



LAND BANK OF THE PHILIPPINES

RISK MANAGEMENT PROGRAM (RMP)  
FOR LBP SUBSIDIARIES

Version : Approved  
Coverage : LBP Subsidiaries  
Date Revised : 5 December 2018  
Date First Prepared : 27 June 2011  
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Document Class : Proprietary (CLASS D)

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**A. BACKGROUND/RATIONALE**

Risk Management (RM) is an essential component of corporate governance of Land Bank of the Philippines (LBP). It is a means of improving business and services in a group-wide activity that involves LBP, as Parent company, and its Subsidiaries and/or newly acquired entities/institutions. The Bank's RM involves managing risks of the LBP Subsidiaries as the Bank submits both solo and consolidated financial reports acknowledging the fact that their operations also bear impact on the Bank's financial statements.

The Risk Management Program (RMP) for LBP Subsidiaries, which includes newly acquired entities/institutions such as the Overseas Filipino Bank provides the general framework that sets the RM policies and oversight structure, and delineates responsibilities of key persons or Business Units (BUs) for effective implementation of RM.

The RMP for LBP Subsidiaries includes relevant methodologies, processes and tools that will be used in implementing RM for LBP Subsidiaries. Specific activities may differ from one LBP Subsidiary to another considering the mandate and nature of business operations, structure, risk appetite and other variables of each LBP Subsidiary.

The revisions on the RMP for LBP Subsidiaries consider the provisions under BSP Circular 900 series of 2016 or the Guidelines on Operational RM. This document also include discussion on RM Tools such as Risk and Control Self-Assessment (RCSA), Risk Assessment Register & Risk Treatment Register (RAR&RTR) and Business Impact Analysis (BIA), among others, which aim to guide LBP Subsidiaries in accomplishing and submitting these RM Tools to the Enterprise Risk Management Office (ERMO).

**B. OBJECTIVES**

The RMP for LBP Subsidiaries is designed to achieve the following objectives:

1. To ensure that the RM Framework of the LBP Subsidiaries are robust and aligned with the RM policies of LANDBANK, with clearly articulated procedures in identifying, measuring, monitoring and controlling/managing risks;
2. To clearly define and delineate the RM roles and responsibilities of LBP as Parent Company and the key persons/committees within the LBP Subsidiaries;
3. To promote RM culture and awareness within the LBP Subsidiaries in order to fully comply with existing internal and external regulations.

**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES****C. COVERAGE**

The implementation of this RMP shall cover the following LBP Subsidiaries and shall apply to entities/institutions to be acquired by the Bank, if any:

1. LBP Leasing and Finance Corporation (LLFC)
2. LBP Insurance Brokerage, Inc. (LIBI)
3. LBP Resources and Development Corporation (LBRDC)
4. Masaganang Sakahan, Inc. (MSI)
5. LBP Countryside Development Foundation, Inc. (LCDFI)
6. Overseas Filipino Bank (OFB)

**D. DEFINITION OF TERMS**

<b>Terms</b>	<b>Definitions</b>
<b>BSP Supervised Financial Institution</b>	A BSFI is an institution that is required to abide by the laws, rules and regulations set by the BSP.
<b>Compliance function</b>	The Compliance function is defined as a Unit which is responsible for overseeing the compliance risk management system across the LBP Subsidiary and in ensuring that this is dynamic and responsive in identifying and mitigating compliance risks that may erode the franchise value of the organization. <i>BSP Circular No. 972, series of 2017</i>
<b>Critical Risks</b>	Critical risks are risks identified and considered by the Management as priority. Formulation of RM Strategies and Action Plans are based on Critical Risks identified under the Risk Driver Analysis process. <i>ERM Volume</i>
<b>Key Risk Indicator</b>	KRIs are measurable parameters that help predict the occurrence of loss events <i>Strategic RM Manual, 2011</i>
<b>Related Party Transaction</b>	RPT includes transaction or dealing with RPs of the LBP Subsidiaries regardless of whether or not a price is charged.
<b>Risk Bulletin</b>	A Quarterly Newsletter on Risk Management of LBP Subsidiaries.
<b>Risk Champions</b>	Key officers from the LBP Subsidiary who has overall accountability and ownership for the assigned risks and oversees the implementation of its Risk Management Strategies.
<b>Risk Designates</b>	Employees in the LBP Subsidiaries, appointed by the Risk Champions to assist them in developing and implementing RM Strategies and Action Plans, generating risk reports and escalating RM related issues and concerns to the Subsidiary Risk Oversight Committee.
<b>Risk Dictionary</b>	The Risk Dictionary is a compilation of all the definitions of risks under the Risk Universe. It provides the definition and description for each risk representing the institution's overall risk profile.



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<b>Risk events</b>	A single specific occurrence that adversely affects the Bank and/or its LBP Subsidiaries resulting in financial and non-financial losses.
<b>Risk Universe</b>	This is a listing of all the risks identified during the Risk Prioritization process that could affect the Bank and its LBP Subsidiaries. It covers all potential risks and risk events identified as applicable to an entity, regardless of probability or impact. <i>Strategic RM Manual, 2011</i>
<b>RM Framework</b>	The Bank's RM Framework covers the components that make up its overall RM policies which include the 1) three interrelated and mutually supporting Bank processes, i.e., Risk Management, ICAAP and Good Governance, 2) RM Input-Output Framework, 3) RM Implementation Framework (Plan, Do, Check, Act) and the 4) Bank's Enterprise Risk Management Process
<b>RM function</b>	The RM function is defined as a Unit which is responsible for overseeing the risk-taking activities across the Bank, as well as the evaluation on whether these remain consistent with the Bank's risk appetite and strategic direction. <i>BSP Circular No. 971, series of 2017</i>
<b>RM Strategies and RM Action Plans</b>	These covers clear guidance and direction on the Risk Management activities to be carried out by key Bank Units or focal persons through setting of priority action plans using the best resource allocation. <i>LBP - ERM Phase I</i>
<b>Subsidiary</b>	A corporation or firm more than 50% of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation <i>AO No.029 s.of 2018</i>
<b>Subsidiary Risk Oversight Committee</b>	A committee within the LBP Subsidiaries which is responsible in advising the Board of Directors on the LBP Subsidiary's overall current and future risk appetite, overseeing adherence of senior management with the risk appetite statement and reporting on the state of risk culture of the LBP Subsidiary. <i>BSP Circular 969, s. 2017</i>

**E. RISK MANAGEMENT POLICY, STRUCTURE, ROLES AND RESPONSIBILITIES**

The RM Framework under the RMP clearly articulates the following RM policies, structure, roles and responsibilities of key persons and/or Business Units (BUs) both under LANDBANK and its LBP Subsidiaries including additional entities/institutions to be acquired by the Bank:

**1. Risk Management Policy**

Under the direct oversight of LANDBANK's Risk Management Group (RMG), the LBP Subsidiaries shall implement RM policies commensurate to the size (as to assets/capital), nature/magnitude of its operations and complexity of its products and services considering the following principles:

- a. RM is an essential component of corporate governance of the Bank;
- b. LBP's Risk Governance Framework requires that proper RM oversight shall be ensured by the Bank to its LBP Subsidiaries in order to maintain the implementation of a robust RM;
- c. The LBP Subsidiaries particularly the financial subsidiaries, offer products and services that expose them to various risks;
- d. RM would have a positive impact on the profitability of the LBP Subsidiary and the Bank; and
- e. RM would contribute to enhanced operational efficiencies, sound decision-making and shall create value for the LBP Subsidiaries.

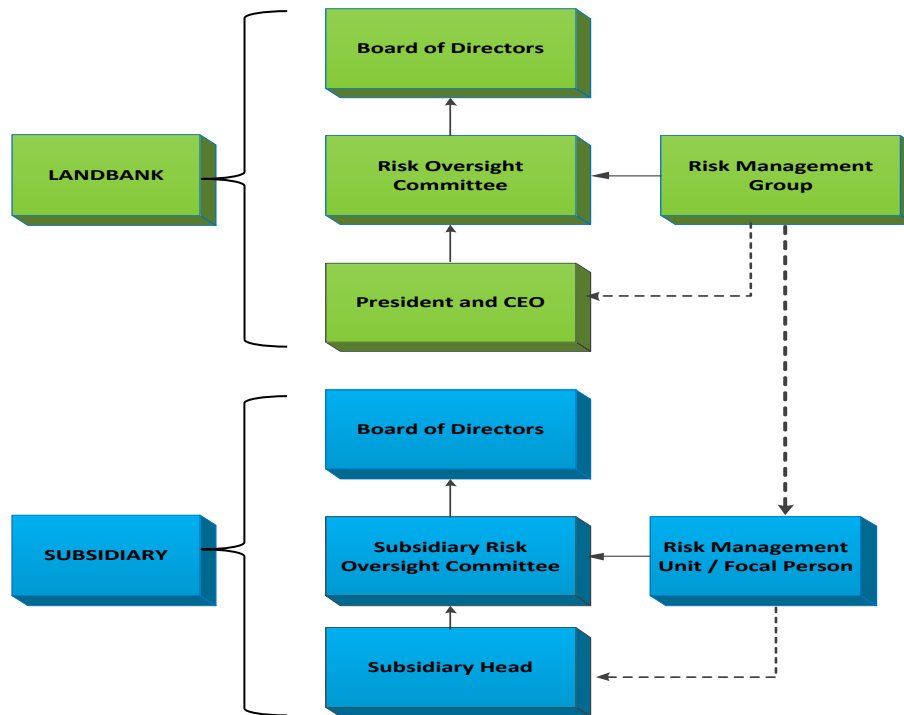
RM shall be anchored on the mandate and core business functions of the LBP Subsidiaries. Thus, these LBP Subsidiaries should recognize all risks inherent in their respective key business functions.

LBP Subsidiaries shall adopt the integrated approach to RM to enable them to benefit from the cross-functional management of risks.



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2. RM Structure, Key Players, Roles and Responsibilities



**Figure 1. RM Oversight Structure for LBP Subsidiaries**

a. RM Structure

As much as possible and in order to comply with regulatory requirements, the RM oversight structure of the LBP Subsidiaries should mirror that of the LBP (as parent company). The delegation of Risk Champions and Risk Designates shall also be required within the LBP Subsidiaries.

Otherwise, there should be at least one independent RM focal person within the LBP Subsidiary.

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**b. Key Players**

The following are the key players involved in implementing the RM policies of the LBP Subsidiaries:

<b>LBP SUBSIDIARY</b>	<b>LANDBANK</b>
Subsidiary Board of Directors (BOD)	LBP Board of Directors (BOD)
Subsidiary Risk Oversight Committee <i>(if applicable)</i>	Risk Oversight Committee
Subsidiary Head	President & CEO
Heads of Business Units	
RM Department/Unit <ul style="list-style-type: none"><li>▪ Risk Mgt. Officer, and/or</li><li>▪ RM Specialist</li></ul> RM Focal person	Risk Management Group and Enterprise Risk Management Office

**c. RM Roles and Responsibilities of the LBP's RM Unit/function**

The Bank's RM function is responsible for overseeing the implementation of RMP for LBP Subsidiaries which include but not limited to the following:

- 1.) Monitor the implementation of ERM initiatives/strategies and internal control measures as articulated under the Bank's Internal Capital Adequacy Assessment Process (ICAAP) document submitted to BSP and monitor the effectiveness of these strategies/practices or processes;
- 2.) Aggregate reporting of LBP Subsidiaries' risk exposures and results to the Subsidiaries and LBP's RISKCOM through regular risk reporting;
- 3.) Report to LBP RISKCOM the results of the validated Risk and Control Self-Assessment (RCSA) and other RM Tools as required and ensure timely preparation and submission of RM Tools by the LBP Subsidiaries;
- 4.) Monitor submission of Related Party Transaction (RPT) and Data Privacy Act (DPA) requirements, risk reports, RM information/data as possible inputs in the risk dashboard;
- 5.) Establish close coordination with RMG's BUs to promote RM culture and compliance among the LBP Subsidiaries through the conduct of walkthrough/seminars on existing RM Tools, RM policies and other requirements by external regulatory bodies; and
- 6.) Coordinate, facilitate and monitor submission of the required documents relative to the updating of Risk Assessment Map (RAM) for Subsidiaries Risk as required in the annual preparation of ICAAP and Recovery Plan document.



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**d. RM Roles and Responsibilities of the LBP Subsidiary Key Players****1.) Board of Directors(BOD)**

- Provides overall RM oversight to the LBP Subsidiary
- Approve and confirm the following including its amendments, if any:
  - Internal RM policies and procedures
  - RM Strategies and Action Plans
  - RM Programs/Initiatives under the Risk Assessment Map for Subsidiaries Risk
  - Risk Appetite Statement
  - Results of Risk Identification and Measurement, including the new and emerging risks and priority risks
  - Regular risk reports including other RM related documents, reports, information required by the regulatory bodies
  - Risk reporting framework which should accurately communicate risk exposures and results of stress tests, if any
  - Summary of RM tool preparation and validation
- Ensure that the RM deliverables reflect the risk appetite of LBP and tolerance for risk (as wholly owned Subsidiary)
- Designate BU / RM focal person to ensure proper communication and implementation of risk appetite/RM controls once approved

**2.) Subsidiary Risk Oversight Committee (SROC) or RM Unit**

- Provides overall RM oversight to the LBP Subsidiary
- Review and provide inputs in the RMP for LBP Subsidiaries including future amendments and endorse the same to the BOD for approval
- Review and approve internal RM policies, procedures, and Strategies and Action Plans submitted by the Risk Champions for endorsement to the BOD for approval
- Ensure that the Subsidiary's RM policies are aligned and/or in accordance with LBP's internal RM policies/guidelines
- Provides notation/approval of the following and endorses/escalates the same to the BOD for approval/confirmation:
  - New and emerging risks
  - RM Strategies and Action Plans and status of RM deliverables
  - RM Initiatives/Programs and status of deliverables
  - Risk Reports (RM status, issues and concerns)
  - Risk Reporting Framework
  - RM Tools, e.g., RCSA, RAR & RTR, among others



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- Other RM related reports, data/information or documentary requirements by regulatory bodies
- Review and recommend enhancements to RM practices for approval of BOD of the LBP Subsidiary
- Monitor implementation of the approved RM deliverables

**NOTE:** For Subsidiaries with no established SROC, the LBP Subsidiary – BOD may designate/organize/assign a key officer/employee or create a BU to assume and perform SROC functions

