]

⁴ The CFO is a member of the Corporation’s management team in charge of finance function...He shall render to the President and Directors at the regular meetings of the Board and at such other times as he or she may be required, an account of all his transactions as CFO and of the financial condition of the Corporation [Manual on Corporate Governance, Section 1(5)(C)]

and until the next organizational meeting of the Board, unless earlier removed or replaced.

2.4. Vacancy – The members of the Committee may be removed or replaced by the Board by majority vote of directors present in a Board meeting constituting a quorum. Any vacancy in the Committee caused by death, resignation, removal, or disqualification of member shall be filled by the Board. The member elected to replace or appointed to fill the vacancy shall hold office for the remainder of the term and until his or her successor shall have been qualified and appointed.

2.5. Compensation – The Board shall determine such compensation the members of the Committee shall be entitled to.

Section 3. POWERS, DUTIES AND RESPONSIBILITIES

3.1. General Authority – In accordance with the authority granted by the Board, and consistent with the Corporation’s Manual on Corporate Governance, the Committee shall be responsible for the oversight of the Corporation’s risk policies, management, procedures and controls. Through the Enterprise Risk Management (“ERM”) System, it shall identify and evaluate risk exposure and assess the probability of each risk becoming a reality.

3.2. Enterprise Risk Management – Enterprise Risk Management (ERM) is integral to an effective corporate governance process and the achievement of a Corporation’s value creation objectives. Thus, the Committee has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.⁵ To visualize, refer to Annex A.

3.3. Duties and Responsibilities – The Committee shall have the following duties and responsibilities:⁶

- (a) Develop a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management

⁵ Manual on Corporate Governance, Section 1(3)(H)

⁶ Manual on Corporate Governance, Section 1(3)(G)

strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

- (b) Harmonize or integrate the existing business continuity plan with the ERM plan;
- (c) Oversee the implementation of the ERM plan through a Management Risk Oversight Committee. The Committee shall conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- (d) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee shall revisit defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;
- (e) Advise the Board on its risk appetite levels and risk tolerance limits;
- (f) Review at least annually the Corporation'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 major events which may have occurred in the Corporation;
- (g) Assess the probability of each identified risk becoming a reality and shall 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;
- (h) Oversee the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management;
- (i) Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary; and
- (j) Perform such other functions as may be properly delegated by the Board.

Section 4. MEETINGS, QUORUMS AND ACTIONS

- 4.1. **Frequency** – The Committee shall hold meetings in person or through teleconferencing or videoconferencing, or through such other modes of communication at such times and places and at such frequency as may be appropriate and necessary, provided, that the Committee shall meet at least twice a year.
- 4.2. **Convention** – The Chairperson of the Committee shall call the Committee to convene when he or she considers appropriate, or upon the request of at least two (2) voting members.
- 4.3. **Executive Session** – Upon discretion of the Committee Chairperson, meetings of the Committee may be concluded in an executive session, without the presence of the management team (CFO and CRO), to be able to discuss matters that the Committee believe should be discussed privately.
- 4.4. **Joint Meeting** – The Committee shall formally meet with the Audit Committee (together, “Joint Committee”) once a year. Additionally, as determined by the Chairpersons of both Committees, the Joint Committee shall meet at such times and place as may be appropriate and necessary.
- 4.5. **Notice and Invitation** – Schedule of Committee meetings shall be announced or communicated at least two (2) weeks in advance. Notice of and invitations to the meetings may be given through written letter notice, electronic mail, short message service, telefax or other similar means. Materials shall be provided at least five (5) working days prior to the scheduled meeting.
- 4.6. **Waiver of Notice** – Notwithstanding shorter notice, the meeting shall be deemed to have been duly convened if so agreed by the members present constituting a quorum. A member may give his or her consent to short notice or waive the notice requirement in any meeting of the Committee.
- 4.7. **Agenda** – The agenda for each Committee meetings shall be set by the Chairperson. The agenda, which shall include, as much as practicable, all materials and presentations, shall be circulated to each member at least three (3) calendar days before the meeting. The Committee may set list of regular agenda items to be addressed by the Committee during each regular meeting.
- 4.8. **Quorum** – Attendance of majority of the members of the Committee shall constitute a quorum. Members attending the meeting through teleconferencing or videoconferencing or through other modes of communication shall be counted as present in determining the quorum and the votes required.

