

## Board Review Committee (BRC) Reports

The Board Review Committee (BRC) is chaired by the alternate Director from the Department of Finance (DOF) with the alternate Director from the Department of Energy (DOE) as the Vice-Chairman. The members are likewise *ex-officio* alternate Directors from the Department of Trade and Industry (DTI), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM) and Department of Justice (DOJ), and the appointive Director who is the PSALM President and Chief Executive Officer (CEO).

The Directors from the DOF, DOE, DBM, DTI and NEDA have backgrounds/experience in audit, accounting or finance and investments. The Directors from DOF, DBM, DOJ and PSALM are lawyers with extensive legal experience.

Pursuant to Section 16.6 of the Code of Corporate Governance for GOCCs that allows the Governing Board from formally combining the functions of the Committees, Sec. 3.9.1.1 of PSALM's Manual on Corporate Governance, the BRC also acts as the Nomination and Remunerations Committee (NRC), the Risk Management Committee (RMC), and Governance Committee (GC).

### Accomplishments/Activities for CY 2021

1. **Meetings.** The BRC conducted monthly meetings in CY 2021. The meetings occurred on the following dates:

First Semester	Second Semester
January 12	July 13
February 09	August 14
March 09	September 07
April 13	October 12
May 11	November 09
June 08	December 07

2. **Endorsements to the Board.** Among the subject matters endorsed by the BRC to the PSALM Board are the following:
  - 2.1 PSALM's FY 2023 Corporate Operating Budget (COB)
  - 2.2 PSALM's FY 2020 Financial Statements
  - 2.3 Supplemental Budget for Funding the 5<sup>th</sup> and 6<sup>th</sup> Batches of Drivers and Mechanics Association (DAMA) Claims
  - 2.4 Grant of CY 2020 Collective Negotiation Agreement (CNA) Incentive
  - 2.5 PSALM's CY 2022 Financing Requirements
  - 2.6 Proposed CY 2022 Corporate Performance Scorecard
  - 2.7 PSALM Declaration and Remittance of Dividends to the National Government Supplemental Memorandum of Agreement on PSALM's Remittance of the National Transmission Corporation's CY 2020 Dividends to the National Government

- 2.8 Renewal of the Directors and Officers Liability Insurance (DOLI) for CY 2022
  - 2.9 Industrial All Risk Insurance with Sabotage and Terrorism Insurance with the Government Service Insurance System (GSIS)
  - 2.10 Settlement of BIR Tax Assessments for 2016 and Prior Years
  - 2.11 PSALM's Annual Procurement Plan for CY 2022
3. **Acting as Nomination and Remunerations Committee.** The BRC acting as NRC met five (5) times and endorsed to the PSALM Board the following agenda items:
- 3.1 Designation of Mr. Manuel Marcos M. Villalon II as Acting Vice President for the Finance Group from 26 February 2021 to 22 July 2021 or until the vacant Vice President position of the Finance Group is filled-up,
  - 3.2 Filling-up of the Position for Vice President for the Finance Group
  - 3.3 Re-election of Atty. Irene Joy Besido-Garcia as PSALM President/CEO for a term starting 01 July 2021 to 30 June 2022
  - 3.4 Resignation of VP Immaculada C. Mauricio and Designation of Acting Vice President - Corporate Services Group
4. **Acting as Risk Management Committee.** The BRC acting as RMC endorsed to the PSALM Board the Report on PSALM's Implementation of the Enterprise Risk Management (ERM) for CY2020 on 24 March 2021 Meeting.

PSALM's ERM System was established to ensure good governance practices at the strategic and operational levels and compliance with the requirements of oversight agencies. The strategic level ERM covers all risks associated to fulfilling PSALM's corporate objectives and mandates as indicated in the agency's corporate plan and performance scorecard. On the other hand, the operational level ERM covers all risks associated with the fulfillment of all business process objectives contributing to the attainment of corporate objectives. The Report highlighted PSALM's top strategic risks and the corresponding treatment plan as well as the top opportunities and action plan.

On 24 November 2021 the RMC endorsed to the Board the Revised Enterprise Risk Management Manual. Based on corporate-wide consultations and focus group discussions, the Office of the Internal Audit's (OIA's) recommendation, the need to improve existing ERM Manual forms, and in view of the implementation of the GCG-approved PSALM's Organizational Restructuring, the PSALM Management proposed the following revisions to the ERM Manual:

- 1. Revisions on the definition of the Risk Criteria under the process of Risk Assessment
  - a. On the Likelihood Criterion which is determined based on Frequency and Vulnerability sub-criteria:
    - Categorization of the Frequency criterion into operational level and strategic level
  - b. On the Severity Criterion which is determined based on Financial, Operational Capability, Customer/Stakeholder Feedback and Reputational sub-criteria:

- Amendments to the Financial sub-criterion:
  - ✓ Categorization into operational level and strategic level;
  - ✓ Reflect the realistic financial losses of PSALM, such that the range of financial exposure or transaction amount under the strategic level will be based on actual financial loss, contingent liabilities, and liquidity of PSALM;
  - ✓ Range of financial exposure or transaction amount under the Operational Capability sub-criterion shall be determined by the ERM Technical Team prior to the approval of the Chief ERM Officer; and
  - ✓ Removal of the Reputational sub-criterion since this is already subsumed under the Customer/Stakeholder sub-criterion.
  
- 2. Improvement of the Risk Heat Map
  - a. Retention of the current risk value for critical risks from 20-25; and
  - b. Increase on the current risk values of the following:
    - High risks: from 10-16 to 12-16
    - Moderate risks: from 3-9 to 5-10
    - Low risks: from 1-2 to 1-4
  
- 3. Incorporate in the ERM System Structure the following:
  - a. Board Review Committee (BRC) acting as the Risk Management Committee; and
  - b. Inclusion of the ERM Technical Team as recommended by the Office of the Internal Audit which shall ensure the continual improvement of and further enhance the implementation and monitoring of the ERM System;
  
- 4. Risk Registry Form
  - a. Addition of a column to identify whether the risk is operational or strategic; and
  - b. Addition of a clear definition of strategic risks versus operational risks to guide units and risks owners in the risk assessment.