



**TERMS OF REFERENCE
RISK MANAGEMENT COMMITTEE
(as of July 29, 2023)**

I. Constitution

The Risk Management Committee (RMC) shall be established by the Board of Directors (BOD) of BDO Unibank, Inc. (BDO). It is an extension of the BDO Unibank Board.

II. Objectives

The Risk Management Committee shall be responsible for the oversight of the enterprise risk management program of BDO, including its Trust Unit.

III. Duties and Responsibilities

- (a) It shall assess the probability of each identified risk exposure becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.

Considering the importance of appropriately addressing credit risk, the Executive Committee created by the Board of Directors shall continue to function guided by established credit policies, procedures and directives. The Executive Committee shall be responsible for approving credit-specific transactions, while the Risk Management Committee shall be responsible for approving risk appetite levels, policies, and risk tolerance limits related to credit portfolio risk, market risk, liquidity risk, interest rate risk, operational risk (including business continuity risk, IT risk, information security risk, data privacy risk and social media risk), consumer protection risk, and environmental & social risk management, to ensure that current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite, as well as the regular review of the same based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Bank.

- (b) It shall oversee the system of limits of discretionary authority that the Board of Directors delegates to management under its purview, ensure that the system of limits of discretionary authority remains effective, that the limits are observed, and immediate corrective actions are taken whenever limits are breached.



- (c) It shall approve the enterprise risk management framework and written risk management plan developed by management, defining the policies, limits, and strategies for managing and controlling the major risks of BDO, including Trust.
- (d) It shall ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans, and that corrective actions are promptly implemented to address risk management concerns.
- (e) It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risk becomes real.
- (f) It shall conduct regular discussions with management on the current risk exposure, including prioritized and residual risk exposures, based on regular management reports, and direct concerned units on how to reduce these risks.
- (g) It shall evaluate the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness.
- (h) It shall revisit risk-mitigating strategies, look for emerging or changing risk exposures or stay abreast of developments that affect the likelihood of harm or loss.
- (i) It shall report regularly, or as deemed necessary, to the Board of Directors the Bank's overall risk exposure, actions taken to reduce risks, and recommend further actions or plans as necessary.
- (j) It shall be responsible for the appointment/selection, remuneration, approval and assessment of interlocking positions held, performance evaluation, and dismissal of the Chief Risk Officer, and shall ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Bank.
- (k) It shall review and assess the adequacy of the Terms of Reference at least annually or update whenever there are significant changes therein, and ensure that subsequent changes are approved by the Board of Directors.

IV. Reporting Hierarchy

The Risk Management Committee shall report to the BOD minutes of its meeting.

V. Membership

The Risk Management Committee shall be composed of at least three (3) members of the Board of Directors, the majority of whom should be independent directors, including the



Chairperson. The Chairperson should not be the Chairperson of the Board or of any other committee. The members of the Risk Management Committee shall possess a range of expertise, as well as, adequate knowledge on risk management issues and practices to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall have access to independent experts to assist it in discharging its responsibilities.

VI. Meetings

The Risk Management Committee shall convene at least once a month or as may be required to perform its duties and responsibilities. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee, and allowed under existing regulations. Ability to act on matters can be by verbal or written consent by majority of the Committee members.

VII. Disclosure

The membership of the Committee and its activities shall be disclosed and published in the Annual Report of the Bank. The Terms of Reference shall be disclosed in the Bank's website.

VIII. Committee Performance Evaluation

On an annual basis, the Committee shall conduct a self-assessment of its performance in accordance with the following assessment criteria, as may be amended or supplemented from time to time:

1. The Committee structure and Terms of Reference provide an appropriate framework for the Committee's responsibilities and in accordance with regulatory requirements.
2. The composition of the Committee is based on experience and credentials.
3. The number and length of Committee meetings are appropriate and in accordance with their charter.
4. The meetings are conducted in a manner that ensures open communication and meaningful participation.
5. The amount of information received is appropriate for discussion and decision-making purposes.
6. The materials are received in advanced to adequately prepare for meetings.
7. The Committee regularly reviews its mandate and performance.
8. The Committee's reports (oral and written) to the Board reflect an adequate degree of diligence and deliberation and provide the full Board with an adequate understanding at the Committee's rationale for its recommendations.



9. The Committee has access to sufficient resources, both internal and outside advisers, to function effectively.

IX. Tenure of Committee Members

The Committee Members shall serve for a term of one (1) year from date of appointment or re-appointment, unless sooner resigned or replaced.