

RISK MANAGEMENT AND COMPLIANCE DIVISION CHARTER

The United Coconut Planters Life Assurance Corporation (Cocolife)

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1. General Provision

- 1.1. The Risk Management and Compliance Division (“RMCD”) is a business function set up to manage the risk management and compliance processes of United Coconut Planters Life Assurance Corporation (“Cocolife”) and its subsidiaries.

The RMCD adheres to both Cocolife’s Risk Management Framework and Compliance Framework. The risk management and compliance processes, to which the RMCD is responsible, shall be integrated into Cocolife’s internal control system and Quality Management System.

- 1.2. This Charter defines the mission, scope of work, organization, accountability, authority and responsibilities of the RMCD of Cocolife. It governs how the Chief Risk and Compliance Officer (“CRCO”) and other staff of the division discharge their duties and conduct risk management and compliance activities within the overall Risk Management and Compliance Framework of Cocolife.

2. Policy Statements

- 2.1. It is the policy of Cocolife under Risk Management Function to implement and maintain a risk management program or system for Cocolife and its subsidiaries.
- 2.2. In addition, in line with its Compliance Function, Cocolife is committed to develop a culture which is compliant with applicable laws, rules and regulations, business principles and practices, and rules of conduct in every aspect of the Cocolife’s operations.

3. Purpose and Scope of Work

- 3.1. In support to the Risk Oversight Committee (“ROC”), the RMCD is responsible for overseeing the risk-taking activities in Cocolife and its subsidiaries, as well as in evaluating whether these remain consistent with the approved risk-appetite and strategic direction. The division shall be responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense.
- 3.2. In line with its compliance function and support to Corporate Governance Committee (“CGC”), RMCD is also tasked of reviewing and assessing Cocolife's compliance with applicable laws, rules and regulations, business principles and practices, and rules of conduct in every aspect of the Cocolife’s operations.
- 3.3. The Board, upon recommendation of the ROC shall appoint a Chief Risk and Compliance Officer (“CRCO”), who shall head the RMCD, the CRCO shall be independent from executive, marketing, operations and support functions.

The CRCO performs the functions of the Chief Risk Officer (“CRO”) and Chief Compliance Officer (“CCO”) to monitor risk-taking activities, the level of compliance in the organization, and implement change and/or mitigating actions, where necessary.

3.4. Specifically, the RMCD aims to:

Risk Management

- 3.4.1. Provide analytical support to the executive-level committees in formulating risk management strategies and making functional risk decisions.
- 3.4.2. Support management and units in implementing their approved Risk Management policies and processes, and ensure they are integrated into the business operations and with Internal Control, Quality Management System and compliance processes.
- 3.4.3. Validate the risk assessments of units by analyzing and identifying the current and potential risks that may affect Cocolife.
- 3.4.4. Ensure that risks are managed in line with the Cocolife's risk appetite.

Compliance Management

- 3.4.5. Integrate compliance into the daily business activities and strategic planning of Cocolife.
- 3.4.6. Support the Management in keeping abreast of developments in laws, regulation and standard.
- 3.4.7. Coordinate the compliance process based on established framework.
- 3.4.8. Develop and implement policies in relation to compliance.

4. Accountability and Authority

Risk Management

- 4.1. The CRCO shall report to the ROC of the risk exposures arising from Cocolife's business operations and on how to identify, measure, treat, and control or mitigate the risks via Risk Management Framework;
- 4.2. The RMCD shall have reasonably free and full access to all business lines including all relevant information, data records, and properties through the Division/Department Heads, that have the potential to generate material risks to Cocolife.
- 4.3. The RMCD shall work with Internal Audit¹ on identifying internal control weaknesses in relation to the risks identified and coordinating the implementation of control measures.

¹ Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Compliance Management

- 4.4. The CRCO reports to the CGC of the implementation of a compliance program, supported by adequate and sufficient resources and that compliance issues are resolved expeditiously.
- 4.5. The RMCD, in carrying out its compliance function, shall have unfettered and direct access, in accordance with laws and regulation, to all information, materials, and personnel as necessary.