- 4.9. Voting** – A majority vote of all members of the Committee shall be required to approve, authorize, take any action, or carry an act or resolution of the Committee. Any matter which fails to be approved by a majority vote of all the Committee members may be referred to the Board for consideration or reconsideration.
- 4.10. Consent** – When deemed necessary or desirable by the Committee or its Chairperson, written consent (in physical, electronic, or digital format) by majority of the members of the Committee shall suffice to authorize or carry an action of the Committee.
- 4.11. Minutes** – Minutes of the Committee meeting shall be recorded and kept by the Office of Corporate Secretary. The Corporate Secretary, or in his or her absence, the Assistant Corporate Secretary shall act as the secretary for the meetings. Except for information that are required to be disclosed pursuant to law or regulations issued by competent government authorities, all records shall be kept confidential.

Section 5. MISCELLANEOUS PROVISIONS

- 5.1. Reports of the Committee** – All highlights of the matters discussed in the Committee meetings shall be presented to the Board during regular meetings, as allowed by the Chairperson of the Board. All actions taken by the Committee shall be presented to the Board of Directors during the regular or special Board meeting immediately following such action of the Committee.
- 5.2. Primary Resource** – The primary resources of the Committee are the corporate governance compliance team under the Corporate Services Department and the Continuous Improvement Hub of the Corporation.
- 5.3. Technical Assistance** – The Committee may invite to its meetings members of management, officers, employees of the Corporation and other persons including independent experts whose advice and counsel are sought by the Committee as it deems appropriate or desirable.
- 5.4. Outside Advisors** – The Committee shall have the sole authority to engage, retain and terminate legal advisor and other professionals and consultants, as it deems necessary and appropriate, to advise and assist the Committee in discharging its duties and responsibilities. The Corporation shall provide, and the Committee shall approve the fees to be paid as well as the terms of engagement.
- 5.5. Access to Information** – The Committee shall have free and full access to all relevant information, data, records, properties and personnel of the Corporation.

- 5.6. Investigation** – The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities, as it may deem appropriate.
- 5.7. Evaluation** – The Committee shall conduct an annual assessment of its performance, formulate plans for improvement, and review the implementation of such plans. Supplementarily, the Board shall have an independent evaluation of the performance and effectiveness of the Committee in delivering and fulfilling its duties and responsibilities, as set forth in this Charter.
- 5.8. Review of the Committee Charter** – The Committee shall review this Charter at least once a year and as often as deemed necessary. Any proposed amendment or revision shall be forwarded to the Board for approval. Once approved by the Board, it shall take effect immediately and prospectively.

This Charter of the Board Risk Oversight Committee was approved by the Board of Directors on 17 December 2021. This shall form part of the Revised Manual on Corporate Governance of the Corporation.




NORMAN P. SERAPIO
Compliance Officer

ATTESTED BY:

