

# **Risk Management Charter**

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# TABLE OF CONTENTS

I. INTRODUCTION	-----	3
A. Background		
B. Purpose and Scope		
II. GOVERNANCE	-----	3
A. Key Principles		
B. Organization		
C. Responsibilities		
D. Procedural Framework		
III. RISK MANAGEMENT FRAMEWORK	-----	5
A. Risk Management Tools		
IV. RISK TOLERANCE	-----	6
V. CHARTER ADMINISTRATION	-----	6
Risk Management Version History	-----	7
Risk Management Policy and Procedure	-----	8

## I. INTRODUCTION

### A. Background

With the ever increasing pressure from regulators, increasing vulnerabilities caused by technological advancements and stiffer competition in the market, companies are expected to have a more robust and comprehensive risk management process.

While the risk management is the responsibility of all employees of Caritas Life Insurance Corp. (CLIC), it will be the responsibility of the risk management department to design, manage and improvise the Risk Management Framework (the “Framework”), coordinate efforts in ensuring that CLIC is operating at an acceptable risk level and ensure alignment with best market practice.

### B. Purpose and Scope

The Risk Management Charter (the “Charter”) applies to all CLIC staffs, services, functions and external stakeholders dealing with the Company.

The Charter codifies CLIC’s approach to identifying, measuring, managing, reporting and controlling various material risks surrounding the Company. It documents sound practices to help ensure that material risks are managed to an acceptable level and measured in an effective and consistent manner across CLIC departments and describes the key elements of the Framework, including the main roles and responsibilities. The Charter also sets the basis of CLIC’s risk management culture.

## II. GOVERNANCE

### A. Key Principles

*“At CLIC, everyone is a risk manager.”*

#### Guidance

The CLIC Board of Directors approves the Charter, including the governance aspects and the general framework. The Board of Directors, through the Risk Management Oversight Committee (RMOC), approves various risk tolerance limits covering material risks of CLIC as described under section IV of the Charter.

#### Ownership

The Chief Operating Officer (“COO”) and the Risk Management Head (“RM Head”) are responsible for ensuring that appropriate risk management practices are in place and operating effectively. The RMOC retains the ultimate responsibility for the effectiveness of risk management.

#### Independence

For it to be able to provide objective and independent assessments, risk management must be independent from operations and will be held responsible for the design and implementation of the Framework.

#### Access to information

RMD has full, free and unrestricted access to any document or information deemed useful for the conduct of risk identification, assessment, treatment, monitoring and reporting.

## Meeting

Risk Management Head will report at least every quarter to the RMOC on its performance relative to its plans and directives. Reporting will also include, at a minimum, the following:

- Significant risk exposures;
- Status of risk treatment plans for covered risks;
- Emerging risks that could potentially impact the Company.

Timing of reporting will be at least a week before the Board of Directors meeting.

## Periodic Review

Internal Audit performs regular reviews of the risk management processes.

## **B. Organization**

The Risk Management Head will report functionally to the Risk Management Oversight Committee and administratively (i.e., day to day operations) to the Chief Operating Officer.

## **C. Responsibilities**

Risk Management Oversight Committee

- Review CLIC's Risk Management Charter, including risk appetite and thresholds, at least annually and recommend approval to the Board of Directors;
- Evaluate the adequacy of the risk management department, and the qualifications and background of the risk officers;
- Review the independence and authority of the risk management department;
- Receive information from the Risk Management Head, Internal Audit Head, Legal Department and others in Management regarding matters related to the risk management of CLIC;
- Review risks related to information security and cybersecurity, including risk treatment plans to mitigate risks arising such risks;
- Approve risk management plans, programs and initiatives;
- Maintain an appropriate culture and set a tone conducive to effective and transparent risk management;
- Review the adequacy and frequency of risk reporting to the Board.

The Chief Operating Officer

- Provide sufficient human and technical resources to support effective risk management;
- Sponsor the risk management programs and initiatives.

Risk Management Department

- Implement the Framework to support the management of all material risks;
- Develop risk management policies and procedures in compliance with the Charter;
- Operate and/or coordinate processes for the identification, assessment, treatment, reporting, monitoring and mitigation of material risks;
- Provide advisory support to operations with regard to risk management and internal controls;

- Cascade enterprise-wide risk awareness and training program.

#### Risk Owner / Department Heads or Managers

- Ensure that risks associated with their respective processes, people and systems are identified and understood;
- On a daily basis, ensure that expected controls are adequate and effective;
- In case of control breakdown, report such to the Risk Management Head for analysis and treatment;
- Timely contribute to the monitoring, reporting and escalation processes.

### III. RISK MANAGEMENT FRAMEWORK

The Framework is a set of integrated processes, tools and mitigation strategies that assist CLIC in managing and measuring covered risks.

The Framework supports CLIC Senior Management in the alignment of business and risk management goals and provides a foundation which enables a consistent approach to risk management across the organization. Furthermore, the Framework aims at establishing a common understanding of risk management, promoting consistent application of techniques, and capture of relevant data.

#### A. Risk Management Tools

The main components of the Framework, supporting the identification, assessment, measurement, treatment and reporting of material risks, and the objectives of each, are the following:

##### Risk Assessment Workshops / Process Risk & Control Assessment

The identification of risks inherent to CLIC's activities and environment, the assessment of the adequacy of the related internal controls to determine the residual risk for the Company and the classification of the risk according to their potential impact and likelihood.

##### Key Risk Indicators (KRI) Definition and Monitoring

The identification and analysis of parameters that can be considered as indicators of the level of risks within CLIC through discussions with the process owners and process risks & controls assessments. This would allow CLIC to direct its effort on the most risky activities and processes and to ensure cost effective and practical risk treatment plans are implemented.