### **3.) Heads of Subsidiaries**

- Acts as the comprehensive risk executive with the following responsibilities:
  - defines the LBP Subsidiary's risk priorities
  - resolves risk related conflicts
  - ensures alignment of risk taking activities with the subsidiary's strategic and business direction
- Reviews risk reports and other risk related documents in order to come up with well informed business decisions
- Ensures that the LBP Subsidiary establishes a Risk Reporting Framework following the principles of Accuracy, Comprehensiveness and Clarity and Usefulness of the report components
- Promotes an open communication system about risk issues and risk strategies across the Subsidiary
- Directs and monitors the creation of a RM Communication system that encourages information sharing on risk issues in a manner that is timely, accurate, concise and easy to understand
- Designate BU/RM Focal Person to ensure proper communication of RM related information and requirements with all concerned stakeholders

### **4.) Heads of Business Units (Risk Champions and Authorized Risk Takers)**

- Heads of BUs act as the Risk Champions reporting administratively to their immediate supervisor or the President & CEO and functionally to the SROC
- Oversees the risk taking activities of Business Unit under his/her supervision and evaluate if these are consistent with the risk appetite and strategic direction of the LBP Subsidiary;
- Ensures that the risk taking activities of the BU under supervision is commensurate with the complexity and nature of its business operations

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- Develops and proposes the following to the SROC for approval and ensures that these are aligned with the LBP BOD approved RMP for LBP Subsidiaries:
  - Internal RM policies and procedures
  - Risk Appetite Statement
  - RM Strategies and Action Plans
  - RM Communication Framework
- Provides sponsorship on the approved RM Strategies and Action Plans, internal RM policies and Risk Appetite and coordinates these with the Business Unit, officers/employees under supervision to ensure its full and proper implementation
- Assumes overall accountability and ownership of the assigned risks pertaining to the operations of the BU under supervision, and manages, documents and reports these risks to the SROC which covers:
  - Occurrence of risk events, policy breaches & procedural infractions
  - Potential impact of risks
  - Proper and full implementation of RM Strategies and Action Plans
  - Catch-up plan for RM deliverables which are still for completion
  - Compliance with the submission of RM Tools
- Provides inputs in the ERM activities such as Risk Identification, RM Strategy Formulation, among others and prepares SROC report indicating the result of these ERM activities
- Directs, monitors and reports the full compliance of the Business Unit and the LBP Subsidiary with RM regulatory requirements such as the submission and reporting of RM Tools (RCSA, RAR & RTR, among others)
- Appoints the Risk Designates which could be any of the following and provides performance rating pertaining to the RM related work targets:
  - 1 or 2 employees under the BU
  - Risk Management Officer under the RM Department/Unit
  - RM focal person *(if no RM Department/Unit exists)*
- Continuously acquires and updates RM skills and knowledge needed to manage business activities and risk exposures;

**5.) Risk Management Department/Unit (Risk Designates)**

- Acts as Risk Designates and RM Coordinating Office reporting administratively to their immediate supervisor or the President & CEO and functionally to the SROC



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- Develops and proposes the following to the Risk Champion for review and endorsement to the SROC for approval and ensures that these are aligned with the LBP BOD approved RMP for LBP Subsidiaries:
  - Internal RM policies and procedures
  - Risk Appetite Statement
  - RM Strategies and Action Plans
  - RM Communication Framework
  
- Risk Reporting
  - Assists the Risk Champion by consolidating the following risk reports to be submitted to the SROC for notation/approval:
    - RM Strategies and Action Plans prepared by the Business Units as well as the reporting of its status of implementation on a regular basis
    - Priority risks and new and emerging risks as a result of Risk Identification
    - Status of compliance with the RMP FOR LBP SUBSIDIARIES and internal RM policies
    - Result of LBP Subsidiary's ERM activities
    - Accomplishment and submission of RM Tools
    - Other RM related issues/concerns and relevant information
    - Provide a copy of the duly noted/approved risk report and resolutions by SROC to Enterprise Risk Management Office (ERMO) for reporting to the LBP RISKCOM for notation/approval
  
- Enterprise Risk Management participation
  - Coordinate the participation and attendance of LBP Subsidiary key participants in the ERM activities specified in these policies/guidelines
  - Actively participate in ERM activities as indicated under the RMP for LBP Subsidiaries by facilitating the discussion as needed or as applicable and by providing ERM related inputs and suggestions during the ERM workshops
  
- Coordinates/organizes, communicates and documents the following:
  - RM activities, meetings, ERM sessions
  - Pending RM deliverables
  - Updated RM policies approved by the SROC and BOD
  - Risk policies and risk limits
  
- Other responsibilities
  - Ensure compliance with existing RM regulatory requirements and other RM related requirements by LANDBANK as follows:

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- submission of the required documents relative to the updating of Risk Assessment Map (RAM) for Subsidiaries Risk as part of the LBP ICAAP and Recovery Plan document
- submission of the following RM Tools:
  - a) Risk & Control Self-Assessment (RCSA)
  - b) Risk Assessment Register & Risk Treatment Register (RAR&RTR)
  - c) Business Continuity Plan (BCP)
  - d) Business Impact Analysis (BIA)
  - e) Business Continuity Risk Assessment (BCRA)
  - f) Risk Event Monitoring (REM) report to the ERMO immediately upon occurrence of a risk event
  - g) Related Party Transaction (RPT) template
- submission of RM related documents/templates and regular reports as coordinated by ERMO
- Ensure that all tasks assigned by the Risk Champion are implemented and complied with
- Continuously acquires and updates RM skills and knowledge needed to manage business activities and risk exposures;
- Ensure that ERM activities form part of the performance measures of the LBP Subsidiary personnel involved in RM implementation and compliance

**6.) Risk Management Focal Person (Risk Designates)**

- Acts as Risk Designates and RM Coordinating Office reporting administratively to their immediate supervisor or the President & CEO and functionally to the SROC
- Assists in developing and proposing the following to the Risk Champion for review and endorsement to the SROC for approval and ensures that these are aligned with the LBP BOD approved RMP for LBP Subsidiaries:
  - Internal RM policies and procedures
  - Risk Appetite Statement
  - RM Strategies and Action Plans
  - RM Communication Framework
- Assists the Risk Champion in the consolidation/preparation of risk reports
- Assists the Risk Champion in consolidation/preparation of ERM materials and work output, i.e., Risk Identification of new and emerging risks, RM Strategies and Action Plans deliberated during ERM sessions, risk measurement



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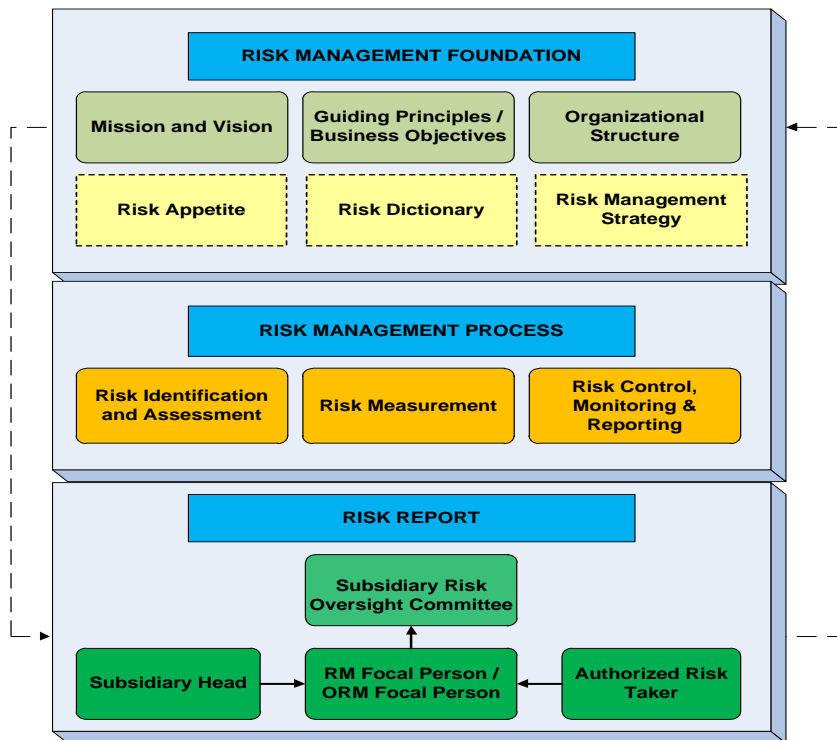
- Coordinates and communicates with LBP ERMO on all RM related matters:
  - status on the actions taken on the RM Initiatives (ICAAP)
  - submission of RM tools and regular risk reports
  - status of implementation of RM Strategies and Action Plans
  - compliance with RM related regulatory requirements
  
- Coordinates and communicates with LBP Subsidiaries officers and employees on the following:
  - attendance of key officers of LBP Subsidiaries during the conduct of RM walkthroughs i.e., briefings sessions on DPA and RM tools
  - submission of the required documents relative to the updating of Risk Assessment Map (RAM) for Subsidiaries Risk under the LBP ICAAP and Recovery Plan document
  - submission of RM tools and regular risk reports
  - inclusion of ERM activities under the performance measures for officers/employees involved in RMP FOR LBP SUBSIDIARIES implementation

*NOTE: The function, duties and responsibilities of a Risk Designate may be assumed by the RM Focal person, in the absence of an RM Department/Unit.*



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3. Risk Management Framework of the LBP Subsidiary



**Figure 2. RM Framework of LBP Subsidiary**

The RM process, practices and strategies of the LBP Subsidiaries are anchored on their respective business mandates, taking into consideration their vision/mission, strategies & business objectives, structures and policies as tempered by their respective Risk Appetites.

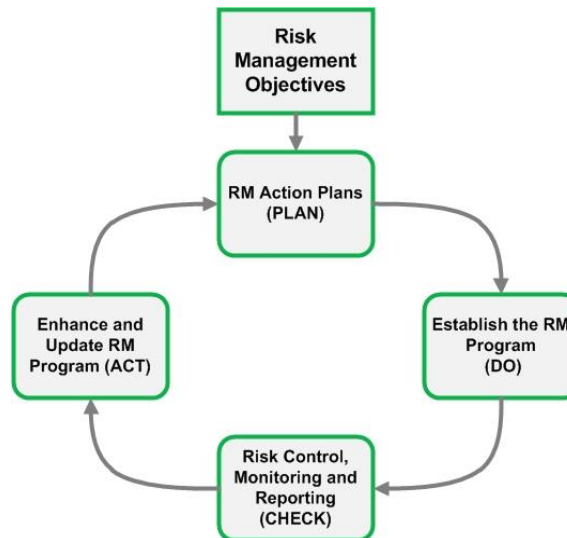
The RM Process shall be implemented in communication and consultation with the BUs which includes Risk Identification and Assessment, Measurement, Monitoring and Reporting.

It shall be based on the guidelines / directions set forth by Bangko Sentral ng Pilipinas (BSP) pertaining to the implementation of the Risk Governance Framework for BSP Supervised Institutions (BSFIs) pursuant to BSP Circular 971, s. of 2017.

Timely and accurate risk reporting shall apprise the Senior Management of the LBP Subsidiaries on relevant RM issues/concerns on material risks to assist them in rendering a well-informed and sound decision-making, specifically in determining viable solutions to address key risks issues.

**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES****4. RM Implementation Framework**

RM Implementation Framework for LBP Subsidiaries considers the general implementation process viewpoint of RM, adopted from ISO 31000 which involves a **Plan, Do, Check and Act** processes shown in **Figure 3**.



**Figure 3. LBP Subsidiaries' RM Implementation**

The elements of the RM Implementation process include:

- Design RM Policy for LBP Subsidiaries.- The design of the RM Policy for LBP Subsidiaries considers the 1) internal and external environment; 2) compliance with existing regulations; 3) integration of RM with the LBP Subsidiaries' business processes and structure; 4) levels of accountability in managing risks; and, 5) availability of resources and communication systems.
- Implement Risk Management – The RM process is applied at all relevant levels and functions of the LBP Subsidiary as part of its business processes and activities.
- Monitor and Review the RM Framework – The LBP Subsidiary reviews the appropriateness of the RM framework, policy and plan given its diverse structure. It also monitors completion of the RM plan and reviews the effectiveness of the RM process given its respective LBP Subsidiary mandates and business objectives, size and nature of business.
- Revisit and enhance the RMP – Periodic review of the RMP will be conducted to ensure continuous enhancement of the RM policies, plans and processes. This will contribute to the improvement in the LBP Subsidiary and LBP's stability/resilience, governance and accountability.





## 5. Levels of Risk Management

The RM of LBP Subsidiaries is performed at three different levels: 1) Strategic Level, 2) Portfolio Level and 3) Transactional Level.

### a) **Strategic Level (Highest line of defense) – Risk Policy Formulation and Approval**

- RM at the Strategic level generally involves oversight and policy review and approval. Along the risk and control “lines of defense”, this level is ultimately responsible for the effectiveness of RM activities across the LBP Subsidiary.
- As the highest level of RM, Strategic Level involves: the Subsidiary Head, SROC, Internal Audit function, other Board-level Committees, and Committees representing the Business Units.
- **LBP Subsidiary Head.** At Strategic Level of RM, the Subsidiary Head, and Business Unit Committees actively promote and create a risk culture and a deep sense of risk awareness among all members of its respective LBP Subsidiary.

**Subsidiary Risk Oversight Committee (SROC).** The SROC performs the RM oversight of the Subsidiary. The SROC (or LBP Subsidiary BU/key officer handling SROC functions) shall be responsible for setting the risk appetite, approving policies and strategies, as well as reviewing and approving the Subsidiary’s RMP or its respective RM Manual.

- **Internal Audit function.** The Internal Audit function shall have proper stature to carry out its responsibilities independently, objectively and effectively in ensuring that periodic assessment of the LBP Subsidiary’s internal control system is conducted to identify weaknesses and evaluate its robustness considering the LBP Subsidiary’s risk profile and strategic direction.
- **Board-level Committees** are responsible for providing first level approval of the RM Framework, policies and strategies of the LBP Subsidiary.
- **Senior Management** identifies, assesses and prioritizes enterprise-wide risks, establishes risk appetite and integrates risk information into its decision-making process to come up with sound RM strategies.

### b) **Portfolio level (Second line of defense) - Analysis, Control and Management Reporting**

- The Portfolio level RM is responsible for analyzing and controlling risks reported by the Business Units. At this level, occurrence of policy breaches, procedural infractions and deviations are being monitored and reported. The proper application of risk measures by the business and support units are also closely being monitored.



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Should existing controls fail in addressing risks, the Business Unit Heads should formulate and recommend new policies, review existing policies and propose workable adjustments when necessary.

Portfolio level RM involves the RM and Compliance functions of the LBP Subsidiaries, Business Unit Heads and the RM Focal Persons.

- **RM Function of LBP Subsidiaries** monitors and analyzes risks throughout the organization taking into consideration the set risk appetite, tolerances and limits and other relevant risk policies.

