

**SMALL
BUSINESS
CORPORATION**



SECRETARY'S CERTIFICATE

I, **JESSIE R. REOTUTAR**, acting in my capacity as Corporate Board Secretary of the Small Business Corporation, a government-owned and controlled corporation created by virtue of R.A. 6977, as amended by R.A. 8289 and further amended by R.A. 9501, after being duly sworn to in accordance with law, hereby certify that in a referendum among the members of the Board of Directors of the Corporation held on 07 March 2014 and at which a quorum was present, the following Resolution was duly passed and approved:

BOARD RESOLUTION NO. 2067, SERIES OF 2014

APPROVAL OF AMENDED RISK OVERSIGHT COMMITTEE CHARTER

"RESOLVED: That as favorably endorsed by the Risk Oversight Committee, the Amended Risk Oversight Committee Charter incorporating the amended section on committee membership to adopt the exact provision of BSP Circular No. 749 dated 27 February 2012 which reads: "The committee shall be composed of at least three (3) members of the board of directors including at least one (1) independent director, and a chairperson who is a non-executive member", a copy of which is attached as Annex "A" and made an integral part hereof be, as it is hereby approved."

APPROVED.

Makati City, 14 March 2014.


JESSIE R. REOTUTAR
Corporate Board Secretary

O A T H

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

MAR 14 2014

SUBSCRIBED AND SWORN to before me this _____ at Makati City, affiant exhibited to me his UMID No. CRN-006-0083-3539-9.

Doc. No. 207 ;
Page No. 42 ;
Book No. XIV ;
Series of 2014.


LILIBETH E. EUCAPOR-CORTEZ

Commission No. M-06
Notary Public for Makati City
Until December 31, 2014
18/F 139 Corporate Center,
139 Valero St., Salcedo Village, Makati City
Roll No. 49169 / 05-04-2004
IBP OR No. 950404 / 1.03.14 / Pangasinan
PTR No. 4225974 / 01.03.14 / Makati City

RECEIVED

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MAR 14 P.M. 3:03 PM

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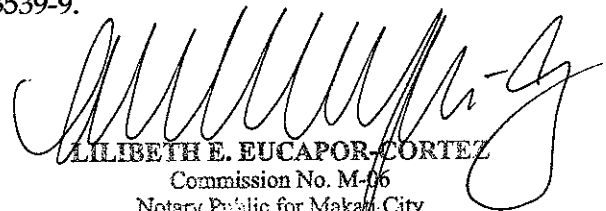

JESSIE R. REOTUTAR
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Small Business Corporation Risk Oversight Committee Charter

I. RATIONALE

This Charter sets forth the objectives, composition, structure, powers, and responsibilities of the Risk Oversight Committee of the Small Business Corporation (SBC).

The Risk Oversight Committee (ROC) was established pursuant to the implementation of SBC's strengthened mandate under R.A. No. 9501; its compliance with BSP Circular Nos. 439 and 456 enunciating the need for a sound and effective credit risk management system in particular, and its need to manage risk in general through the establishment of a Risk Oversight Committee; and as part of the corporate checks and balances in the exercise of good corporate governance – all within the framework of and taking into consideration its fiduciary objectives and developmental mandate – as provided in BSP Circular No. 749.

II. ROLE

The ROC shall be primarily responsible for the development and oversight of the risk management programs of the Corporation. This includes:

1. Oversight of management function relative to the Corporation's risk management framework, its formulation of risk management policies, procedures and best practices relative to the various types of risks faced by the Corporation and thereby ensuring that the system of limits to discretionary authority which the Board delegated to Management are:
 - a. Properly observed;
 - b. Remains to be effective; and
 - c. That immediate corrective actions are taken whenever limits are breached
2. Ensure compliance to written policies and procedures relating to risk Management. This shall include:
 - a. A comprehensive and integrated risk management approach through the enterprise risk management process.
 - b. Effective management of all risk categories thru the establishment and promotion of a sustainable and effective risk culture in all corporate undertakings.
 - c. Identification of critical risk areas and ensure that these are properly mitigated.



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III. AUTHORITY

The ROC is empowered to:

1. Approve the risk management program prepared by the Enterprise Risk Management Department (ERMD).
2. Exercise **functional supervision** over ERMD. Administrative supervision of ERMD shall be under the Chairman and Chief Executive Officer.
3. Review the staffing and organizational structure of the ERMD.