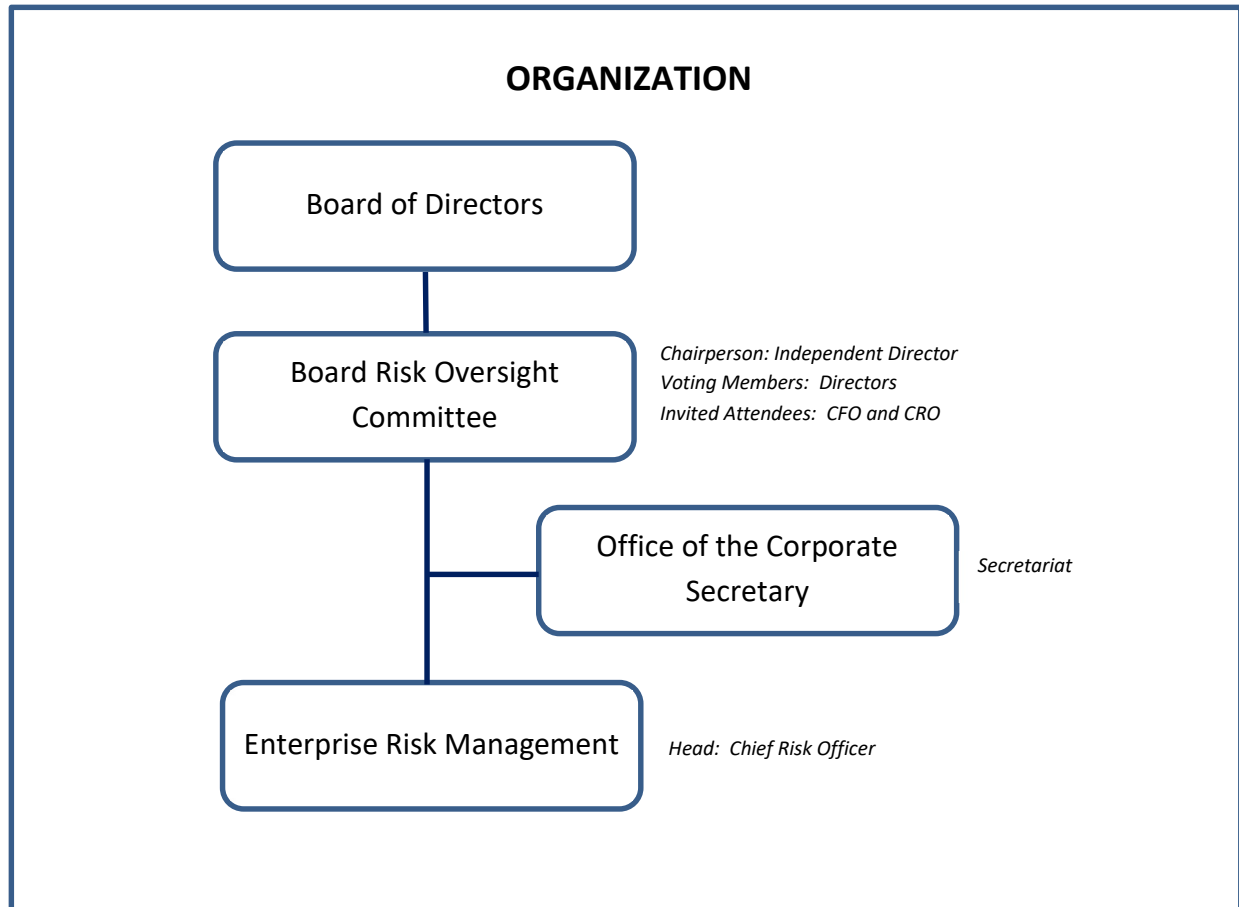


JOSE XAVIER B. GONZALES
Chairman



EUGENIO JOSE F. RAMOS
President and CEO

Annex A



- 1. Board of Directors**
- 2. Board Risk Oversight Committee** – The Committee shall report directly to the Board of Directors the issues and developments that may give rise to risk exposures.
- 3. Enterprise Risk Management** – The Committee delegates authority to the Chief Risk Officer for the management of the Corporation’s risk profile. ERM presents to the Committee matters pertinent to the risk-taking activities of the Corporation for discussion and securing the necessary action, such as approval by the Committee itself or for its endorsement to the Board for final approval, for notation, or for information.
- 4. Office of the Corporate Secretary** – Any matters relating to the Committee shall be coursed through the Office of Corporate Secretary as the Secretariat of the Committee.