The RM function in the LBP Subsidiary shall have proper stature to carry out its responsibilities independently, objectively and effectively in providing support to the SROC for a well-informed RM decision making.

The RMG of LANDBANK shall provide guidance and recommendations to the LBP Subsidiary's Senior Management and BOD in designing and implementing its RM Framework and shall also provide important inputs in formulating RM policies that are compliant with existing regulations.

- **Compliance Function of LBP Subsidiaries** shall have formal status within the LBP Subsidiary. It shall be responsible in facilitating the effective management of compliance risk of the LBP Subsidiaries by advising the BOD and Senior Management on relevant laws, rules and acting as contact point person for compliance queries.

The Compliance Function in the LBP Subsidiaries establishes written guidance or communication lines to all LBP Subsidiary personnel on the proper implementation of regulations as documented in Compliance Manuals, Code of Conduct and internal guidelines.

More importantly, the Compliance Function in the LBP Subsidiaries identify, document and assess compliance risks associated with its business activities.

- **Business Unit Heads** collate and consolidate all risk reports from its various risk-taking units, prepare the necessary analysis and submit the same to the Senior Management or higher levels of Management in the organizational structure, as applicable. Portfolio-level risk reports are escalated to the BOD.

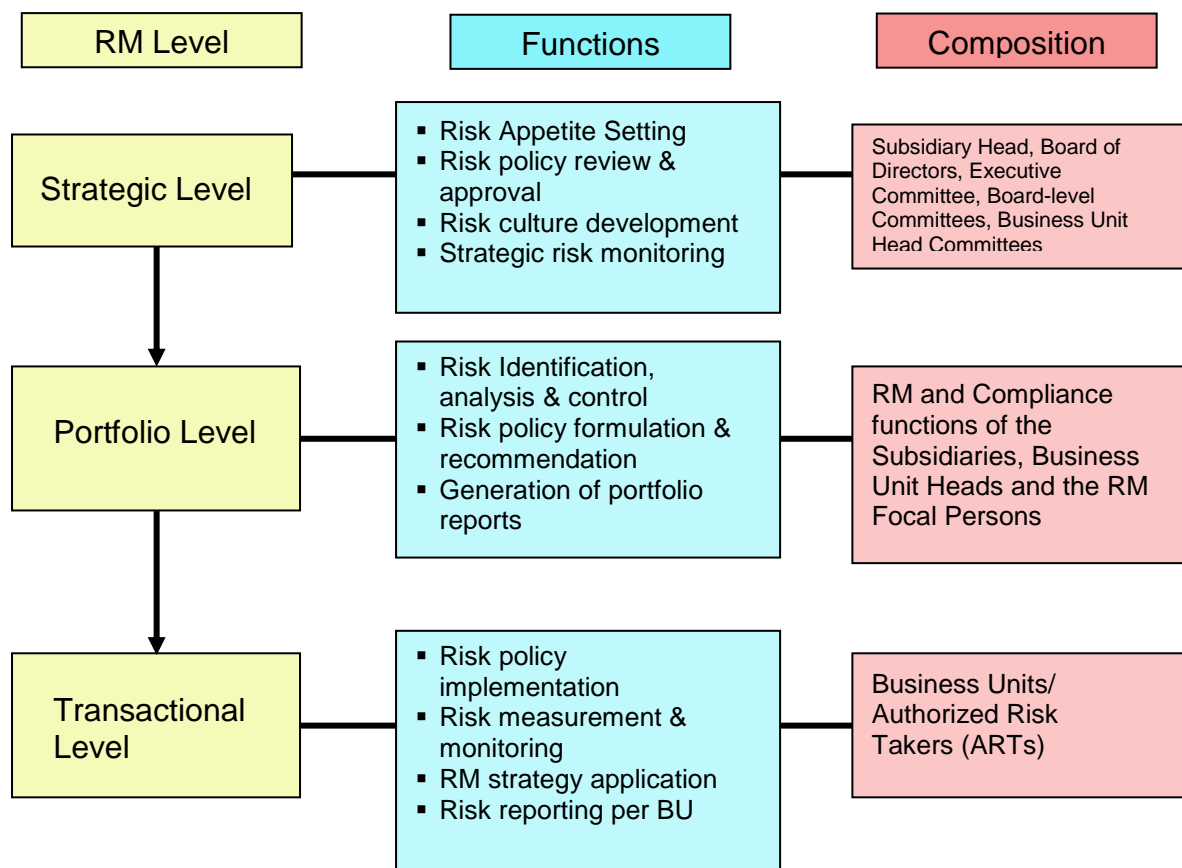
These management reports should provide snapshots of overall risk positions of the LBP Subsidiaries and should enable BOD to evaluate performance from a risk-adjusted perspective and to initiate the necessary adjustments in the LBP Subsidiary's overall business strategy.

In case the RM Unit is not included in the LBP Subsidiary's organizational structure, the Business Unit Heads with the assistance of RM Focal Person, shall perform the portfolio-level RM deliverables.

**c) Transactional Level (First line of defense) – Risk Policy Implementation**

- The Transactional Level comprises of business support units/Authorized Risk Takers (ARTs) directly responsible for the business processes and the risks.
- The transactional level involves specifics of day-to-day risk-taking activities as performed by the risk owners or the ARTs. All transactions of ARTs should conform with policies and procedures and shall be within specified limits and approving authorities.
- Identification and recognition of risks and their occurrence are documented by the ARTs and reported to the Business Unit Head.
- Risks are measured and quantified in terms of its impact on the unit's operations and on the targeted revenues.
- Risk mitigation strategies are applied whenever possible to address or resolve the risk event(s).
- Situations requiring actions by next higher officer should be escalated by the ARTs in a proper and timely manner.
- Reports on risk events, policy breaches and procedural infractions and corresponding risk mitigation strategies taken should be elevated to the Business Unit Heads. On a regular basis, risk reports should be prepared and submitted by the risk-taking units to the Business Unit Heads.

In case the LBP Subsidiary's organizational structure is simple and lean, the levels of RM may be modified and suited to the present/existing structure of the LBP Subsidiary as long as the duties and responsibilities in all the three Levels of RM are duly delegated by the BOD.



**Figure 4. Levels of LBP Subsidiaries Risk Management**

**E. RISK MANAGEMENT APPROACHES**

Risk Management (RM) may be undertaken using two approaches: the **Silo** and/or the **Integrated RM Approach**. The Silo approach tackles risks on an individual or compartmentalized basis and is usually transactional and reactive in nature. It focuses on how individual business units operate and perform, and each BU is responsible for managing its respective risks.

The Integrated RM approach on the other hand, considers risks at all levels of the organization, from the strategic to the day-to-day job of customer facing employees. It is company-wide, proactive and considers the interdependencies of BUs as well as the inter-relationship of risks. It is also called as the Enterprise Risk Management approach.



**F. THE ENTERPRISE RISK MANAGEMENT APPROACH**

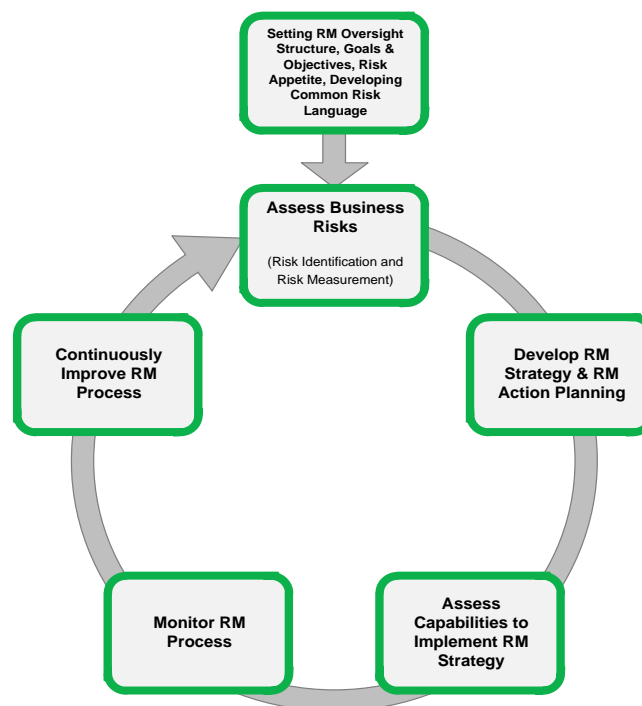
The significance of an ERM process in LBP Subsidiaries is premised on circumstances that affirm the variability of risks when it comes to risk exposures, nature and complexity of the business and the ongoing changes in the internal and external environment.

The risks affecting the business operations of an LBP Subsidiary may be currently relevant but may become irrelevant in the future. Thus, as LBP Subsidiaries pursue proactive innovation of products and services or changes in their business portfolio, their RM strategies should also be constantly updated and enhanced to fully address the emerging and residual risks in the course of doing its business.

For consistency in approach and process, the LBP Subsidiaries shall utilize the integrated approach in RM, otherwise known as Enterprise Risk Management (ERM). ERM is defined under ISO 31000 as:

*“A process effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity and manage risk to be within its risk appetite. It provides reasonable assurance regarding the achievement of the entity’s objectives.”*

The ERM process is an approach to effectively identify measure, assess, manage and monitor risks of the LBP Subsidiaries.



**Figure 5. Enterprise Risk Management Process**



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

Figure 5 presents a detailed process flow of the ERM and the corresponding outputs of each activity. Its implementation in the LBP Subsidiaries is designed as follows:

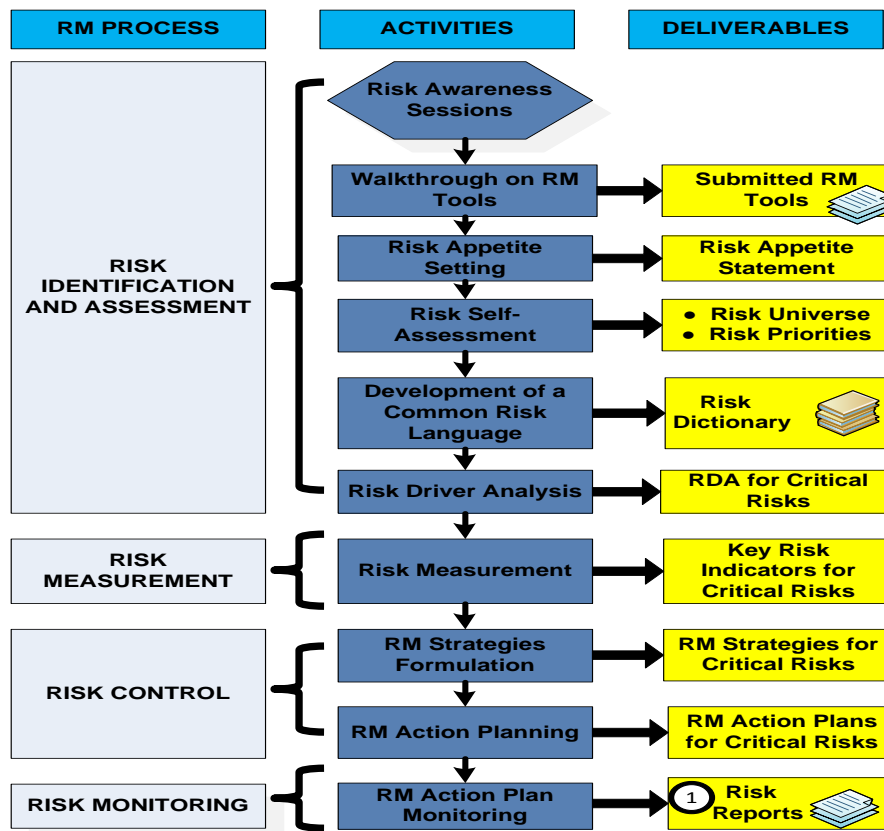


Figure 6. ERM Process, Activities and Deliverables/outputs

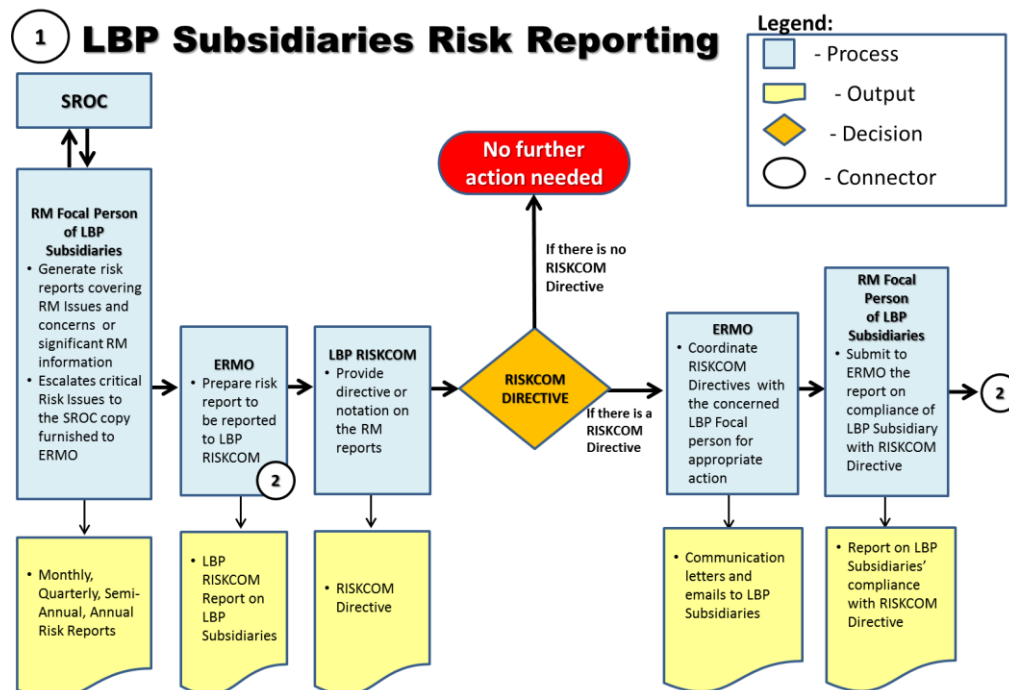


Figure 7. LBP Subsidiaries Risk Reporting



Figure 7 shows the procedure/process on the proper escalation or echoing of RM related issues and concerns to the Bank’s Risk Oversight Committee.

Risk reports are being generated by the Risk Designates (primary risk owners) of each LBP Subsidiary and these are reported to the SROC. The RM focal person furnishes LBP-ERMO with a copy of reports that needs further escalation to the LBP RISKCOM either for notation or approval. The full implementation and or completion of the LBP RISKCOM Directive shall be coordinated by ERMO and LBP Subsidiary RM focal persons until fully accomplished.

