



# RISK OVERSIGHT COMMITTEE CHARTER

This Risk Oversight Committee Charter (this “Charter”) sets out the purpose, membership and qualifications, structure and operations, duties and responsibilities of the Risk Oversight Committee (the “Committee”) of ARDCI Microfinance, Incorporated (ARDCI) (the “Organization”), and the procedures which guide the conduct of its functions.

## 1. PURPOSE

The Risk Oversight Committee has been established by the Board of Trustees of ARDCI to assist the Board in the development and oversight of the organization’s risk management program.

It shall likewise assist the Board in the following:

- a. Ensuring that risk management become an integral part of the planning and operations of ARDCI in order to meet corporate goals and objectives;
- b. Ensuring that a proper risk assessment is carried out at least annually and that risks are being managed and monitored effectively;
- c. In fulfilling corporate governance requirements and help ensure that corporate and shareholders’ values are preserved and enhanced;
- d. Ensuring that risk management is communicated across ARDCI and understood by all employees; and
- e. Providing a framework of assurance that risks are appropriately identified and managed along with other committees, especially the Audit Committee.

## 2. MEMBERSHIP AND QUALIFICATIONS

### 2.1. COMPOSITION AND QUALIFICATION

The Risk Oversight Committee shall be appointed by the Board and shall be comprised of at least three (3) members, one of whom shall be Independent Trustee, including the Chairman. The members of the risk oversight committee shall possess a range of expertise as well as adequate knowledge of the Organization’s risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The Risk Management Officer will provide the Risk Oversight Committee with technical support.

## **2.2. APPOINTMENT**

The Chairperson and the members of the Committee shall be appointed by a majority vote of the members of the Board present either during the Organizational Board Meeting of the Organization or, if there is a vacancy, during any meeting of the Board. Membership shall be reviewed every year after election of the Board by ARDCI's shareholders at their annual meeting, or earlier if the Board deems necessary.

## **2.3. RESIGNATION/REMOVAL**

In the event that the Chairperson or any member of the Committee tenders his/her resignation from the Committee, such resignation shall become effective upon acceptance by the Board. The Chairperson of the Committee or any of its members may be removed from office by action of the Board.

## **3. STRUCTURE AND OPERATIONS**

### **3.1. MEETINGS**

The Committee shall meet at such times and places as it considers appropriate and as designated in the notice. The Chairperson of the Committee, any Committee member, or the Corporate Secretary of the Corporation may call a meeting of the Committee.

### **3.2. QUORUM**

Attendance of at least a majority of all the Committee members shall constitute a quorum for the Committee to transact business in a meeting to be convened. The Committee shall act only on the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum.

### **3.3. CHAIRPERSON**

The Chairperson of the Committee shall preside in all meetings of the Committee. In the absence of the Chairperson, the Committee members present shall elect one of their members as chairperson of the meeting.

### **3.4. SECRETARY OF THE MEETING**

The Corporation's Corporate Secretary shall be the secretary of the Committee.

### **3.5. NOTICE OF THE MEETING**

A notice of each meeting setting out the date, time, venue, and agenda shall be sent to each member of the Committee at least two (2) working days prior to the date of the meeting.

### **3.6. RECORD OF MEETINGS**

Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Notices, minutes, agenda and materials presented during meetings will be made available to any Committee member upon request to the Corporate Secretary.

### **3.7. OTHER ATTENDEES**

As necessary, the Committee may invite any officer or employee of ARDCI to attend the Committee meetings to provide relevant information or data necessary for the matters for discussion during the Committee meeting. At the discretion of the Committee, separate meetings with any of the Organization's management may be held, whenever it is deemed appropriate by the Committee for the exercise of its functions.

### **3.8. ACCESS TO RESOURCES**

The Committee shall have full access to management, personnel and records for the purpose of performance of its duties and responsibilities hereunder. The Committee may also obtain external legal counsel or independent professional advice if it considers it necessary in the performance of its functions.

### **3.9. AUTHORITY**

The Committee shall have the authority to conduct or order the investigation into any matter within its scope of responsibility and all trustees, officers and employees of ARDCI are enjoined to cooperate as requested by the Committee, without interference or censorship by management.

## **4. DUTIES AND RESPONSIBILITIES**

### **4.1. OVERSIGHT OF FINANCIAL MANAGEMENT**

- a. Overseeing and reviewing with senior management ARDCI's capital planning process, its capital position, its capital adequacy and structure. Specific responsibilities of the Committee include:
  - Ongoing review of consolidated capital reporting, including projections and comparisons of ARDCI's position to internal targets, benchmarks and limits;

- Ongoing review of ARDCI's significant capital expenditures;
  - Oversight and review of ARDCI's capital structure and financing requirements; and
  - Oversight and review of ARDCI's regulatory capital, leverage ratios and similar measures of capital adequacy as measured against the Organization's risk appetite.
- b. Reviews and recommends to the Board the annual budget and the business plan proposed by the Executive Director/President.
  - c. Authorizes acceptable accounting and disbursement procedures for all funds under the jurisdiction of the Organization.
  - d. Overseeing and reviewing with senior management certain policies related to the financial management of ARDCI and overseeing the Organization's implementation of such policies.
  - e. Overseeing and reviewing with senior management ARDCI's funding and liquidity requirements.