IV. DUTIES AND RESPONSIBILITIES

A. Core Responsibilities

The core responsibilities of the ROC are:

1. **Identify and Evaluate Exposures.** The ROC shall assess the probability of each risk becoming reality and 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.
2. **Develop Risk Management Strategies.** The ROC shall:
 - a. Develop a written plan defining the strategies for managing and controlling the major risks.
 - b. Identify practical strategies to reduce the chance or harm and failure or minimize losses if the risk becomes real.
3. **Implement the Risk Management Plan.** The ROC shall:
 - a. Communicate the risk management plan and loss control procedures to affected parties.
 - b. Conduct regular discussions on the Corporation's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks.
4. **Review and Revise the Plan as Needed.** The ROC shall:
 - a. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness



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- b. Revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss.
- c. Report regularly to the Board of Directors the entity's overall risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

B. Specific Duties and Responsibilities Risk Management

The Committee shall meet with, request/gather (or compel submission, in proper cases), receive and evaluate information from management and appropriate sources and act or approve proposals on items relating to the following risks:

1. Credit Risk

The ROC shall ensure that appropriate credit risk management systems such as the borrower risk rating and the facility risk rating are developed; concentration and exposure limits are well-defined; documentation are perfected and proper monitoring covenants are to ensure that the Corporation's borrowers or counterparties are able to meet their obligations on time and based on agreed terms.

2. Operational Risk

The ROC shall review Management reports relating to operational risk issues in areas including but not limited to internal and external fraud; development of material products and services; technological risks and technology strategies; business disruption and system failure; and business practices generally.

3. Compliance Risk

The ROC shall ensure that the Corporation is taking appropriate measures to address all existing regulatory requirements, and new requirements that may be enacted hereafter, including those under the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, the Commission on Audit and other regulatory agencies as may be required by higher authorities.

4. Market Risk

The ROC shall ensure that the Corporation has in place policies that will protect it from market fluctuations in the trading of assets and liabilities wherein sudden and unexpected changes in interest rates, foreign exchange rates, and other asset prices can result to huge losses which may impair revenue generation.



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5. Liquidity and Solvency Risks

The Committee shall ensure that the Corporation has enough liquid assets to service its short-term liabilities and thus prevent any adverse impact on its solvency. Policy should address optimum timing in asset and liability disposal and asset acquisition to preclude any mismatch in cash flows.

In like manner, the Committee shall ensure that the Corporation thru prudent risk management strategies and exposure limits is able to avert huge losses that can result to insolvency. Safeguards should be in place to sustain and maintain capital at adequate levels.

The Committee shall monitor on a regular basis liquidity and capital adequacy positions of the Corporation and address any deficiencies through policy directives as needed.

V. COMPOSITION

A. Members

- The committee shall be composed of at least three (3) members of the board of directors including at least one (1) independent director, and a chairperson who is a non-executive member.
- On an annual basis, the members of the ROC shall be appointed by the BOD from among themselves and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. In instances of early resignation or removal, the BOD may have the option not to replace a member with an unfinished term.
- All members of the ROC shall have a basic understanding and appreciation of risk management in a financial institution. They are also expected to have a significant and relevant understanding of the financial, operational and legal issues and concerns which affect the business of running the Corporation.

B. Chair and Secretariat

- The Chair must be elected by the BOD from among the members of the Committee. The Chairman shall preside over all regular sessions of the Committee and shall set the agenda for Committee meetings.
- The Enterprise Risk Management Department (ERMD) which has been designated by the Management as the corporate risk manager, and the Office of the Board Secretary shall comprise the ROC Secretariat. The former shall be primarily responsible for extending the necessary technical



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support to the Committee and the latter for administrative support (e.g. sending out of notices, confirming meeting venues, etc.)

VI. MEETINGS AND PROCEEDINGS

A. Frequency

- The Committee shall meet quarterly, or more frequently as circumstances dictate. Only the Committee Chair may call meetings of the Committee.

B. Agenda and Notice

- The Secretariat must notify members of the Committee of the date, time and location of Committee meetings as far in advance as possible but not less than three (3) days before the meeting.
- The Secretariat, in close coordination with the Committee Chairman, shall be responsible for drawing up the agenda for each meeting, including all supporting documents thereto.

C. Attendance & Quorum

- As a general rule, only committee members and members of the Secretariat are entitled to be present during committee meetings. However, any officer or staff of the Corporation or any resource person may participate therein on invitation extended by the Committee Chair or any Committee member, upon prior information and approval of the former.
- Attendance of a majority of committee members (i.e. one-half plus one) shall constitute a quorum for Committee meetings.
- Only Committee members are entitled to vote in matters requiring collegial action.

D. Presiding Officer

The Chair of the Committee shall preside over the Committee meetings. However, in the absence of the Chair, the remaining members of the Committee may elect one from their number as Chair for the meeting.

E. Minutes

- The Secretariat shall be responsible for recording the minutes of each meeting.
- The minutes of the meeting shall be submitted to the Board of Directors, for confirmation.



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F. Conflict of Interest

- A Committee member will refrain from participating in discussions or voting in any issue whenever there is actual or perceived conflict of interest.
- A conflict of interest refers to a situation when someone, such as a public official, has competing professional or personal obligations or personal or financial interests that would make it difficult to fulfill his duties fairly. A conflict of interest exists even if no improper act results from it, and can create an appearance of impropriety that can undermine confidence in the conflicted individual or organization.

VII. REVIEW OF THE CHARTER

This Committee Charter shall be reviewed and approved annually by the Committee and the BOD. Revisions to this Charter may be done whenever appropriate and necessary as determined by the Committee and approved by the BOD.