**1. Establish goals and objectives, and RM oversight structure**

The initial step of “Establishing goals and objectives” and “RM oversight structure” is a one-time activity that serves the purpose of firming up RM goals, enhancing the oversight structure and RM policies, if needed. The following are key activities involved in this process:

- a. Evaluate current state of ERM framework (ERM goals and objectives, RM oversight structure, and policies)

For this purpose, the LBP Subsidiaries shall conform with the RM goals and objectives established by LANDBANK during the conduct of the ERM Phases 1 to 3 and shall align its RM policies and activities with the Bank’s RM Framework and oversight structures in compliance with existing external regulations.

- b. Assess preliminary risk universe

Subsidiaries Risk shall form part of the Bank’s Risk Universe and Risk Dictionary. Any emerging risks to be identified under the ERM process will be integrated both in the Risk Universe (**ANNEX A**) and Risk Dictionary.

- c. Conduct of Risk Awareness Sessions

Risk awareness sessions shall jumpstart the ERM implementation in the LBP Subsidiaries. This activity will be facilitated by the LBP-Enterprise Risk Management Office (ERMO) and shall cover a general discussion of the Bank’s ERM Framework, Risk Appetite Statement, RM principles/processes/ activities. An overview of the existing RM regulatory requirements, i.e., Data Privacy Act, Related Party Transactions, Risk Governance Framework, among others, will also be included in these learning sessions.

This activity will be attended by the LBP Subsidiaries’ BOD, Risk Oversight Committee (or representative/s), Senior Management, RM Champions/Designates and Risk Focal Persons. The topics and deliverables are as follows:

<b>Topics</b>	<b>Deliverables</b>
Risk Self-Assessment (RSA)	<ul style="list-style-type: none"> <li>• Risk Universe</li> <li>• Risk Priorities</li> </ul>
Development of a Common Risk Language	Risk Dictionary
Setting of Risk Appetite	Risk Appetite Statement

**d. Setting of the Risk Appetite Statement (RAS)**

Risk Appetite is the level of enterprise-wide risk that a company can successfully manage over an extended period of time. It is a characterization of the magnitude and types of risk that a firm is willing and able to take to achieve its mission, vision, business objectives and goals.

A Risk Appetite Statement (RAS), attached as **ANNEX B**, defines the basis that firms or companies use for making business decisions, including product pricing among others and to determine how much risk to retain and to what extent of risk should be transferred to others.

The LBP RMG shall conduct a Risk Appetite Setting seminar that will involve activities such as analysis of the risk capabilities and appreciation of the fundamental concepts of Risk Appetite Statements. This shall include a brainstorming session on the LBP Subsidiary's definition of its respective Risk Appetite that will eventually lead to the formulation of the Risk Appetite operating principles and implementing strategies.

Risk Appetite setting shall be participated in by the LBP Subsidiaries Senior Management and BOD and Risk Management Unit/Committee. The RAS formulated shall be presented to Senior Management, SROC and BOD for approval.

**2. Assess Business Risks**

Since the RM goals and objectives were already pre-determined in the Bank's previous ERM Phases, the assessment of business risk will be the first activity in the ERM process for the LBP Subsidiaries, wherein risks will be identified and measured. The implementation of this RM process will enable the LBP Subsidiaries to better understand its risk profile and risk exposures. The following are key activities involved in this process:

**a. Risk Identification and Assessment**

**Risk Identification** is the process of defining, compiling and classifying existing and emerging risks involved in specific business processes. The risks may consist of events and sources of functional and operational problems that could impair the profitability and value of the Bank and/or risks that could potentially prevent the Bank from achieving its strategic and operational objectives. In order to arrive at the Bank's risk profile, two general methodologies are used as follows:

- **Risk Self-Assessment (RSA)** at the enterprise level is the process of assessing the LBP Subsidiary's risks, threats and vulnerabilities in its purest forms, i.e., without considering controls. It is a top-down approach that will involve the LBP Subsidiary BOD, Risk Oversight Committee and the Risk Officer/RM Focal Person in an iterative process of examining risks the LBP Subsidiary is faced with considering all external and internal factors.

The RSA survey is a method under the RSA which helps facilitate the identification, prioritization and assessment of LBP Subsidiary's key business





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risks. This is the starting point wherein it allows the LBP Subsidiary to align its resources and focus its risk management on the areas that matter most to the business.

RSA is applied as a risk identification and prioritization tool to be initiated and conducted by the Risk Officer / RM Focal Person of the LBP Subsidiary by utilizing a survey questionnaire to be designed by LANDBANK, specifically for LBP Subsidiaries.

The Subsidiary Risk Universe which shall be integrated with the LBP Risk Universe shall be formulated as a result of the conduct of RSA.

Guided by the Risk Universe of LANDBANK, risk owners shall be responsible in identifying the risks and risk drivers (what causes risks to happen) through the use of methodologies such as, a) the Risk Self-Assessment (RSA) survey at the enterprise level and b) the Risk and Control Self-Assessment (RCSA).

### ➤ **Development of a Common Risk Language**

The risks that comprise the LBP Subsidiary's Risk Universe will be defined based on its own perspective. The risk definitions to be prepared by the Authorized Risk Takers (ARTs) shall be deliberated upon and signed-off by the Heads of ARTs prior to its presentation to LBP Subsidiary Senior Management, SROC and BOD for approval.

New and emerging risks added in the risk definitions shall likewise be integrated with the Risk Universe, and shall be given customized definitions by the RM Focal Persons and/or RM Champions/Designates.

The result of this activity will be the Risk Dictionary duly approved by both the LBP Subsidiary and the LANDBANK's RISKCOM, ManCom and LBP Board.

**Risk Prioritization.** Below are the sub-activities under Risk Prioritization, which will be facilitated by the Bank with the LBP Subsidiaries.

Based on the Risk Universe identified, Senior Management shall prioritize, through a voting process, the critical risks to the LBP Subsidiaries based on impact and RM effectiveness.

The risk map resulting from this activity shall be analyzed and shall be the basis for other RM activities discussed in Risk Measurement, Risk Control and Risk Monitoring.

- **Risk and Control Self-Assessment (RCSA)** at the business unit level is a structured process of determining risks and examining the effectiveness of controls for such risks at the business unit level.



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➤ **Risk Driver Analysis**

In order to further analyze risks and since risk assessment is an encompassing process, the Risk Driver Analysis (RDA) tool shall be used to determine the causes and sources of risks.

This sub-process shall be undertaken through workshops and Focused Group Discussions (FGD) with assistance from the LANDBANK Enterprise Risk Management Office (ERMO) involving the ARTs. The resulting RDA maps shall be presented by the Risk Officer to LBP Subsidiary Senior Management, SROC and BOD for approval.

When the Risk Officer function is not applicable or officially designated in the LBP Subsidiary, earlier stated roles shall be handled by the Business Unit Heads identified by the BOD of Subsidiary.

Attached as **ANNEX C** is a list and description of the current Risk Drivers as assessed under the 2018 LBP ICAAP document.

**b. Assign risk owners/risk owner groups**

The following are the risk owners of Subsidiaries Risk as articulated in the LBP ICAAP document:

Primary Owners	Secondary Owners
<ul style="list-style-type: none"> <li>• LBP’s Board of Directors and Senior Management</li> <li>• Subsidiaries’ Board of Directors and Key Officers</li> <li>• Subsidiaries’ Audit Committee/ Risk Committee/Audit &amp; Risk Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ LBP Compliance Management Group (CMG)</li> <li>▪ LBP Internal Audit Group (IAG)</li> <li>▪ LBP Risk Management Group (RMG)</li> </ul>

**c. Risk Measurement** - Measuring business risk and understanding its inter-relationship/s

➤ **Risk Measurement** is the process used to quantitatively and qualitatively determine the consequences of possible outcomes or events over a given time horizon under alternative scenarios. It evaluates the impact of risks by quantifying the price of failure in terms of financials, reputation or other variables and by determining value creation opportunities. Risk measurement is a responsibility of the ARTs.

As a Risk Measurement activity, the Subsidiary ARTs shall identify Key Risk Indicators (KRIs) using forward-looking parameters that help predict the occurrence of loss events. Please see **Template 1- KRI template**.



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The Risk Officer / RM Focal Person shall present the LBP Subsidiary's KRI to the Senior Management, SROC and BOD for approval.

RMG and its Departments shall guide the Subsidiaries in all risk measurement activities as needed.

### **3. Risk control – Development of Risk Management Strategy**

Risk control is the implementation of measures to reduce risks or to maintain risks within the risk appetite of LBP. It involves the development/improvement and implementation of policies, systems, procedures and physical changes to address risks.

Risk Control, which is the main responsibility of the ARTs, pertains to ongoing controls embedded in business processes as far as possible and should be performed by all employees within the framework of their tasks. If controls are inadequate to address identified risks, the LBP Subsidiary shall draw up specific actions or responses to manage risks.

Risk Control shall be comprised of two activities: 1) RM Strategy Formulation and 2) RM Action Planning.

#### **a. Risk Management Strategy Formulation**

RM strategies are specific actions, RM initiatives or responses available to manage risks, which can comprise a range of different options depending on the risk strategy adopted. The formulation of RM strategies for the LBP Subsidiaries aims to identify specific and relevant action plans with timelines, which will enable the LBP Subsidiaries to manage the identified priority risks and or its critical risk drivers. Please see **Template 2- RM Strategy Formulation template**.

The formulation of RM strategies shall be based on the Risk Drivers identified for specific risks. The following RM options / treatments shall be used:

- **Avoid Risk** – RM strategy or response that involves taking steps to remove the hazard or engage in other activity or otherwise end a specific exposure (e.g., divest, prohibit, stop or eliminate)
- **Transfer Risk** - RM strategy or response, in which a risk is shifted to another party (e.g., insurance, outsourcing, warranty or indemnity)
- **Reduce Risk** - RM Strategy or response through systematic reduction in the extent of exposure to risk and/or the likelihood of its occurrence (e.g., disperse or control)
- **Accept Risk** – RM Strategy or response where the cost of managing is acceptable because risk avoidance would entail higher cost than the impact of risk. (e.g., reprice, self-insure, offset or plan)

**b. Assess Capabilities to Implement RM Strategies**

Assessment of the LBP Subsidiary's capabilities covers policies, processes, people, management reports, methodologies, as well as systems and data. The objective is to determine and resolve existing gaps to enable the LBP Subsidiary to effectively and efficiently implement the RM strategies formulated.

There are five (5) levels of capabilities used as measurement:

- Initial** : Capabilities are characteristic of individuals and not of the organization
- Repeatable** : Process established and repeating; reliance on people is reduced
- Defined** : Policies, processes and standards defined and formalized across the company
- Managed** : Risks measured and managed quantitatively and aggregated on an enterprise-wide basis
- Optimizing** : Organization focused on continuous improvement of business risk management

Based on the outcome of the assessment, an action plan is prepared to address the gaps and establish or strengthen the capability to implement the RM strategies formulated.

**c. Risk Management Action Planning**

The RM Action Planning identifies the various activities that shall be undertaken to implement the RM Strategies. The RM Action Planning Template shall be accomplished by the ARTs under the guidance of the Risk Officer / RM Focal person. Please see **Template 3 - RM Action Planning Template**

The RM Strategies and RM Action Plans of the LBP Subsidiaries shall be presented to the Senior Management, SROC and BOD for approval.

The LBP Subsidiaries will be guided by the following pointers when developing its RM strategies and initiatives:

- 1) Review results of Risk Driver Analysis and identify key drivers.
- 2) Coordinate with point person/s with the most information and influence on the implementation of the RM strategies and consult with various Business Units for valuable inputs.
- 3) Determine general response to the risk:
  - *Is the risk inherent such that it has to be accepted? Is there room to further reduce exposure to this risk?*
  - *If the risk is not inherent, can the risk be rejected or avoided? Up to what extent?*
- 4) Assess the current RM strategy.

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- 5) Obtain information on the current mitigation strategies, initiatives, plans and programs and activities being done to manage the risk. Assess the effectiveness of these strategies.
  - *Are these sufficient?*
  - *What needs to be improved?*
- 6) Based on the assessment in Step 4, develop the overall RM strategy. The format of the Risk Management Strategy Articulation Map may be used based on the Risk Management Options model to help identify the appropriate RM strategy.
- 7) Develop detailed RM strategies for the key drivers
- 8) Stress-test preliminary RM strategies.
  - *Conduct a forum wherein strategies may be cross-checked against those of other departments/units.*
  - *Compare the objectives and strategies if consistent and aligned.*
  - *Develop conservative and aggressive assumptions and scenarios for strategies to test the effectiveness of these strategies.*
- 9) Present and obtain approval for the RM strategies.

**4. Risk Monitoring and Reporting**

Risk Monitoring is the process of tracking and evaluating the performance and status of RM activities. The implementation of RM Strategies and Action Plans are monitored on a continuous basis to ensure that Strategies and Action Plans are adequate in addressing risks and capability gaps and to determine if there is a need to come up with additional RM strategies to resolve residual risks.

In the course of RM monitoring, the risk reporting process is designed, re-designed, modified or enhanced to ensure that it captures the priority enterprise-wide risks in all Units inclusive of the LBP Subsidiaries. These reports will supplement existing silo reporting being done for Credit, Market, Treasury and Operations Risks.

LBP Subsidiary's Senior Management may see the need for new risk reports to be generated in light of growing business concerns or changes in economic, industry and regulatory environments.

**a. Purpose of Risk Monitoring**

Risk monitoring shall be done to determine the following:

- RM strategies or responses crafted have been implemented as planned
- Risk action plans are effective in addressing the risks or if new responses should be developed
- Risk exposure of LBP Subsidiary has changed from its prior state and whether risk priorities should be updated
- New risks have occurred that were not previously identified or residual risks are still existing and require new responses
- Business assumptions are still valid and if there is a need to revisit and revise the RMP

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## b. Risk Monitoring Reports, template and RM Tool

## 1) Risk Monitoring Reports

The following LBP Subsidiary reports are submitted to ERMO for presentation to the LBP's Senior Management, RISKCOM and BOD for monitoring purposes:

- List of Subsidiary Board of Directors and Officers
- Results of the Annual Risk and Control Self-Assessment (RCSA) of all LBP Subsidiaries
- Quarterly Monitoring Report on Actual Losses versus Projected Losses under the Internal Capital Adequacy Assessment Process (ICAAP) document
- LBP Subsidiaries' Quarterly Financial Highlights
- Status of the RM Action Plans

These reports containing qualitative and quantitative assessment of exposures, quality and appropriateness of corrective or mitigating actions, have significant use in the decision-making process of LBP Subsidiary Senior Management, RISKCOM and BOD.

