



**LAND BANK OF THE PHILIPPINES**

**ENHANCED  
RISK MANAGEMENT PROGRAM FOR  
LBP SUBSIDIARIES (2022)**

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**TABLE OF CONTENTS**

A. Background/Rationale..... 3

B. Objectives ..... 3

C. Coverage ..... 4

D. Risk Management Policy, Structure, Roles And Responsibilities..... 4

    1. Risk Management Policy ..... 4

    2. RM Structure, Key Players, Roles and Responsibilities ..... 5

        a. RM Structure ..... 5

        b. Key Players ..... 6

        c. RM Roles and Responsibilities of the LBP Subsidiary Key Players ..... 6

    3. Risk Management Framework for LBP Subsidiaries..... 11

    4. Levels of Risk Management ..... 12

E. Risk Management Approaches ..... 14

F. The Enterprise Risk Management (Erm) Approach ..... 14

G. Risk Management Culture Development In Lbp Subsidiaries ..... 24

    1. Conduct of Walkthrough on RM Tools ..... 24

    2. Conduct of RM Training and advisory meetings ..... 24

Annex A. LANDBANK’s Risk Universe ..... 25

Exhibit 1. List of RMPS Documents and Reports ..... 26

Template 1. Key Risk Indicator ..... 36

Template 2. RM Strategy Formulation..... 37

Template 3. RM Action Planning ..... 38

Template 4. RM Action Plan Monitoring ..... 39

Definition Of Terms ..... 35

Acronym ..... 37

References..... 38



## **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 for LBP Subsidiaries (RMPS) 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 RMPS includes relevant methodologies, processes and tools that will be used in implementing RMPS. 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 RMPS consider the provisions under the MORB 142 Risk Governance Framework, MORB 146 Guidelines on Operational RM, MORB 149 Business Continuity Management and MORB 153 Sustainable Finance Framework. 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 Operational Risk Management Department (ORMD).

## **B. OBJECTIVES**

The RMPS 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 LBP, 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.



## **C. COVERAGE**

The implementation of this RMPS shall cover the following LBP Subsidiaries and shall apply to entities/institutions acquired and/or 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. LBP Countryside Development Foundation, Inc. (LCDFI)
5. Overseas Filipino Bank (OFBank)
6. UCPB Securities Incorporated (USI)
7. UCPB Leasing and Finance Corporation (ULFC) <sup>1/</sup>
8. UCPB Savings Bank (USB) <sup>2/</sup>

<sup>1/</sup> Full implementation of the RMPS shall be pursued after the completion of the ULFC-LLFC merger.

<sup>2/</sup> ORMD shall implement RM oversight on USB using the Subsidiary's RM tools for the time being.

## **D. RISK MANAGEMENT POLICY, STRUCTURE, ROLES AND RESPONSIBILITIES**

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

### **1. Risk Management Policy**

Under the direct oversight of LBP'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 considering the following:
  - The LBP Subsidiaries particularly the financial subsidiaries, offers products and services that expose them to various risks;
  - RM provides positive impact on the profitability of the LBP Subsidiary and the Bank; and
  - RM contributes to enhanced operational efficiencies, sound decision-making and shall create value for the LBP Subsidiaries.
- c. 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