## 4.2. RISK PROFILE AND OVERSIGHT

- a. Assist the Board in ensuring that there is an effective and integrated risk management program and process in place.
- b. Develop, implement, and evaluate a formal risk management program/plan that would ensure proper determination, assessment and management of any relevant risks to the Organization which contains the following elements: (a) common language or register of risks; (b) well-defined risk management goals, objectives and oversight; (c) uniform processes of assessing risks and developing strategies to manage prioritized risks; (d) designing and implementing risk management strategies and measures; and (e) continuing assessments to improve risk strategies, responses, processes, and measures.
- c. Evaluate the risk management program/plan to ensure its continued relevance, comprehensiveness and effectiveness, revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss.
- d. Receive and oversee the report of the Compliance Officer that is provided, at least quarterly, to the Board regarding the overall state of compliance.
- e. Advise the Board on its risk appetite levels and risk tolerance limits.
- f. Review at least annually the Organization'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 major impacts on the Organization.
- g. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that have the highest probability to occur and will have very significant impact to the performance and stability of ARDCI.

- h. Provide oversight over Management’s activities in managing operational risk, credit risk, legal risk, and other risk exposures of the Organization. This includes regularly receiving information on risk exposures and risk management activities from Management.
- i. Review and approves the Business Continuity Plan and related critical processes and applications prepared by the Management.
- j. Report to the Board on a regular basis, or as deemed necessary, the Organization’s material risk exposures, the actions taken to reduce the risks and recommend further action or plans, as necessary

#### **4.3. STRATEGIC MATTERS AND INVESTMENTS**

- a. Oversee senior management’s establishment of ARDCI’s overall strategic planning process and alignment of the risk profile with its strategic plan, goals and objectives, which shall be recommended to the Board for their review and approval. Senior management will monitor and provide periodic reports to the Committee and/or the Board, as appropriate, regarding management’s implementation of the strategic plan. The Committee shall review and make recommendations with respect to any new business initiatives or strategies that face significant and material risk or deviations from the strategic plan.
- b. Provide oversight over Management’s activities in managing the strategic, operational, regulatory, political, market, competition, natural calamity, security, funding, legal and other relevant risk exposures of the Organization.
- c. Authorizes investment policy.
- d. Review all proposed material investments by or in the Organization.
- e. Review ARDCI’s policies governing strategic transactions, principal investments and dispositions of assets.

### **5. REPORTING PROCESS**

#### **5.1. REPORT OF MEETINGS CONVENED**

The Chairperson of the Committee, or in his absence, the chairperson of the meeting, shall report to the Board on the decisions and recommendations made by the Committee during the meeting it has convened in the next scheduled Board meeting.

#### **5.2. OTHER REPORTS**

The Committee shall prepare such reports as may be necessary to document the activities of the Committee in the performance of its functions and duties. Such reports shall be included in the Organization’s annual report and other corporate disclosures as may be required by the Securities and Exchange Commission and/or the Microfinance NGO Regulatory Council (MNRC).

## 6. PERFORMANCE EVALUATION

### 6.1. PERIODIC ASSESSMENT

The Committee shall assess its effectiveness periodically, with the end in view of ensuring that its performance accords with best practice. Such assessment must compare its performance with the requirements of this Charter and the Amended Manual, which shall be the basis of its formulation of objectives and plans to improve its performance, including any recommendations for amendments to this Charter for approval by the Board.

The Committee shall assess its performance through a self-assessment worksheet (the "Assessment") that substantially adopts the pertinent and relevant guidelines of the SEC.

The Assessment shall be accomplished by the Committee on an annual basis or in such shorter intervals as may be set by the Board. The results of the Assessment shall be validated by the Corporation's Compliance Officer.

A feedback mechanism shall be in place to receive comments from management, the internal audit function, the general counsel and external auditor. This should facilitate dialogue within the organization about possible ways to improve its performance.

The entire assessment process shall be documented and shall form part of the records of the Corporation that may be examined by the SEC and/or the Exchange, where appropriate, from time to time.

### 6.2. ANNUAL REVIEW

This Charter shall be reviewed annually, updated as required, and copies of this Charter shall be made available to any requesting party upon written request to the Corporate Secretary.

## 7. AMENDMENT

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.

*Adopted by the Board of Trustees on XXXXXXXX XXX, 2018.*