## 2) Risk Monitoring Template

LBP Subsidiaries shall utilize the RM Action Plan Monitoring template to effectively monitor actual accomplishments of identified responsible unit. Please see **Template 4 - RM Action Plan Monitoring Template**

## 3) Operational Risk Report through Risk Event Monitoring

To further strengthen the Bank's RM Oversight on its Subsidiaries, the Risk Event Monitoring (REM) report template being used by the Bank is customized for the LBP Subsidiaries to include the following components:

- Critical activities in the RCSA
- Risk incidents related to the operations of the LBP Subsidiary which falls under Basel II Risk Event Types for Operations Risk as follows: **(Template 5 - REM templates)**

The accomplishment and submission of this REM report to ERMO will be cascaded and implemented as part of the RMP for LBP Subsidiaries. The following will be the elements under the REM report:

- Business Disruption & Systems Failures (BDSF), e.g., hardware and software failures, telecommunication problems, and utility outages;
- Clients, Products & Business Practice (CPBP), e.g., fiduciary breaches, misuse of confidential customer information, improper trading activities, money laundering, and sale of unauthorized products;
- Damage to Physical Assets (DPA), e.g., terrorism, vandalism, earthquakes, fires and floods;

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- Employment Practices & Workplace Safety (EPWS), e.g., workers compensation claims, violation of health and safety rules, organized labor activities, discrimination claims, and general liability;
- Execution Delivery & Process Management (EDPM), e.g., data entry errors, collateral management failures, incomplete legal documentation, unapproved access given to client accounts, non-client counterparty mis-performance, and vendor disputes;
- External Fraud (EF), e.g., robbery, forgery, and damage from computer hacking; and
- Internal Fraud (IF), e.g., intentional misreporting of positions, employee theft, and insider trading on an employee's own account;

REM reports should be forwarded to ERMO-LBP not later than five (5) working days from date of occurrence/knowledge of risk event.

Attached as **ANNEX D** is the guide in accomplishing the REM report.

#### 4) Risk Loss Event Database

The REM reports will be recorded by ERMO to develop a risk loss event database.

Apart from capturing events that result to actual loss, ERMO shall record potential loss or near-misses. Potential loss is an initial estimate of the loss that the BU may have sustained at the time of discovery of the risk event. Near miss is an adverse operational risk event which was not prevented by internal controls but did not result in an actual adverse impact (financial or reputation) due to chance, recovery or other external factors.

This database of risk loss events provides basis for analysis which can aid direct corrective action to improve the risk control environment, as well as determine risk mitigating actions. The risk loss event database shall at a minimum disclose the following:

- Short description of the event;
- Loss event type category;
- Subsidiary/Department/Unit sustaining the loss;
- Business line classification;
- Date of occurrence;
- Date of discovery;
- Date of booking of actual losses;
- Actual loss amount or potential loss amount, if a near-miss event;
- Amount recovered and date of recovery;
- Causes of the risk event (e.g. control weaknesses identified);
- Consequence of the loss event (e.g. market loss, fees paid to a counterparty, a lawsuit or damage to the BSFI's reputation); and
- Action/s taken.

Please refer to **Template 6 - REM Loss Database** for the template on recording historical losses of LBP Subsidiaries operations which may be

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internally utilized by the Subsidiaries in implementing respective Operational Risk Management policies.

5) Compliance Risk Report

Information on non-compliance and/or financial losses incurred by the LBP Subsidiaries due to penalties for non-compliance to regulations by its respective governing regulatory bodies will also be reported to the SROC and RISKCOM. For this purpose, the concerned LBP Subsidiary shall submit to ERMO, a quarterly report using the Compliance Risk template. (**Annex E**)

6) Implementation of the Data Privacy Act (DPA) of 2012

ERMO will ensure that the LBP Subsidiaries will have an established guidelines and policies to ensure privacy and protection of personal and sensitive personal information of the data subject provided to or gathered by the LBP Subsidiaries as well as incident management in case of data breach.

For this purpose, a Data Protection Officer (DPO) and a Compliance Officer for Privacy (COP) shall be assigned in each of the LBP Subsidiaries. They shall be responsible for establishing internal policies and overseeing implementation of the following activities by all Business Units of LBP Subsidiaries:

- Collection and Processing of Personal Data
- Storage of and Access to Personal Data
- Retention and Disposal of Personal Data
- Data Sharing
- Security Measures
- Personal Data Breach Management
- Inquiries and Complaints

ERMO shall coordinate with the LBP DPO and Information Security and Technology Risk Management Office (ISTRMO) for the conduct of learning sessions and meetings with all officers and staff of the LBP Subsidiaries to ensure that these provisions are well established, understood and clearly communicated.

In addition, any data breach or violation of the LBP Subsidiaries' DPA policies shall be immediately reported to the LBP SROC and submitted to ERMO using the DPA monitoring template and same shall be escalated to the Bank's RISKCOM as part of its RM oversight to LBP Subsidiaries.

7) Establishment of internal guidelines in compliance with EO No. 02, series of 2016 "Freedom of Information" (FOI).

All LBP Subsidiaries are required to establish and implement their respective internal policies on FOI in compliance with EO No. 02 (Operationalizing in the Executive Branch the People's Constitutional Right to Information and the State Policies to Full Public Disclosure and Transparency in the Public Service.) The internal policies shall include standard procedures that cover the following:



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- Receipt of Request for Information
- Initial Evaluation of the requested information
- Transmittal of Requests by the FOI Receiving Officer (FRO) to the Unit or Service concerned
- Role of the FOI Decision Maker (FDM)
- Role of the FRO to transmit the information to the requesting party
- Notice to the Requesting Party of Extension of Time
- Approval or Denial of Request
- Other pertinent matters

As part of ERMO's risk monitoring and reporting, all LBP Subsidiaries are also required to submit a copy of their respective approved internal guidelines on FOI and to communicate any issues or concerns regarding the implementation of these policies to ERMO. Any material issue regarding FOI shall be reported to RISKCOM for notation.

**5. Continuously Improve the RM Process**

ERM is a continuing process and as one cycle is completed, process improvement opportunities may surface. The general direction is to conduct the RSA in order to revisit the risk universe and examine the relevance of risks in relation with the current situation. Then the LBP Subsidiary may proceed with the succeeding ERM process steps as discussed above.

However, methodologies used in conducting the major activities may be enhanced to consider the challenges in ensuring the presence and participation of senior management in important workshops. Organizational changes may likewise influence the manner of ERM conduct especially if new officers and newly appointed members of the Board of Directors are to be involved in the process. Process adjustment will prove beneficial if it will reduce slack periods brought about by such situations.

Lastly, effective and efficient ERM best practices are properly documented for ease of replication.

**G. Promoting Risk Management Awareness in LBP Subsidiaries****a. Conduct of Walkthrough on RM Tools**

ERMO organizes and facilitates the preparation and annual conduct of "*Walkthrough on RM Tools*" to facilitate their preparation and submission of these tools by the LBP Subsidiaries. These RM tools are submitted by the LBP Subsidiaries to ERMO to properly identify and assess Operations Risks. Further, LBP Subsidiaries shall follow LBP's implementing guidelines in the accomplishment and submission of these RM Tools wherein the review/validation of the duly signed and accomplished templates will be reviewed by the RMG Department/Office/s concerned.

These RM tools shall also be used by the LBP Subsidiaries in identifying and quantifying estimated losses under the LBP ICAAP – Risk Assessment Map (RAM) for Subsidiaries Risk.



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The RM tools required from the LBP Subsidiaries are as follows:

<b>Risk Management (RM) Tool</b>	<b>Definition</b>	<b>Purpose</b>
<p>a. Risk and Control Self-Assessment (RCSA)</p> <p>Note: Guide in accomplishing the RCSA is embedded in the RCSA template</p>	<p>An RM tool used to identify and measure risks as well as analyze and assess controls in addressing Subsidiary Risk. RCSA measures the inherent loss (gross loss) and residual loss (potential loss after applying the controls in place).</p> <p>With objective and accurate self-assessment, RCSA shows prospective risk profile of risks relevant to LBP Subsidiaries and the corresponding control or measures to be undertaken by the Bank and Management of LBP Subsidiaries to avoid, preclude, and reduce said risks.</p> <p>RCSA serves as the dashboard for Subsidiary Heads to determine which high risk areas require immediate attention and close monitoring.</p>	<p>To identify and measure risks as well as analyze and assess controls in addressing the risk.</p>
<p>b. Business Unit Compliance Action Plan (BUCAP)</p>	<p>A template being used as reference for the plans/actions to be taken by Bank's Business Units and its LBP Subsidiaries to comply with the regulatory requirements.</p>	<p>To ensure adherence in implementing the requirements of new regulations.</p>
<p>c. Information Security Risk Assessment Register (RAR) and Risk Treatment Register (RTR)</p> <p>Note: Guide in accomplishing the RTR is embedded in the RAR and RTR template</p>	<p>RAR is a qualitative and quantitative self-assessment tool used in identifying, quantifying and estimating the magnitude of risks associated with information security assets of the Bank and its LBP Subsidiaries.</p> <p>RTR is a list of pre-defined mitigating controls implemented by the Bank's BUs in the Head Office (HO), Field Units (FUs) and its subsidiaries to protect information security assets from unauthorized access, use, disclosure, disruption, modification or destruction in order to maintain the confidentiality, integrity and availability of said assets.</p>	<p>To determine an acceptable level of risk and selecting appropriate controls on information security assets.</p>



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Risk Management (RM) Tool	Definition	Purpose
d. Business Impact Analysis (BIA)	The process of identifying and measuring (quantitatively and qualitatively) the business impact or loss of business processes in the event of a disruption. It is a self-risk assessment tool to identify recovery priorities, recovery resource requirements, interdependencies between functions and skeletal work force to be incorporated in the Business Continuity Plan (BCP).	To assess criticality of bank functions, sufficiency of resources needed and identify appropriate recovery strategies to support continuous delivery of the Bank's key products and services in the event of a disruption.
e. Business Continuity Risk Assessment (BCRA)	BCRA is an integral part of the BCM Process. It is a form of a self-assessment tool in risk identification highly recommended and mandated under BSP Circular 900. It is a forward-looking process involving the identification and assessment of potential threats that could severely interrupt the Bank's business activities and the corresponding likelihood and magnitude of impact on all banking functions and processes.	The BCRA aims to achieve the following: <ul style="list-style-type: none"> <li>• To identify threats that could cause disruption to business operation and assess the probability and impact of these threats;</li> <li>• To prioritize threats based on severity and likelihood of occurrence;</li> <li>• To review the existing emergency preparedness and business continuity measures and identify additional business continuity measures or action plans that could be put in place to mitigate or reduce the potential risks.</li> </ul>
f. Business Continuity Plan (BCP)	BCP is a documented plan detailing the orderly and expeditious process of recovery, resumption and restoration of business functions in the event of disruptions.	To establish appropriate procedures to plan for and respond to potential or actual crisis situations.
g. Risk Event Monitoring (REM)	REM Report is a Risk Management tool used by BUs (Field Units and Head Office Units) in reporting the operational risk events categorized per Basel II Seven Risk Event such as:	To capture internal data loss to assess the Bank's operational risk exposure and effectiveness of internal controls.



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

Risk Management (RM) Tool	Definition	Purpose
	1) Internal Fraud 2) External Fraud 3) Employment, Practices and Workplace Safety 4) Clients, Products and Business Practice 5) Damage to Physical Assets 6) Business Disruption and Systems Failures 7) Execution, Delivery and Process Management	To expand the operational loss database as a reliable source of validation reference for the operational Risk Management tools of the Bank.

**b. RM Training for the LBP Subsidiaries**

As directed by the LBP Audit and Compliance Committee (ACCOM), LBP Subsidiaries shall provide a training intervention for Business Units which will be rated as “Unsatisfactory” under the annual LBP IAG audit. The training design to be implemented for this purpose should aim to specifically address the observations and recommendations of the LBP IAG Audit Team.

In addition, LBP RMG Departments and Offices will prepare a training plan on Risk Management which may likewise be conducted in case the audit findings/observation is linked with RM related issues and concerns. The following topics will be discussed by the Heads of RMG Departments/Offices with specialized RM competencies:

Topic	Resource Speaker
1. Operations Risk Management	Head, Business Risk Management Department (BRMD)
2. Business Continuity Management for LBP Subsidiaries	Risk Management Specialist, BRMD
3. Treasury Risk Management	Head, Treasury Risk Management Department
4. Credit Risk Management	Head, Credit Risk Management Department
5. IT/InfoSec Risk Management	Head, Information Security and Technology Risk Management Office (ISTRMO)
6. Enterprise Risk Management	Head, Enterprise Risk Management Office
7. Data Privacy Act	Chief Risk Officer/Head, Risk Management Group Or
8. Freedom of Information	Head, ISTRMO Or LBP’s Data Protection Officer

**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

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The training design/plan to be prepared by the LBP Subsidiaries and the LBP Risk Management Group units and its possible future amendments/enhancements shall be duly approved by the SROC and LBP RISKCOM respectively.

**C. Risk Management Culture Development**

To enable the risk culture to be embedded in the LBP Subsidiaries, the following activities shall be undertaken by the LBP Subsidiaries to be coordinated by the RM focal persons and ERMO:

1. Risk Education through conduct of training is the most effective way to facilitate risk culture development in LBP Subsidiaries. LBP Subsidiaries shall be encouraged to attend RM related Trainings and Seminars being attended by LBP employees under the Risk Management Group as well as external trainings to further enhance the RM skills and competencies of their respective personnel.
2. The conduct of regular internal risk forum is also an effective approach in inculcating a strong RM culture in the LBP Subsidiaries. The risk forum is an echo training where an officer or staff who attended an external or internal training cascades the relevant information or learning gained to the other officers and staff of the LBP Subsidiaries. Resource speakers may also be regularly invited to discuss RM related topics of interest during the risk forum.
3. A Risk Bulletin may be used to promote RM culture. The bulletin may include RM initiatives and RM milestones of the LBP Subsidiaries. The LBP Subsidiary may also subscribe to RM-related websites for a fee such as Bloomberg and Reuters, among others, as it can provide them with access to risk journals that would serve as valuable reference in monitoring emerging risks to strengthen the RM culture in the LBP Subsidiaries.
4. Risk reporting is the most important medium to be an avenue of Risk Management awareness of the LBP Subsidiaries. Attached as **ANNEX F** is a matrix showing all risk reports to be submitted by the LBP Subsidiaries to ERMO on an annual basis, as well as all other documents required for submission whenever needed.

**d. Conduct of meetings with LBP Subsidiaries**

As part of RM oversight to LBP Subsidiaries, ERMO will conduct regular meetings with the LBP Subsidiaries to discuss compliance with current regulatory requirements, amendment of provisions under the RMP for LBP Subsidiaries and any issues or concerns related to its implementation.