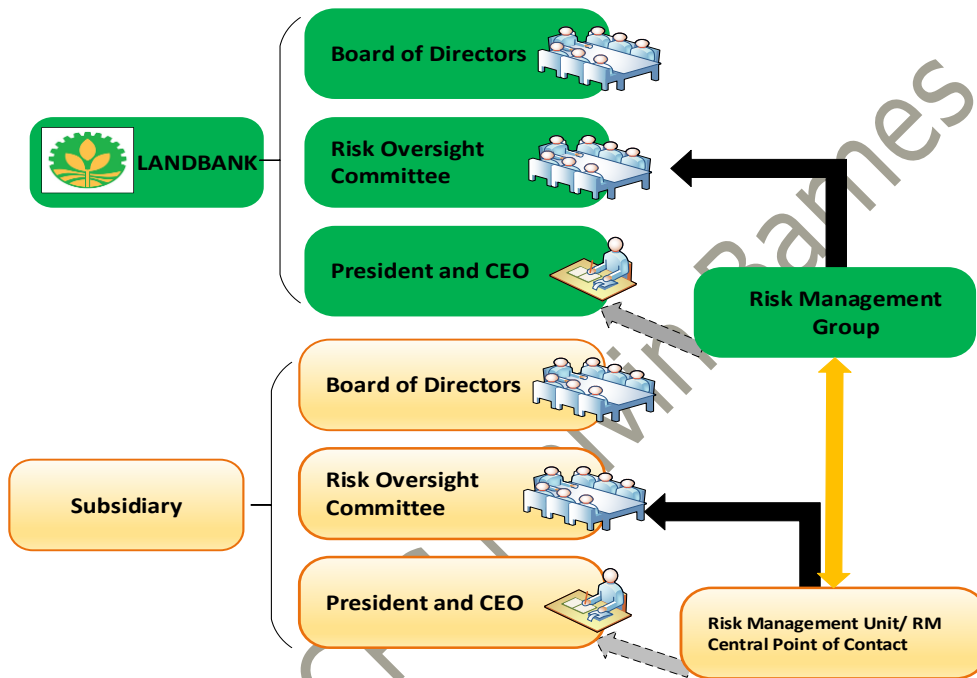


their respective key business functions including new and emerging risks such as environmental and social risk, transition risk and physical risk among others; and

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

2. RM Structure, Key Players, Roles and Responsibilities

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



a. Risk Management Structure

To comply with regulatory requirements, the RM oversight structure of the LBP Subsidiaries shall mirror that of the LBP (as parent company). LSFs shall establish their respective Risk Management Department/Unit to execute their RM functions based on the RM Framework provided in this RMPS. In case this is not possible with the subsidiary's or foundation's existing manpower set-up, there should be at least one independent RM Central Point of Contact (CPC) within the LBP subsidiary to perform the RM function. The delegation of Risk Champions and Risk Designates shall also be required within the subsidiaries or foundation.



**b. Key Players**

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

**Table 1. Key Players**

<b>LBP SUBSIDIARY</b>	<b>LANDBANK</b>
Subsidiary Board of Directors (BOD)	LBP Board of Directors (BOD)
Subsidiary Risk Oversight Committee	Risk Oversight Committee
Senior Management/Subsidiary Head	Senior Management / President & CEO
Heads of Business Units	Heads of Sectors/Groups/Business Units
RM Department/Unit or RM Central Point of Contact (CPC)	Risk Management Group - Departments which includes *People and Other Risk Oversight Unit (POROU) –Operational Risk Management Department (ORMD)

**c. RM Roles and Responsibilities of the LBP Subsidiary Key Players**

**1.) Board of Directors (BOD)**

- Provides overall RM oversight to the LBP Subsidiary on the implementation of its RM Framework which includes the regular review and enhancement of the following:
  - Sustainability principles
  - Risk policies, procedures and practices
  - Risk Appetite (risk limits/tolerances) and changes therein
  - Portfolio objectives
  - E&S objectives covering short, medium and long-term horizons
  - Overall RM strategies
  - RM Control Framework
  - Mapping of risks including new/emerging risks such as E&S risk
  - Business Continuity Management policies and guidelines
- Oversee the LSF’s risk exposures, issues related to internal activities and events that may impact the LSF’s portfolio and reputation
- Instill a culture supportive of risk management
- Designate Risk Officer/RM Central Point of Contact (CPC) to ensure proper communication and coordination of RM activities with LBP (Parent Bank)



- Ensure that the LSF has an established SROC which convenes on a regular basis or that RM Related matters are being reported in a BOD level committee that will assume the RM oversight duties of the SROC

## **2.) Subsidiary Risk Oversight Committee (SROC) or equivalent Committee**

- Oversee the LSF Risk Management Framework and ensure regular review and enhancement of the effectiveness and prompt implementation of RM Strategies/Action Plans, policies/procedures and practices including its alignment with LBP's RM Framework as its Parent Bank
- Review and provide inputs in the RMPS including future amendments and endorse the same to the BOD for approval
- Provides notation/approval of the following:
  - Sustainability principles
  - Risk policies, procedures and practices
  - Risk Appetite (risk limits/tolerances) and changes therein
  - Portfolio objectives
  - E&S objectives covering short, medium and long-term horizons
  - Overall RM strategies
  - RM Control Framework
  - Mapping of risks including new/emerging risks such as E&S risk
  - Business Continuity Management policies and guidelines

## **3.) Senior Management / Heads of Subsidiaries**

- Acts as the comprehensive risk executive and assumes overall accountability and ownership of risks including overseeing of the following to ensure management actions are consistent with BOD approved policies:
  - Sustainability standards and practices
  - Effective implementation of RM policies, control systems
  - Risk priorities
    - Risk Appetite implementation and changes
  - Consistency of operations and performance to achieve portfolio objectives
  - Management of risk exposures, risk priorities, new and emerging risks such as E&S risk
  - Available resources to manage risks and related conflicts
  - Effective risk management information mechanism
  - Business Continuity Management policies and guidelines
- Implements board-approved strategic objectives through establishment of RM policies and guidelines and monitoring and reporting of its implementation



