



## **FINANCE AND RISK MANAGEMENT COMMITTEE**

### **MEMBERSHIP**

**Chair:** Mr. Richard C. Dee

**Members:** Mr. Eric Albert L. Gotuaco

Ms. Victoria A. Dee

Mr. Francis H. Sogono

Ms. Barbara B. Custodio

### **CHARTER**

#### **Purpose**

The Finance and Risk Management Committee is a standing committee appointed by the Board of Trustees that is tasked with the continuing review of the financial affairs, as well as the determination and management of potential risks of the Foundation. The Committee will ensure that a sound risk management framework is in place to effectively identify, quantify, monitor and manage key risks.

#### **Membership and Operations**

The Committee shall be comprised of at least three members appointed by the Board. The Board may appoint members outside of the Board of Trustees, but the Committee shall include at least three members of the Board of Trustees. The Board shall designate one Committee member as the Committee's Chairperson. Each member will have an understanding of finance and risk management commensurate with the Foundation's size, complexity and capital structure.

The Committee will meet at least quarterly, or more frequently as circumstances dictate. The Chairperson or the majority of the Committee's members may also call a special meeting when deemed necessary. Members of the Committee who are unable to be physically present may participate in a meeting of the Committee by means of telephone conference call or similar communications equipment whereby all persons participating in the meeting can hear each other. A majority of the members of the Committee shall constitute a quorum to transact business. The Committee Chairperson will approve the agenda for the Committee's meetings, though any member may suggest items for consideration. Briefing materials will be provided to the



Committee as far in advance of meetings as is practicable. The minutes of the Committee meetings shall accurately record the significant discussions of, and decisions made by, the Committee, including all recommendations to be made by the Committee to the Board, and shall be distributed to Committee members with copies given to the Chairman of the Board and the President & CEO. The Committee will report to the Board on a regular basis.

The Foundation's Risk Officer shall provide technical support to the Committee. In carrying out its duties and responsibilities, the Committee shall have the authority to meet with and seek any information it requires from employees, officers or relevant external parties. The Committee shall meet, as deemed necessary and appropriate, with management and other employees of the Foundation, in separate executive sessions. The Committee shall have direct access to, and complete and open communication with, the Foundation's management. The Committee shall have the authority to conduct investigations into any matters within its scope of responsibility.

The Committee, under the direction of the Committee Chairperson, may also employ any outside experts, legal counsel or other personnel deemed by the Committee in its collective judgment to be reasonably necessary, and in the best interests of the Foundation, to enable the Committee to ably perform its duties and satisfy its responsibilities. The Committee shall promptly notify the Chairman of the Board of the retention of any such advisors.

The Committee shall have the appropriate resources to discharge its responsibilities. The Foundation shall provide appropriate funding, as determined by the Committee, for the payment of (i) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities and (ii) reasonable compensation to independent legal, risk and other advisors retained by the Committee. The Foundation, at the Board's discretion, may provide (i) reasonable per diems for Committee members who are part of the Board for attending relevant meetings and (ii) reasonable compensation to Committee members who are not members of the Board.

The Committee may form and delegate to one or more subcommittees all or any portion of the Committee's authority, duties and responsibilities, and may establish such rules as it determines necessary or appropriate to conduct the Committee's business.

The Committee shall review and assess annually its performance, and report the results to the Board. The Committee shall review and assess annually the adequacy of this Charter and, if appropriate, recommend to the Board changes to the Charter.

## **Duties and Responsibilities**



The Committee is responsible for performing the following duties and responsibilities as well as any other duties and responsibilities that are otherwise required by law or are delegated to the Committee by the Board:

- A. Review and recommend to the Board the annual budget and the business plan proposed by the President & CEO;
- B. Review, study and recommend changes to the Foundation's existing capital structure and investments;
- C. Evaluate new investment opportunities, and present the Committee's recommendations to the Board from time to time as and when needed;
- D. Authorize acceptable accounting and disbursement procedures for all funds under the jurisdiction of the Foundation;
- E. Develop, implement and evaluate a risk management plan that would ensure proper determination, assessment and management of any relevant risks to the Foundation. The four main categories of risk faced by the Foundation are:
  1. Operational Risks – risks related to the vulnerabilities that the Foundation faces in its day-to-day operations; these are managed mainly through internal controls
    - a. Fraud Risk
    - b. Transaction Risk
    - c. Information Technology Risk
    - d. Credit Administration Risk
    - e. Human Resources Risk
    - f. Disaster Recovery
    - g. Security Risk
  2. Financial Risks – risks related to the assets and liabilities of the Foundation arising from financial transactions with clients or other financial institutions; these are managed by establishing limits and regular monitoring
    - a. Credit Risk
    - b. Portfolio Risk
    - c. Liquidity Risk
    - d. Market Risks -- Interest Rate, Foreign Exchange, Investment Portfolio
  3. Strategic Risks – encompass risks related to the Foundation's overall objectives; management of these risks is guided by the Board
    - a. Corporate Governance Risk
    - b. Commercial Mission Risk
    - c. Social Mission Risk
    - d. Execution Risk
    - e. Dependency Risk
    - f. Compliance Risk
    - g. Reputation Risk
    - h. Growth Risk



4. External Risks – risks driven by factors that are largely outside the control of the Foundation’s management and directors; must be monitored and strategies, policies and procedures should be adjusted accordingly
  - a. Regulatory Risk
  - b. Competition Risk
  - c. Political Risk
  - d. Macroeconomic Risk
  - e. Demographic Risk
  - f. Technological Risk
  - g. Systemic Risk
  - h. Physical Environment Risk

Come up with a written plan of action for managing and controlling the major risks. Identify practical strategies to minimize the impact of losses to the Foundation when a risk is realised. Periodically reassess the effectiveness of the risk management plan and revise it as needed;

- F. Review at least quarterly the major risk exposures of the Foundation against established risk measurement methodologies. Assess the probability of each identified risk becoming a reality and estimate its possible material financial impact and effect on the Foundation. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Foundation;
- G. Report to the Board on a regular basis, or as deemed necessary, the Foundation’s material risk exposures and the actions taken to reduce the risks, and recommend further action or plans, as necessary;
- H. Advise the Board on its risk appetite levels and risk tolerance limits;
- I. Review at least annually the Foundation’s risk appetite levels and risk tolerance limits based on changes and developments in the microfinance industry, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have a significant impact on the Foundation;
- J. Provide oversight over management’s activities in handling risk exposures of the Foundation. Obtain information on risk exposures and risk management activities from management on a regular basis; and
- K. Review and assess annually its performance, and report the results to the Board. Review and assess annually the adequacy of this Charter and, if appropriate, recommend to the Board changes to the Charter.



Pursuant to the requirement of the Microfinance NGO Regulatory Council, this Finance and Risk Management Committee Charter is signed and approved by the Board of Trustees on May 14, 2019.

**KAMRUL H. TARAFDER**

**VICTORIA A. DEE**

**RICHARD C. DEE**

**ESTHER O. SANTOS**

**ERIC ALBERT L. GOTUACO**

**EDWARD S. GO**  
Chairman