These meetings will be attended by the LBP Subsidiaries' RM focal persons and other resource persons from LBP BUs as needed.



**H. RELATED PARTY TRANSACTIONS (RPT) OF LBP SUBSIDIARIES**

In compliance with AO No. 029, series of 2018, LANDBANK is required to exercise appropriate oversight and implement effective control systems for managing RPT exposures of the LBP Subsidiaries that may potentially lead to abuses that are disadvantageous to the Bank and its depositors, creditors, fiduciary clients and other stakeholders.

In line with this, LANDBANK created the RPT Committee composed of three LBP Directors who will vet the Bank’s RPT transactions to ensure that all these transactions are done in a regular manner and at an arm’s length basis.

As part of the Bank’s RM oversight to the LBP Subsidiaries, ERMO shall ensure the quantification of potential losses which may be incurred by the Bank’s LBP Subsidiaries arising from RPTs that are not engaged on an arm’s length basis. This quantification shall be articulated and continuously updated in the annual LBP ICAAP document.

Lastly, the RPT reports from the LBP Subsidiaries must be submitted to CorSec. Necessary information on the covered Related Parties (RP’s) must be submitted to SPG for updating of the RP database. Any personal information on RPs and Close Family Members (CFMs)[data subject] shall not be disclosed to any third party without authorization or consent from the RP or data subject in compliance with the Data Privacy Act (DPA) of 2012.

**I. ERM JOURNEY FOR LBP SUBSIDIARIES**

The table below presents the five stages to complete the ERM process steps for the LBP Subsidiary.

<b>ERM Process</b>	<b>ERM deliverables</b>
<b>Step 1:</b> Establish RM Goals & Objectives, Risk Appetite, and Common Risk Language	<ul style="list-style-type: none"> <li>• Alignment of RM policies and activities of LBP Subsidiaries with the Bank’s RM Framework and oversight structures in compliance with existing external regulations</li> <li>• Risk Universe and Risk Dictionary</li> <li>• Risk Awareness Workshops/ Training sessions</li> <li>• Risk Appetite Statement</li> </ul>
<b>Step 2:</b> Assess Business Risks	<ul style="list-style-type: none"> <li>• Risk Self-Assessment (RSA)</li> <li>• Risk Driver Analysis Maps</li> <li>• Primary and Secondary Risk Owners</li> <li>• Key Risk Indicators (KRIs)</li> </ul>
<b>Step 3:</b> Develop RM Strategies and Action Plans	<ul style="list-style-type: none"> <li>• RM Strategies and Action Plans</li> </ul>
<b>Step 4:</b> Assess Capabilities to Implement RM Strategies	<ul style="list-style-type: none"> <li>• RM Action Plans to resolve gaps on the LBP Subsidiary’s current capabilities to effectively implement RM Strategies formulated</li> </ul>

**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

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<b>ERM Process</b>	<b>ERM deliverables</b>
<b>Step 5:</b> Implement RM Strategy	<ul style="list-style-type: none"><li>• Monitoring of RM Strategies Implementation</li></ul>
<b>Step 6:</b> Monitor RM Process	<ul style="list-style-type: none"><li>• Risk Monitoring Reports</li></ul>
<b>Step 7:</b> Continuously improve the RM process	<ul style="list-style-type: none"><li>• Revisit risks per current situation</li><li>• Documentation of ERM process</li></ul>



Annex A

LANDBANK's Risk Universe

Credit

Credit Risk Management:

- Counterparty Credit Risk: Investments<sup>13</sup>
- Counterparty Credit Risk: Loans<sup>13</sup>
  - Country Risk<sup>13</sup>
  - Custody Risk<sup>13</sup>
  - Issuer Risk<sup>13</sup>
  - Sovereign Risk<sup>13</sup>
  - Transfer Risk<sup>13</sup>
- Credit Concentration Risk<sup>13</sup>
- Contagion Risk<sup>13</sup>
- Prepayment Risk

Compliance

Compliance Risk Management:

- Compliance Risk<sup>13</sup>

Code of Conduct:

- Ethics Risk

Legal Risk Management:

- Contract Risk
- Legal Risk<sup>13</sup>

Regulatory:

- Anti-Money Laundering Risk
- Banking Regulations Risk

Interest Rate

Market Risk Management:

- Interest Rate Risk<sup>13</sup>
  - Basis Risk<sup>13</sup>
  - Model Risk<sup>13</sup>
  - Options Risk<sup>13</sup>
  - Re-pricing Risk<sup>13</sup>
  - Yield Curve Risk<sup>13</sup>

Liquidity

Capital Reserve:

- Capital Reserve Risk
- Lending Capacity Risk
- Leverage Risk

Liquidity Risk Management:

- Insurance Risk
- Liquidity Risk<sup>13</sup>

Market

Market Risk Management:

- Foreign Currency Risk
- Market Risk<sup>13</sup>

Operational

Accounting and Reporting:

- Accounting, Reporting and Disclosure Risk
- Internal Control Risk

Business Interruption:

- Business Continuity Planning Risk
- Event Risk<sup>13</sup>

Code of Conduct:

- External Fraud Risk
- Internal Fraud Risk

Communications & Investor Relations:

- Employee Communication Risk

Comprehensive Agrarian Reform Program (CARP):

- CARP Collections Risk
- CARP Funding Risk
- CARP Legal Implications Risk

Information Technology:

- Cyber Security Risk<sup>12</sup>
- Data Privacy Risk<sup>13</sup>
- Information Security Risk<sup>13</sup>
- IT Availability/Continuity Risk<sup>13</sup>
- IT Confidentiality Risk<sup>13</sup>
- IT Integrity Risk<sup>13</sup>
- IT Management Risk<sup>13</sup>
- Technology Implementation Risk<sup>13</sup>

Legend:

<sup>11</sup> Risks Taken from the context of Merger and acquisitions

<sup>12</sup> Emerging risks

<sup>13</sup> Risks under LBP ICAAP





## LANDBANK's Risk Universe

### Operational

**People:**

- Adequacy of Manpower Complement Risk<sup>13</sup>
- Culture Risk
- Disciplinary Actions Risk<sup>13</sup>
- Performance Management Risk<sup>13</sup>
- Recruitment and Selection Risk<sup>13</sup>
- Remuneration and Compensation<sup>13</sup>
- Separation from Service Risk<sup>13</sup>
- Succession Planning Risk
- Training and Development Risk<sup>13</sup>

**Product Delivery:**

- Process Risk<sup>13</sup>
- Product Delivery and Support Risk

**Product Development:**

- Product Creation Risk
- Product Pricing Risk

**Sales & Marketing:**

- Client Relationship Management Risk
- Marketing Risk
- Sales (Business Growth) Risk

**Subsidiary Operations:**

- Subsidiaries Risk<sup>13</sup>

**Trust Operations:**

- Trust Operations Risk<sup>13</sup>

### Reputation

**Communication & Investor Relations:**

- Crisis Communication Risk
- Customer Suitability / Protection Risk<sup>12</sup>
- Reputation Risk<sup>13</sup>

### Strategic

**Governance:**

- Board Performance Risk
- Communication Management Risk<sup>12</sup>
- Tone at the Top Risk

*Legend:*

<sup>11</sup> Risks Taken from the context of Merger and acquisitions

<sup>12</sup> Emerging risks

### Strategic

**Major Initiatives:**

- Measuring and Monitoring of Major Initiatives Risk
- Planning and Execution Risk
- Technology Identification Risk
- Vision and Direction Risk

**Market Dynamics:**

- Competition Risk
- Socio-Political Risk

**Planning and Resource Allocation:**

- Forecasting Risk
- Organizational Structure Risk
- Outsourcing Arrangements Risk
- Strategic Planning Risk

**Strategic Risk Management:**

- Strategic Risk<sup>13</sup>

**Mergers, Acquisition & Divestiture<sup>11</sup>:**

- Asset Quality and Valuation Risk<sup>11</sup>
- Capital Reserve Risk<sup>11</sup>
- People Risk<sup>11</sup>
- Socio-Political Risk<sup>11</sup>
- Technology Identification and Implementation Risk<sup>11</sup>
- Tone at the Top Risk<sup>11</sup>
- Vision and Direction Risk<sup>11</sup>

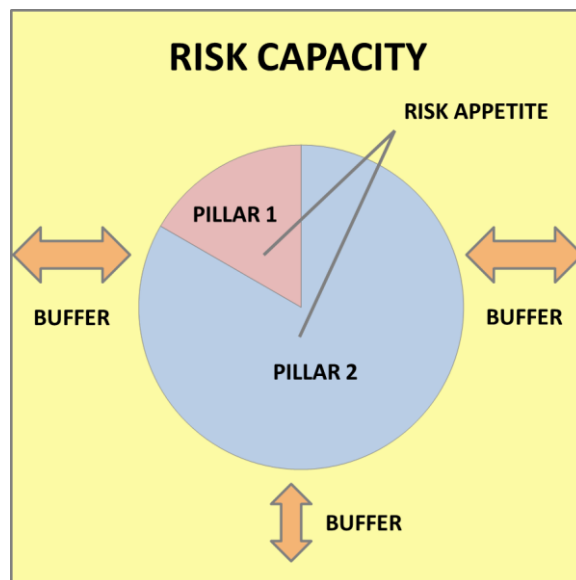


Annex B

### Risk Appetite Statement and Operating Principles

Risk appetite limit per risk is the maximum amount of loss the Bank is willing to accept and absorb in pursuit of its strategic objectives. It is set by the Board upon recommendation of Management. In establishing risk appetite limit, LANDBANK considers its capital base, liquidity stature, borrowing capacity, regulatory limits/restrictions, economic environment and effectiveness of risk management and existing controls.

As a general rule, LANDBANK Risk Appetite shall not exceed its risk capacity,



Risk appetite for estimated loss for each Pillar 2 risks and sub-risks of operational risk shall not exceed ₱77 Million.

A separate risk appetite limit for Credit Risk and Market Risk (Pillar 1), as well as Liquidity Risk, Interest Rate Risk and Counterparty (Pillar 2), shall be established considering the significant volume of the transactions of the lending and treasury operations. The bases or assumptions of the risk appetite limits for these risks shall be articulated in detail in the respective RAM.

#### General Risk Appetite Statement

LANDBANK will operate and take calculated risks consistent with its vision to be the top universal bank that promotes inclusive growth and improves the quality of life in the countryside. It remains cognizant of the inherent risks in fulfilling its corporate objectives of pursuing its social mandate, sustaining financial viability and enhancing customer service, in particular.



## **Risk Appetite Statement and Operating Principles**

### Operating Principle:

The Bank shall continue to operate within its area of core competencies while pursuing a balance among its three business goals: Pursuit of Mandate, Institutional Viability and Customer Service.

### Implementing Strategies:

1. The Bank shall continue to take calculated risks to effectively serve its stakeholders, taking into consideration its overall sustainability.

The Bank's internal limits shall serve as the management alerts for action.

2. The Bank shall continue to vigorously preserve real capital to sustain pursuit of social mandate and service to mandated clients. Alongside this effort, it will maintain an acceptable Annual Return on Equity (ROE) – at least at the average ROE of the commercial banking industry – and target a cost of equity capital comparable with the industry average.
3. The Bank shall provide appropriate products and services where it possesses expertise and capability to facilitate effective and proactive risk management. When expertise and capability are not yet present, the Bank shall pursue strategic alliances and linkages, acquire talent, as well as explore outsourcing.
4. The Bank shall continue to support programs consistent with the national development goals under the Philippine Development Plan.
5. The Bank shall attract, employ, develop and nurture talents that will exemplify the highest standard of ethics and excellence consistent with the best in the world, and competitively compensate such talents.
6. The Bank shall leverage on best technology solutions to deliver responsive financial and support services to its clients while promoting sustainable development, and environment protection.

### **Risk Appetite Statement for Pillar 2 Risks**

Risk appetite is the amount of loss that the Bank is willing to accept and absorb. The Bank's risk appetite limit is a function of CET 1 ratio. The Bank uses CET 1 ratio as the basis of its risk appetite because it is the major and key measurement of the Bank's ability to survive and continue its operations. The Bank is willing to take losses arising from Pillar 2 risks not exceeding ₱77 Million (i.e. an amount with an impact of at least 0.10% reduction in the CET 1 ratio).

**Annex C****Risk Drivers in LBP Subsidiaries**

Risk drivers are the underlying causal factors that “drive” the risk to happen. Below are the risk scenarios for the three (3) non-financial allied LBP Subsidiaries including the newly acquired OFB which were duly revised under the updated RMP for LBP Subsidiaries:

1. *Development of Plans and Programs*

Inability of LBP subsidiaries to align plans and programs with identified directions or thrusts of the Bank <sup>[LBP]</sup>

2. *Implementation of Plans and Programs*

Inability of the Bank and LBP Subsidiaries to monitor performance and to act on issues that arise during operations on a timely manner.

3. *Performance Measurement*

Inability of the Bank and its subsidiaries to use appropriate metrics such as but not limited to Strategic Performance Management System (SPMS).

4. *Adherence to Policies*

Inability of LBP Subsidiaries to respond to or comply with existing and future requirements of the Bank and Regulatory Agencies particularly in the area of RM.

5. *Socio Political Milieu & Institutional Relationship*

This refers to the inability of non-financial allied LBP Subsidiaries to support and sustain business relationships with the Bank.

6. *Weak Monitoring of Borrowers*

This refers to inability of OFB to monitor its borrowers' financial condition.

7. *Deviations from Credit Standards*

This refers to deviations from approved internal/credit guidelines and policies.

8. *Succession Planning*

Inadequacy of a pool of qualified or ready candidates within the organization and weakness in recruiting external applicants may constrain the ability of LBP to fill up key officer positions in a timely manner.



## **Risk Drivers in LBP Subsidiaries**

9. *Separation from Service*

Weak or ineffective off-boarding procedure may result in improper turnover of responsibilities and accountabilities. This will impact on business operations and customer service.

10. *Disciplinary Actions*

a. Unclear policies and procedures, ignorance of legal and ethical obligations, and/or substandard accountability systems may lead to failure in upholding integrity, prescribed ethical standards, and appropriate workplace behavior.

b. Lack or inadequacy of appropriate disciplinary procedures may result in unfair investigation and/or unjust implementation of decisions or imposition of sanctions and penalties.

11. Failure to (a) identify promptly and correctly the regulatory issuances/requirements, (b) disseminate to the concerned units, and (c) coordinate the appropriate action.

12. Failure to identify, document and assess the Compliance Risk associated with the Bank's business activities/units/subsidiaries including products and services.