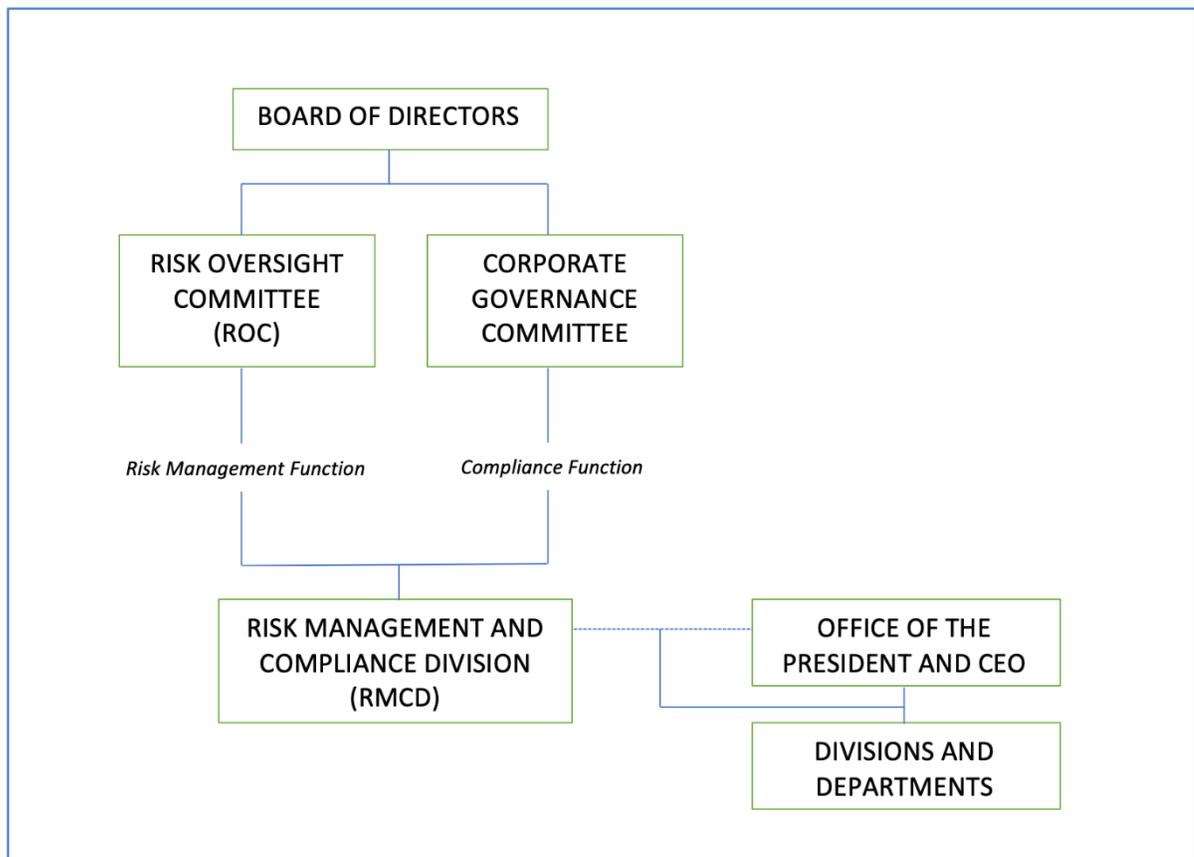
5. Organization

- 5.1. The RMCD is headed by the CRCO. RMCD is organized into several units, each of which is specialized in one or several categories of risks.

The categories of risks are Financial, Operational, Strategic, Compliance and Regulatory.

- 5.2. For the risk management function, the RMCD reports functionally to the ROC and administratively to the Office of the President.
- 5.3. For its compliance function, the RMCD reports functionally to the CGC and administratively to the Office of the President.

The illustration below summarizes the reporting structure of RMCD.



6. Standards

- 6.1.1. Cocolife developed both its own Risk Management Framework and Compliance Framework which outlines the principles, approaches and processes that outlines and help in the performance of its function.
- 6.1.2. Committee on Sponsoring Organizations of the Treadway Commission (COSO) Framework is also used by RMCD as a reference for international standards and practices in risk management.
- 6.1.3. The RMCD may refer to other professional standards that may be more widely adopted.

7. Evaluations

CRCO shall assess annually whether the purpose, scope, accountability, and responsibilities, as defined in this Charter, continue to be adequate to enable the RMCD to accomplish its objectives. The result of this periodic assessment should be communicated to the ROC and CGC for confirmation and approval.

Annex A

Definitions

Chief Risk and Compliance Officer (CRCO)	The most senior executive responsible for Risk Management and Compliance function of Cocolife. He reports directly to the ROC and to the President and Chief Executive Officer on administrative matters.
Compliance	A set of processes to ensure that the Cocolife complies with all compliance laws, regulations and standards in order to reduce the risk of legal or regulatory sanctions, financial loss, or reputational damage.
Corporate Governance Committee (CGC)	<p>A Committee who is appointed by the Board to assist in developing and fulfilling the Board of Directors' corporate governance responsibilities.</p> <p>Included in its function is the compliance oversight of Cocolife.</p>
Compliance and Regulatory Risk	The risk of change in regulations and failure to comply with regulatory and/or statutory requirements that may have adverse financial, operational or reputational impact to the institution.
Compliance Laws and Regulations	Generally includes all legal and regulatory acts related to insurance business issued by different government agencies.
Controls	A process effected by the Board and/or Management designed to provide reasonable assurance regarding the achievement of objectives in (i) effectiveness and efficiency of operations; (ii) reliability of financial reporting; and (iii) compliance with applicable laws and regulations.
Financial Risk	<p>There are two types of risks under Financial which are:</p> <ol style="list-style-type: none">1. Credit Risk - the risk that one party to a financial transaction is unable or unwilling to honor an obligation, subjecting the institution to a financial loss. This includes asset default and counter-party risk.2. Market Risk - the risk of reduction in earnings and capital as a result of mismatches in the re-pricing of assets and liabilities, market value change in the market value of assets, change in the value of assets in foreign currency due to exchange rate

	fluctuation and change in the market value of assets due to adverse change in credit assessment.
Operational Risk	The risk of a change in value caused by the fact that actual losses incurred differ from expected losses due to: <ul style="list-style-type: none"> • Inadequate or failed internal processes • Quality of people • Systems technology • External events
Risk	Effect of uncertainty on objectives.
Risk Appetite/Tolerance	The broad-based amount of risk that the Cocolife is willing to accept in pursuit of its goals.
Risk Assessment	The process of identifying the risks to an institution, predicting the probability of its occurrence, assessing the critical functions necessary for an institution to continue its business operations, defining the controls in place to reduce exposuer and evaluating the cost for such controls.
Risk Management	The coordinated activities to direct and control an organization with regard to risk.
Risk Oversight Committee (ROC)	A Board Committee who shall review, determine, recommend and oversee the limits to discretionary authority that the board delegates to management, ensure that the Risk Management Framework remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.
Strategic Risk	The risk of the institution not meeting its strategic objectives.