##### Risk Events Analysis

The collection and analysis of risk events, including the identification of the root cause that has led to their occurrence and the definition of a risk treatment plan.

##### New Mandates, Products & Processes

The framework for the proactive identification and assessment of risks inherent to new products and mandates as well as to projects that have a material impact on CLIC's processes.

##### Enterprise-wide Risk Awareness Program

The organization of trainings, workshops and information sessions to build up a risk management culture within the organization and to inform CLIC staff about specific risk management tools and processes. The internal risk culture is the combined set of individual and corporate values, attitudes, competencies and behavior that determine a firm's commitment to and style of risk management.

#### Internal Audit Collaboration

Periodic discussions with Internal Audit Department ensures that audit findings noted during branch and fraud audits are captured seamlessly in the risk management process. This will allow a comprehensive and holistic assessment of the various risky areas in CLIC.

#### **IV. RISK TOLERANCE**

It is the objective of CLIC not to incur any operational loss or damage to its reputation. For that purpose, CLIC puts policies, procedures and systems in place in order to mitigate the impact and/or probability of occurrence of material risks inherent to its activities adopting a cost/benefit approach.

#### **V. CHARTER ADMINISTRATION**

This Charter was approved by the CLIC Board of Directors on – January 2018. The Charter is developed and maintained by RMD and is reviewed annually. The Charter is distributed to the CLIC Board of Directors, Audit Committee and Senior Management and is available to all CLIC Staff upon request from the Risk Management Head.

**Risk Management Version History**

Version	Author (Name, Signature & Date)	Approver (Name, Signature & Date)	Change Type (Annual Review and/or Policy Change)	Summary of changes
1.0		<b>Ana Maria K. Escalona,</b> Executive Vice President & Chief Operating Officer (COO)	Initial Release	Not applicable
		<b>Mariano T. Katipunan, Jr.</b> President Chief Executive Officer (CEO)		

# Caritas Life Insurance Corporation

## RISK MANAGEMENT POLICY AND PROCEDURE



## **1. Introduction**

Risk is any threat of an action or event to industry or activities that has the potential of losing or gaining something of value.

## **2. Purpose of Policy**

The purpose of Caritas Life Insurance Corp. (CLIC) is to develop a consistent approach towards risk and outline processes for recognizing, analyzing and dealing with risks as well as assuring the effectiveness of the identified processes.

The policy outlines the Company's risk management process and sets out responsibilities of the people within the company in relation to risk management.

## **3. Understanding Risk Management**

Risk is the chance of something happening that will have an impact on objectives and risk management can be described as the culture, processes and structures that are directed towards realizing potential opportunities while managing an adverse effect.

It is the goal of CLIC to achieve best practice in the management of all risks that threaten to adversely impact the company, its customers, people, assets, objectives or members of the public.

## **4. Responsibility**

### **4.1. Risk Management Oversight Committee**

Manage regular review of risk management activities and monitor, review and continuously improve risk management process.

### **4.2. Chief Operating Officer**

Approve and implement policies on risk management within CLIC

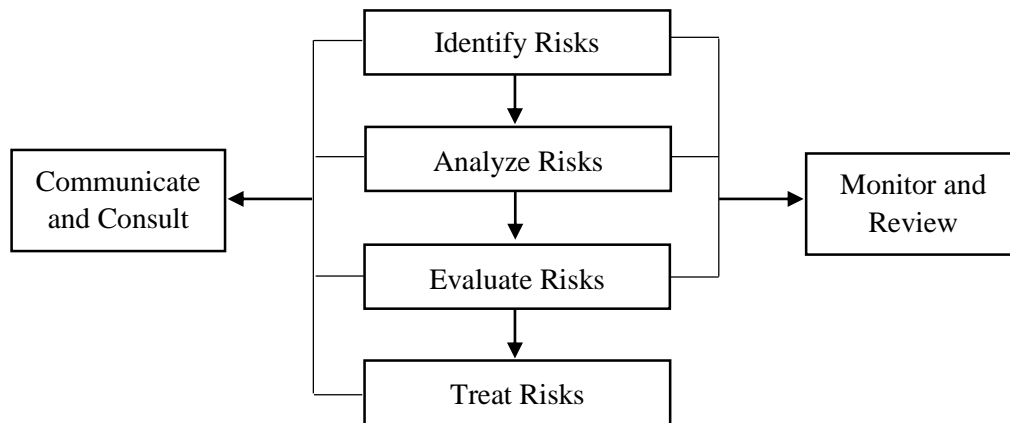
### **4.3. Risk Management Department**

Overall responsible for risk management policy and procedures creation, monitoring and revision.

### **4.4. Risk Owner**

Responsible for ensuring that the expected controls are adequate and effective, in case the control is not adequate and effective in treating the risk, this must be reported to Risk Management Department with a recommendation for an alternative risk treatment.

## 5. Risk Management Procedure



## 6. Risk Management Process

- *Identify risks*  
Identify where, when, why and how events could prevent, delay or enhance the achievement of a project or its outcomes.
- *Analyze risks*  
Identify and evaluate existing controls. Determine the likelihood and consequence of each risk.
- *Evaluate risks*  
Based on the outcome of risk analysis, the purpose of risk evaluation is to assist in making decisions. Having identified the risks, risk owner has to decide on the likelihood that harm will occur.
- *Treat risks*  
Risk treatment involves selecting and implementing an option. Treatment options include: avoid, mitigate, transfer, and accept the risk.
- *Communicate and consult*  
Communication on risk management must be efficient. Without good communication, the risk identification, analyzation, evaluation and treatment may lead to disastrous results. Another important aspect on risk management is consultation. The risk management department manager acts as internal consultant and coach.
- *Monitor and review*  
Risk management is a continuing process as new risks will occur and existing risks will vanish.