**Annex D**

**Guide in accomplishing the  
Risk Event Monitoring (REM) Report**

Basel Seven Risk Type	Specify type of risk according to Basel II Operational Risk/Loss Classification
Risk Impact Assessment	The impact to the Bank, whether directly or indirectly, and the level of impact as High, Medium or Low based on the Unit's assessment
Relevant Information	<p>Brief detail of the incident and other relevant information such as date of occurrence, actual or estimated amount of losses incurred, and extent of damage, if any</p> <p>Note: Extent of damage may include description of the incident's negative effect on the following:</p> <ul style="list-style-type: none"><li>a. Unit/Bank's physical assets (whether from natural or man-made disaster);</li><li>b. continuity of business operation; and</li><li>c. harmful impact on the Unit/Bank's reputation and relationship with its clients.</li></ul>
Actions Taken by Reporting Unit	Immediate actions/risks measures undertaken by the Unit to immediately address and mitigate the impact of reported risk incident
Lessons Learned, if any	Lesson/s that may have been learned from the risk incident that could benefit the Unit/other Bank units in case of future similar occurrence of such incident. It may likewise serve as basis in making recommendations for future action.
Policy Recommendation	<p>Brief description of suggested policy/ies for approval of appropriate Bank authority/ committee, in case the incident is not yet addressed or partially addressed by existing policies/guidelines</p> <p>Note: BRMD shall be provided with a copy of the official memorandum recommending new policy to appropriate approving authority, for monitoring purposes.</p>



**Compliance Risk Monitoring & Reporting Template**

Name of Subsidiary: \_\_\_\_\_

Regulatory Body	Regular Requirements/ Reports Submitted	Frequency of Submission	Penalties Incurred due to Non-Compliance		Remarks
			Policy/Report Requirements	Amount of Penalty	
(Please check ( ✓ ) the right most column as applicable)	(e.g., Audited Financial Statement, Liquidity Coverage Ratio Report, Income Tax Returns, Financial Reporting Package, Issued Certificate of Authority/Insurance Broker License, among others)	(e.g., Daily, Monthly, Quarterly, Semi-annually, Annually or As Needed)		(May be in the form of monetary and non-monetary penalties)  *Penalties incurred in the last 6 months/last 2 quarters of 2018	(Please indicate remarks, if any)
BSP					
COA					
GCG					
SEC					
IC					



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

**CLASS D**

	BIR					
	DOLE					
	SSS					
	NPC					
	Others: <u>Please Specify</u>					

Prepared by:

Noted by:

**Name of RM Focal Person**

Designation

**Name of Immediate Supervisor**

Designation



**Annex F****List of Risk Reports and other  
RM related documentary requirements**

The following are the list of reports, documents, RM tools to be submitted by the LBP Subsidiaries on a regular basis which will be monitored by ERMO and reported to appropriate committees for notation/approval:

<b>Document/Report/Risk Management Tool</b>	<b>LBP Unit responsible in monitoring the submission</b>
<b>Internal Capital Adequacy Assessment Process (ICAAP)</b>	
Quarterly Report on Actual Losses versus Projected Losses based on the 2018 (RAM) for Subsidiaries Risk	ERMO
Financial Profile of LBP Subsidiaries	ERMO
Updated List of Board of Directors and key officers	ERMO
Updated Strategic Objective and Mission & Vision Statement	ERMO
Risk Scenarios in the ICAAP Document and its corresponding quantifications	ERMO
<b>RM Tools</b>	
Risk Self-Assessment (RSA) Questionnaire	ERMO
Risk Control Self-Assessment (RCSA)	ERMO & BRMD
Business Impact Analysis (BIA)	ERMO & BRMD
Business Continuity Risk Assessment (BCRA)	ERMO & BRMD
Business Continuity Plan (BCP)	ERMO & BRMD
Risk Event Monitoring (REM) Report	ERMO & BRMD
Information Security Risk Assessment Register and Risk Treatment Register (RAR & RTR)	ERMO & ISTRMO
Compliance Risk Monitoring Report	ERMO
<b>Other Reportorial Requirements</b>	
Monthly Past Due Report of LBP Leasing and Finance Corporation (LLFC)	ERMO
Related Party Transactions	ERMO



**Enterprise Risk Management Templates**

**Template 1**

**Key Risk Indicator Template**

<b>Identified Critical Risk</b>			
<b>Key Risk Driver</b>	<b>Key Risk Indicator</b>	<b>Scenarios</b>	<b>Impact</b>
<b>Guide: Choose from the critical risk driver. This driver usually has the greatest impact on the risk.</b>	<b>Guide: Key risk indicators are measurable parameters that should be forward-looking and help predict the occurrence of loss events</b>	<b>Guide: The scenario here should illustrate the event of the risk happening. This can be a real life or hypothetical scenario</b>	<b>Guide: Enumerate here the impact on the operations, financials, reputation and other variables</b>



**RM Strategy Formulation Template**

<b>Identified Critical Risk</b>	<b>Risk management options</b>
<b>Guide: Input critical risk and include the risk definition</b>	
<b>RISK DRIVER</b>	<b>CURRENT RISK MANAGEMENT STRATEGIES</b>
<b>Guide: Input identified risk driver and include its description</b>	<b>Guide: Input current mitigation strategies, initiatives, programs, plans, and other activities being done to manage the risk.</b>
	<b>OPPORTUNITIES FOR IMPROVEMENT</b>
	<b>Guide: Assess the effectiveness of the current mitigation strategies, and input opportunities for improvement. Answer the question, what needs to be improved on the current mitigation strategies?</b>

**Risk Management Action Planning Template**

<b>RISK DRIVER</b>	Input risk driver here			
<b>ACTION PLANS</b>	<b>RESPONSIBLE UNIT</b>	<b>TIME FRAME</b>	<b>RESOURCES REQUIRED</b>	<b>KEY RESULT AREAS</b>
Guide: What are the specific action steps to implement the above strategies?	Guide: Who will be primarily responsible for this action plan? Indicate the position or designation of the person responsible.	Guide: When should the action plan be performed and/or how often? When is the deadline for implementation?	Guide: What are the resources required to implement these action plans?	Guide: How do you measure or track the implementation of these action plans?



**Risk Management Action Plan Monitoring Template**

<b>RISK DRIVER</b>	<b>ACTION PLANS</b>	<b>RESPONSIBLE UNIT</b>	<b>TIME FRAME</b>	<b>KEY RESULT AREAS</b>	<b>ACCOMPLISHMENTS</b>
Guide: Input the identified critical risk driver	Guide: Input the specific action steps to implement the strategies	Guide: Primary unit responsible for the action plan, showing designation.	Guide: Input the specific date or deadline to implement the RM Action Plan	Guide: Expected output from the RM Action Plan	Guide: Actual output of responsible unit with the implementation of the RM Action Plan



Risk Event Monitoring Template

1. LBP Resources and Development Corporation



LBP SUBSIDIARIES RISK EVENT MONITORING (REM) REPORT

<b>Reporting Subsidiary:</b>	LBRDC	<b>Date Reported:</b>	
<b>Subject:</b>		<b>Date of Knowledge:</b>	

To Be Filled-Up by Reporting Unit

<b>BASEL SEVEN RISK TYPE:</b>	<input type="checkbox"/> Business Disruption & Systems Failures (BDSF) <input type="checkbox"/> Execution, Delivery & Process Management (EDPM) <input type="checkbox"/> Clients, Products & Business Practice (CPBP) <input type="checkbox"/> External Fraud (EF) <input type="checkbox"/> Damage to Physical Assets (DPA) <input type="checkbox"/> Internal Fraud (IF) <input type="checkbox"/> Employment Practices and Workplace Safety (EPWS)
<b>RCSA SUB-PROCESSES AND ACTIVITIES</b>	<input type="checkbox"/> Construction and Renovation Services <input type="checkbox"/> Property Management & Maintenance Services <ul style="list-style-type: none"> <li><input type="checkbox"/> Brokering Services</li> <li><input type="checkbox"/> Housekeeping, Sanitation, Manpower &amp; Maintenance Services</li> <li><input type="checkbox"/> Property Security and Upkeep Services</li> <li><input type="checkbox"/> Marketing</li> </ul> <input type="checkbox"/> Finance & Accounting <ul style="list-style-type: none"> <li><input type="checkbox"/> Cashiering and Liquidation of Cash Advance</li> <li><input type="checkbox"/> Disbursement (Revolving Fund and Cash Disbursement)</li> <li><input type="checkbox"/> Recording of Non-cash transactions</li> <li><input type="checkbox"/> Payroll Processing</li> </ul> <input type="checkbox"/> Administrative <ul style="list-style-type: none"> <li><input type="checkbox"/> Fund Sourcing</li> <li><input type="checkbox"/> Recruitment &amp; Hiring</li> <li><input type="checkbox"/> Procurement</li> </ul>
<b>RISK IMPACT ASSESSMENT:</b>	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low
<b>RELEVANT INFORMATION:</b>	<b>Brief detail of incident</b> (attach complete report, if necessary): <hr/> <hr/> <b>Other relevant information:</b> Date Occurred: _____ Amount involved, if any: _____ Extent of damage, if any: _____ <hr/>
<b>ACTIONS TAKEN:</b>	<hr/> <hr/>
<b>LESSONS LEARNED, IF ANY:</b>	<hr/> <hr/>



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

<b>POLICY RECOMMENDATION:</b>	<b>Risk incident addressed by existing policy/ies?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Partially
	<b>Recommend new policy?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No
	<b>Brief description of recommended policy</b> (specify approving authority): _____
	<b>Note:</b> Provide ERMO a copy of memorandum recommending new policy to appropriate approving authority (to follow)

Certified Correct:

\_\_\_\_\_ Unit Head

For ERMO Use				
OBSERVATIONS	ACTION/S TAKEN			
	Specific Action	ERMO Unit Concerned	Remarks	Sign-Off
	<input type="checkbox"/> Record Incident in Risk/Loss Database			
	<input type="checkbox"/> Others (specify): _____ _____			

Noted by:

\_\_\_\_\_ ERMO Head

cc: Group Head of Reporting Unit



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

**2. LBP Countryside Development Foundation, Inc.**



**LBP SUBSIDIARIES  
RISK EVENT MONITORING (REM) REPORT**

<b>Reporting Subsidiary:</b>	LCDFI	<b>Date Reported:</b>	
<b>Subject:</b>		<b>Date of Knowledge:</b>	

**To Be Filled-Up by Reporting Unit**

<b>BASEL SEVEN RISK TYPE:</b>	<input type="checkbox"/> Business Disruption & Systems Failures (BDSF) <input type="checkbox"/> Execution, Delivery & Process Management (EDPM) <input type="checkbox"/> Clients, Products & Business Practice (CPBP) <input type="checkbox"/> External Fraud (EF) <input type="checkbox"/> Damage to Physical Assets (DPA) <input type="checkbox"/> Internal Fraud (IF) <input type="checkbox"/> Employment Practices and Workplace Safety (EPWS)
<b>RCSA SUB-PROCESSES AND ACTIVITIES</b>	<input type="checkbox"/> Program Development and Special Projects Assistance <input type="checkbox"/> Plans and Programs <input type="checkbox"/> Work and Financial Plan (WFP) per Donor <input type="checkbox"/> Program Implementation  <input type="checkbox"/> Program Implementation <input type="checkbox"/> Enterprise Development Unit (EDU) Module Development <input type="checkbox"/> Resource Person Accreditation (RPA) <input type="checkbox"/> Enterprise Development Program <input type="checkbox"/> Capacity Building Unit (CBU) Module Development <input type="checkbox"/> CBU Accreditation of Resource Speakers (RS) <input type="checkbox"/> CBU Preparation of Training Calendar <input type="checkbox"/> CBU Training Administration  <input type="checkbox"/> Program and Project Assistance Monitoring <input type="checkbox"/> Enterprise Development Program <input type="checkbox"/> Enterprise Development Unit (EDU) Training Assessment Evaluation <input type="checkbox"/> EDU Evaluation of Resource Persons and Local Farm Technicians <input type="checkbox"/> Capacity Building Unit (CBU) Training Assessment Evaluation <input type="checkbox"/> CBU Pool of Resources Speakers (RS) <input type="checkbox"/> CBU Database Management  <input type="checkbox"/> Accounting and Cashiering <input type="checkbox"/> On Maintenance of General Ledger (GL) and Subsidiary Ledgers (SLs) and Preparation of Financial Reports <input type="checkbox"/> On Booking of Transactions <input type="checkbox"/> Chart of Accounts <input type="checkbox"/> On Approval of Transactions  <input type="checkbox"/> Sundries <input type="checkbox"/> Compliance to Bank Regulations, Policies and Guidelines <input type="checkbox"/> Personnel Administration <input type="checkbox"/> Information Security and Confidentiality <input type="checkbox"/> Handling and Management of Specific Activities
<b>RISK IMPACT ASSESSMENT:</b>	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low
<b>RELEVANT INFORMATION:</b>	<b>Brief detail of incident</b> (attach complete report, if necessary):





**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

	<hr/> <hr/> <p><b>Other relevant information:</b></p> Date Occurred: _____ Amount involved, if any: _____ Extent of damage, if any: _____ _____
<b>ACTIONS TAKEN:</b>	<hr/> <hr/>
<b>LESSONS LEARNED, IF ANY:</b>	<hr/> <hr/>
<b>POLICY RECOMMENDATION:</b>	<p><b>Risk incident addressed by existing policy/ies?</b>   <input type="checkbox"/> Yes   <input type="checkbox"/> No   <input type="checkbox"/> Partially</p> <p><b>Recommend new policy?</b>   <input type="checkbox"/> Yes   <input type="checkbox"/> No</p> <p><b>Brief description of recommended policy</b> (specify approving authority):</p> <hr/> <hr/> <p><b>Note:</b> Provide ERMO a copy of memorandum recommending new policy to appropriate approving authority (to follow)</p>

Certified Correct:

\_\_\_\_\_ Unit Head

For ERMO Use				
OBSERVATIONS	ACTION/S TAKEN			
	Specific Action	ERMO Unit Concerned	Remarks	Sign-Off
	<input type="checkbox"/> Record Incident in Risk/Loss Database			
	<input type="checkbox"/> Others (specify): <hr/> <hr/>			

Noted by:

\_\_\_\_\_ ERMO Head

cc: Group Head of Reporting Unit



**3. LBP Insurance Brokerage, Incorporated**



**LBP SUBSIDIARIES  
RISK EVENT MONITORING (REM) REPORT**

<b>Reporting Subsidiary:</b>	<b>LIBI</b>	<b>Date Reported:</b>	
<b>Subject:</b>		<b>Date of Knowledge:</b>	

