

PSALM BOARD REVIEW AND COMMENT ON PSALM'S RISK MANAGEMENT SYSTEMS

The Board confirms that the Board Review Committee (BRC) performs the functions of the Risk Management Committee (RMC) which consists of performing oversight risk management functions in the areas of managing credit, market liquidity, operational, legal, reputational and other risks and developing the Risk Management Policy, ensuring compliance with the same and that the process and compliance are embedded throughout the operations of the Corporation, especially at the Board and Management level.

PSALM's Enterprise Risk Management (ERM) Manual established an Enterprise Risk Management (ERM) System to aid the Corporation in fulfilling its mandates and 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 BRC and the PSALM Board regularly receives information on risks associated to all matters submitted to the BRC for its endorsement and the Board for its approval and information or direction through the required ERM Form that identifies the risk exposure, indicates the impact analysis conducted, and recommends the corresponding proposed treatment to address such impact. The Board confirms that this procedure was implemented in 2020 and thereby facilitated its decision-making process.

On 09 March 2021, a comprehensive Report on PSALM's Implementation of ERM Systems for CY 2020 was presented to the BRC acting as RMC who voted to endorse the Report to the Board. On 24 March 2021, the Report was presented to the Board highlighting PSALM's top strategic risks and the corresponding treatment plan and the top opportunities and action plan. This Report and the adequacy of PSALM's risk management systems were reviewed, approved, and confirmed by the Board of Directors through Board Resolution No. 2021-0324-05.

On 09 November 2021, the status report on the implementation of ERM system for the first semester 2021 was presented to the BRC acting as RMC, and Board for their information, including the proposed revisions to the ERM Manual. The revision of ERM Manual was undertaken to consider the following: a) Governance Commission for GOCCs (GCG)-approved PSALM Organizational Restructuring to reflect organizational movements and changes in nomenclature; b) improvement on the risk heat map, risk category in terms of likelihood and severity criteria; c) creation of the ERM Technical Team; and d) areas for improvement in the existing ERM Manual forms in terms of content, order, and format. The Board approved the said revisions and improvement to PSALM's ERM Manual through the endorsement of the BRC acting as RMC on 24 November 2021 through Board Resolution No. 2021-1124-04.