**To Be Filled-Up by Reporting Unit**

<b>BASEL SEVEN RISK TYPE:</b>	<input type="checkbox"/> Business Disruption & Systems Failures (BDSF) <input type="checkbox"/> Execution, Delivery & Process Management (EDPM) <input type="checkbox"/> Clients, Products & Business Practice (CPBP) <input type="checkbox"/> External Fraud (EF) <input type="checkbox"/> Damage to Physical Assets (DPA) <input type="checkbox"/> Internal Fraud (IF) <input type="checkbox"/> Employment Practices and Workplace Safety (EPWS)
<b>RCSA SUB-PROCESSES AND ACTIVITIES</b>	<input type="checkbox"/> Insurance Brokering <input type="checkbox"/> Identification of new insurance products <input type="checkbox"/> Bidding for Requests of Insurance Quotation and Proposal to LCs and Clients <input type="checkbox"/> Document Processing of Requests for Insurance Coverage/Renewal of Accounts <input type="checkbox"/> Encoding of Statement of Accounts <input type="checkbox"/> Endorsement Processing <input type="checkbox"/> Claims Processing <input type="checkbox"/> Processing of Collections <input type="checkbox"/> Placement and Monitoring of Investment <input type="checkbox"/> Release of Payments to Clients <input type="checkbox"/> Handling of Petty Cash Fund <input type="checkbox"/> Official Receipts Reconciliation, Analysis and monitoring of Creditable Withholding Tax Certificates <input type="checkbox"/> Collections and Reconciliation of Accounts Receivable-Trade <input type="checkbox"/> Monitoring / matching of Accounts Payable-Trade (advance payments) <input type="checkbox"/> Disbursements <input type="checkbox"/> Preparation of various schedules and Financial Reports <input type="checkbox"/> Administrative and Personnel Services <input type="checkbox"/> Information Technology Services <input type="checkbox"/> Compliance Monitoring  <input type="checkbox"/> Sundries <input type="checkbox"/> Formulation of Business Plan & Strategies <input type="checkbox"/> Personnel Administration <input type="checkbox"/> Compliance to Bank Regulations, Policies and Guidelines <input type="checkbox"/> Information Security and Confidentiality <input type="checkbox"/> Handling and Management of Specific Activities
<b>RISK IMPACT ASSESSMENT:</b>	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low
<b>RELEVANT INFORMATION:</b>	<p><b>Brief detail of incident</b> (attach complete report, if necessary):</p> <hr/> <hr/> <p><b>Other relevant information:</b></p> <p>Date Occurred: _____</p> <p>Amount involved, if any: _____</p> <p>Extent of damage, if any: _____</p> <hr/> <hr/>
<b>ACTIONS TAKEN:</b>	<hr/> <hr/>



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

<b>LESSONS LEARNED, IF ANY:</b>	<hr/> <hr/>
<b>POLICY RECOMMENDATION:</b>	<p><b>Risk incident addressed by existing policy/ies?</b>   <input type="checkbox"/> Yes   <input type="checkbox"/> No   <input type="checkbox"/> Partially</p> <p><b>Recommend new policy?</b>   <input type="checkbox"/> Yes   <input type="checkbox"/> No</p> <p><b>Brief description of recommended policy</b> (specify approving authority):</p> <hr/> <hr/> <p><b>Note:</b> Provide ERMO a copy of memorandum recommending new policy to appropriate approving authority (to follow)</p>

Certified Correct:

\_\_\_\_\_

Unit Head

For ERMO Use				
OBSERVATIONS	ACTION/S TAKEN			
	Specific Action	ERMO Unit Concerned	Remarks	Sign-Off
	<input type="checkbox"/> Record Incident in Risk/Loss Database			
	<input type="checkbox"/> Others (specify): <hr/> <hr/>			

Noted by:

\_\_\_\_\_

ERMO Head

cc: Group Head of Reporting Unit



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

**4. LBP Leasing & Finance Corporation**



**LBP SUBSIDIARIES  
RISK EVENT MONITORING (REM) REPORT**

<b>Reporting Subsidiary:</b>	<b>LLFC</b>	<b>Date Reported:</b>	
<b>Subject:</b>		<b>Date of Knowledge:</b>	

**To Be Filled-Up by Reporting Unit**

<b>BASEL SEVEN RISK TYPE:</b>	<input type="checkbox"/> Business Disruption & Systems Failures (BDSF) <input type="checkbox"/> Execution, Delivery & Process Management (EDPM)
	<input type="checkbox"/> Clients, Products & Business Practice (CPBP) <input type="checkbox"/> External Fraud (EF)
	<input type="checkbox"/> Damage to Physical Assets (DPA) <input type="checkbox"/> Internal Fraud (IF)
	<input type="checkbox"/> Employment Practices and Workplace Safety (EPWS)
<b>RCSA SUB-PROCESSES AND ACTIVITIES</b>	<input type="checkbox"/> Lending and Leasing Operations <ul style="list-style-type: none"> <li><input type="checkbox"/> Marketing</li> <li><input type="checkbox"/> Credit Origination, Evaluation and Approval</li> <li><input type="checkbox"/> Credit Investigation and Collateral Appraisal</li> <li><input type="checkbox"/> Documentation, Availment and Disbursement</li> <li><input type="checkbox"/> Account Monitoring and Administration</li> <li><input type="checkbox"/> Remedial Management</li> <li><input type="checkbox"/> ROPA Management</li> </ul> <input type="checkbox"/> Operations Support - Ancillary Services <ul style="list-style-type: none"> <li><input type="checkbox"/> Documentation Review</li> <li><input type="checkbox"/> Monitoring, Billing and Recording</li> <li><input type="checkbox"/> Accounting</li> <li><input type="checkbox"/> Human Resource Management</li> <li><input type="checkbox"/> General Services and Technology Management</li> </ul> <input type="checkbox"/> Operations Support - Other Banking Operations Support <ul style="list-style-type: none"> <li><input type="checkbox"/> Legal Services</li> <li><input type="checkbox"/> Compliance Management</li> <li><input type="checkbox"/> Internal Audit</li> <li><input type="checkbox"/> Strategic Planning</li> </ul> <input type="checkbox"/> Asset and Liability Management <ul style="list-style-type: none"> <li><input type="checkbox"/> Fund Sourcing</li> </ul> <input type="checkbox"/> Sundries <ul style="list-style-type: none"> <li><input type="checkbox"/> Formulation of Business Plan &amp; Strategies</li> <li><input type="checkbox"/> Compliance to Bank Regulations, Policies and Guidelines</li> <li><input type="checkbox"/> Information Security and Confidentiality</li> <li><input type="checkbox"/> Handling and Management of Specific Activities</li> </ul>
<b>RISK IMPACT ASSESSMENT:</b>	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low
<b>RELEVANT INFORMATION:</b>	<p><b>Brief detail of incident</b> (attach complete report, if necessary):</p> <hr/> <hr/> <p><b>Other relevant information:</b></p> <p>Date Occurred: _____</p> <p>Amount involved, if any: _____</p> <p>Extent of damage, if any: _____</p>



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

<b>ACTIONS TAKEN:</b>	_____
<b>LESSONS LEARNED, IF ANY:</b>	_____
<b>POLICY RECOMMENDATION:</b>	<p><b>Risk incident addressed by existing policy/ies?</b>   <input type="checkbox"/> Yes   <input type="checkbox"/> No   <input type="checkbox"/> Partially</p> <p><b>Recommend new policy?</b>   <input type="checkbox"/> Yes   <input type="checkbox"/> No</p> <p><b>Brief description of recommended policy</b> (specify approving authority):</p> <p>_____</p> <p><b>Note:</b> Provide ERMO a copy of memorandum recommending new policy to appropriate approving authority (to follow)</p>

Certified Correct:

\_\_\_\_\_

Unit Head

For ERMO Use				
OBSERVATIONS	ACTION/S TAKEN			
	Specific Action	ERMO Unit Concerned	Remarks	Sign-Off
	<input type="checkbox"/> Record Incident in Risk/Loss Database			
	<input type="checkbox"/> Others (specify): _____ _____			

Noted by:

\_\_\_\_\_

ERMO Head

cc: Group Head of Reporting Unit



**5. Masaganang Sakahan, Incorporated**



**LBP SUBSIDIARIES  
RISK EVENT MONITORING (REM) REPORT**

<b>Reporting Subsidiary:</b>	<b>MSI</b>	<b>Date Reported:</b>	
<b>Subject:</b>		<b>Date of Knowledge:</b>	

**To Be Filled-Up by Reporting Unit**

<b>BASEL SEVEN RISK TYPE:</b>	<input type="checkbox"/> Business Disruption & Systems Failures (BDSF) <input type="checkbox"/> Execution, Delivery & Process Management (EDPM) <input type="checkbox"/> Clients, Products & Business Practice (CPBP) <input type="checkbox"/> External Fraud (EF) <input type="checkbox"/> Damage to Physical Assets (DPA) <input type="checkbox"/> Internal Fraud (IF) <input type="checkbox"/> Employment Practices and Workplace Safety (EPWS)
<b>RCSA SUB-PROCESSES AND ACTIVITIES</b>	<input type="checkbox"/> Operations Management <input type="checkbox"/> Palay Procurement <input type="checkbox"/> Warehousing, Storage and Inventory Management <input type="checkbox"/> Palay Toll Milling Arrangement <input type="checkbox"/> Milled Rice Delivery <input type="checkbox"/> Truck Scaling/Solar Drying <input type="checkbox"/> Recording and Report Preparation  <input type="checkbox"/> Logistics & Sales <input type="checkbox"/> Accreditation of Suppliers <input type="checkbox"/> Delivery of Milled Rice By Accredited Suppliers <input type="checkbox"/> Manual of Operations <input type="checkbox"/> Marketing & Sales  <input type="checkbox"/> Financials <input type="checkbox"/> Monitoring of Account Receivables/BIR Form 2307 <input type="checkbox"/> Accounting, Recording System for various transactions <input type="checkbox"/> Maintenance of SL / Book of Accounts and Accounts Schedules  <input type="checkbox"/> ROPA Management <input type="checkbox"/> ROPA  <input type="checkbox"/> Sundries <input type="checkbox"/> Procurement <input type="checkbox"/> Inventory of Supplies (Laminated Sacks)
<b>RISK IMPACT ASSESSMENT:</b>	<input type="checkbox"/> Direct <input type="checkbox"/> Indirect <input type="checkbox"/> High <input type="checkbox"/> Medium <input type="checkbox"/> Low
<b>RELEVANT INFORMATION:</b>	<p><b>Brief detail of incident</b> (attach complete report, if necessary):</p> <p>_____</p> <p>_____</p> <p><b>Other relevant information:</b></p> <p>Date Occurred: _____</p> <p>Amount involved, if any: _____</p> <p>Extent of damage, if any: _____</p> <p>_____</p>
<b>ACTIONS TAKEN:</b>	<p>_____</p> <p>_____</p>
<b>LESSONS LEARNED, IF ANY:</b>	<p>_____</p>



**RISK MANAGEMENT PROGRAM FOR LBP SUBSIDIARIES**

<b>POLICY RECOMMENDATION:</b>	<p>_____</p> <p>_____</p> <p><b>Risk incident addressed by existing policy/ies?</b>   <input type="checkbox"/> Yes   <input type="checkbox"/> No   <input type="checkbox"/> Partially</p> <p><b>Recommend new policy?</b>   <input type="checkbox"/> Yes   <input type="checkbox"/> No</p> <p><b>Brief description of recommended policy</b> (specify approving authority):</p> <p>_____</p> <p>_____</p> <p><b>Note:</b> Provide ERMO a copy of memorandum recommending new policy to appropriate approving authority (to follow)</p>
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Certified Correct:

\_\_\_\_\_ Unit Head

For ERMO Use				
OBSERVATIONS	ACTION/S TAKEN			
	Specific Action	ERMO Unit Concerned	Remarks	Sign-Off
	<input type="checkbox"/> Record Incident in Risk/Loss Database			
	<input type="checkbox"/> Others (specify): _____ _____			

Noted by:

\_\_\_\_\_ ERMO Head

cc: Group Head of Reporting Unit



**RISK EVENT MONITORING (REM) LOSS DATABASE FOR LANDBANK SUBSIDIARIES**

(For the use of Enterprise Risk Management Office)

Reporting Subsidiary	Subject	Date Reported	Date of Knowledge	Basel Risk Type	RCSA Sub- process	RCSA Activity	Risk Impact Assessment	Relevant Information				Action Taken
								Brief Detail of the Incident	Date Occurred	Amount Involved	Extent of Damage	



**GLOSSARY OF ACRONYMS****A**

ART – Authorized Risk Taker

**B**

BCP - Business Continuity Plan  
BCRA – Business Continuity Risk Assessment  
BIA - Business Impact Analysis  
BOD - Board of Directors  
BRMD - Business Risk Management Department  
BSP - Bangko Sentral ng Pilipinas  
BU - Business Unit/s

**C**

CRMD - Credit Risk Management Department

**E**

ERM - Enterprise Risk Management  
ERMO – Enterprise Risk Management Office

**I**

ISTRMO – Information Security and Technology Management Office

**K**

KRI - Key Risk Indicator

**L**

LBP - Land Bank of the Philippines  
LBRDC - LBP Resources and Development Corporation  
LCDFI - LBP Countryside Development Foundation  
LIBI - LBP Insurance and Brokerage, Inc.  
LLFC - LBP Leasing & Finance Corporation

**M**

MSI - Masaganang Sakahan, Inc.

**O**

ORM - Operational Risk Management

**R**

RAR - Risk Assessment Register  
RAS - Risk Appetite Setting  
RCSA - Risk and Control Self- Assessment  
REM - Risk Event Monitoring  
REMR - Risk Event Monitoring Report  
RDA - Risk Driver Analysis  
RISKCOM - Risk Oversight Committee  
RM - Risk Management  
RMG - Risk Management Group  
RMP FOR LBP SUBSIDIARIES - Risk Management Program of Subsidiaries  
RTR - Risk Treatment Register  
RSA - Risk Self-Assessment

**S**

SROC - Subsidiary Risk Oversight Committee

**T**

TRMD - Treasury Risk Management Department

**REFERENCES**

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BSP Circular No. 749 Series of 2012: Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions

BSP Circular No. 900 Series of 2016: Guidelines on Operational Risk Management

BSP Circular No. 510 Series of 2006: Guidelines on Supervision by Risk

Executive Order number 37, series of 2008: Guidelines on the Implementation of the Revised Risk-based Capital Adequacy Framework Using the Capital Adequacy Ratio (CAR) Systems

Executive Order number 77, series of 2008: *Reporting Guidelines to Landbank Board and Senior Management for LBP Subsidiaries and Foundation*

Strategic Risk Management Manual – Risk Management Group

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Douglas G. Hoffman, *Managing Operational Risk*, New York: John Wiley & Sons, Inc., 2002

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