- Oversees the establishment and implementation of RM process: identification, measurement/evaluation, control, monitoring and reporting of risks including new/emerging risks such as E&S risk, Physical risk, Transition Risk as relevant to each LSF
- Validates RM strategies at the BU Head level or immediate risk designates affected by or in charge of implementing the proposed strategies
- Apprise the BOD and/or relevant management committee on a regular basis on risk exposures and potential issues through complete, accurate, timely risk reports following the principles of Accuracy, Comprehensiveness and Clarity and usefulness of the report components
- Supports the BOD in instilling organizational culture supportive of risk management
- Designate Risk Officer/RM CPC to ensure proper communication of RM related information and requirements with all concerned stakeholders
- Ensures that the RM function/activities form part of the performance measures of the LSF BUs or concerned personnel

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

- Provides sponsorship on the approved RM Strategies and Action Plans, and coordinates these with the Business Unit, officers/employees under supervision to ensure its full and proper implementation
- Develop RM policies/programs to mitigate risks inherent in their specific business operations which includes Business Continuity Management policies and guidelines
- Oversees the risk-taking activities of Business Unit under supervision and evaluate if these are consistent with the strategic direction of the LBP Subsidiary and commensurate with the complexity and nature of its business operations;
- Reviews and approves the following for presentation by the RM Department/RM Officer to the SROC / equivalent Committee for approval/notation:
  - New and emerging risks such as E&S Risk
  - Proposed internal RM policies and procedures, RM Strategies/Action Plans
  - Risk Reports covering status of RM Strategies/Action Plans, issues/concerns, summary of RM Tools, risk impact, catch-up plan for RM deliverables for completion, ERM activities
  - Business Continuity Plan





- Duly accomplished RM Tools
- Occurrence of risk events, policy & procedural breaches
- Appoints the Risk Designates, one (1) or two (2) employees under the BU, and provides performance rating pertaining to the achievement of RM related work targets.

**5.) Authorized Risk Takers ARTs (Officer or staff under the Business Unit - Risk Designate)**

- Implements day to day processes/procedures to meet business objectives
- Actively participates in focused group discussions (FGD) and provides inputs to identify the risk drivers, RM Strategies and Action Plans for the LSFs Priority Risks including new/emerging risks such as E&S risk, to be presented to Senior Management and SROC for notation/approval
- Provides inputs in preparing regular risk reports covering status of RM Strategies/Action Plans, issues/concerns, summary of RM Tools, risk impact, catch-up plan for RM deliverables for completion, ERM activities and Business Continuity Plan and its implementation
- Prepares and submits the required data/information and/or documents relative to the annual updating of Major Risk Assessment Document (MRAD) for Subsidiaries Risk as part of the LBP ICAAP document
- Assumes the functions of the RM Focal person in case of the absence of a Risk Department or an incumbent RM focal person

**6.) LSF Risk Management Central Point of Contact (CPC)**

- Coordinates and communicates RM related matters with LBP ORMD - POROU with coordinates the ERM activities specified in the RMPS
- Submits to ORMD the copies of duly signed risk reports and SROC Minutes of Meeting for notation of the LBP ROC
- Coordinates with LBP Subsidiaries officers and employees on the following:
  - Business Continuity Management policies and guidelines and Business Continuity Plan implementation
  - 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 Major Risk Assessment Document (MRAD) for Subsidiaries Risk under the LBP ICAAP document
  - submission of RMPS requirements which includes RM Tools, risk reports, SROC Directives, and other RM documents required by ORMD



**7) LBP Risk Management Group - Operational Risk Management Department**

- Provide guidance to all LSFs in identifying, measuring, monitoring and reporting and mitigating risk exposures to current and new/emerging risks such as E&S risk, Physical Risk, Transition Risk
- Assist the LBP Board and Senior Management in understanding and managing risks residing in the LSFs including new/emerging risks through the following:
  - aggregate reporting of LSF risk exposures
  - reporting of the results of validation of RM tools
  - reporting of approved/signed LSF SROC Minutes of Meeting and risk reports
  - compliance with Business Continuity Management and Business Continuity Plan requirements
- Oversee the implementation, review, enhancement of the LBP RM Framework depending on the level of maturity or preparedness of the LSF
- Monitor the implementation of Business Continuity Management policies and guidelines and BCP, RM strategies and Action Plans
- Facilitate the conduct RM walkthrough/seminars and advisory meetings on RM Tools, RM policies and other requirements by external regulatory bodies in coordination with other RMG Units; and
- Facilitate the collection of data/information from the LSFs for the updating of the Major Risk Assessment Document (MRAD) for Subsidiaries Risk as required in the annual preparation of the LBP ICAAP document.

8). **Compliance Management Group** shall execute its duties and responsibilities under the approved Compliance Management Framework which centralizes the Compliance Management function of LBP CMG among all LSFs.

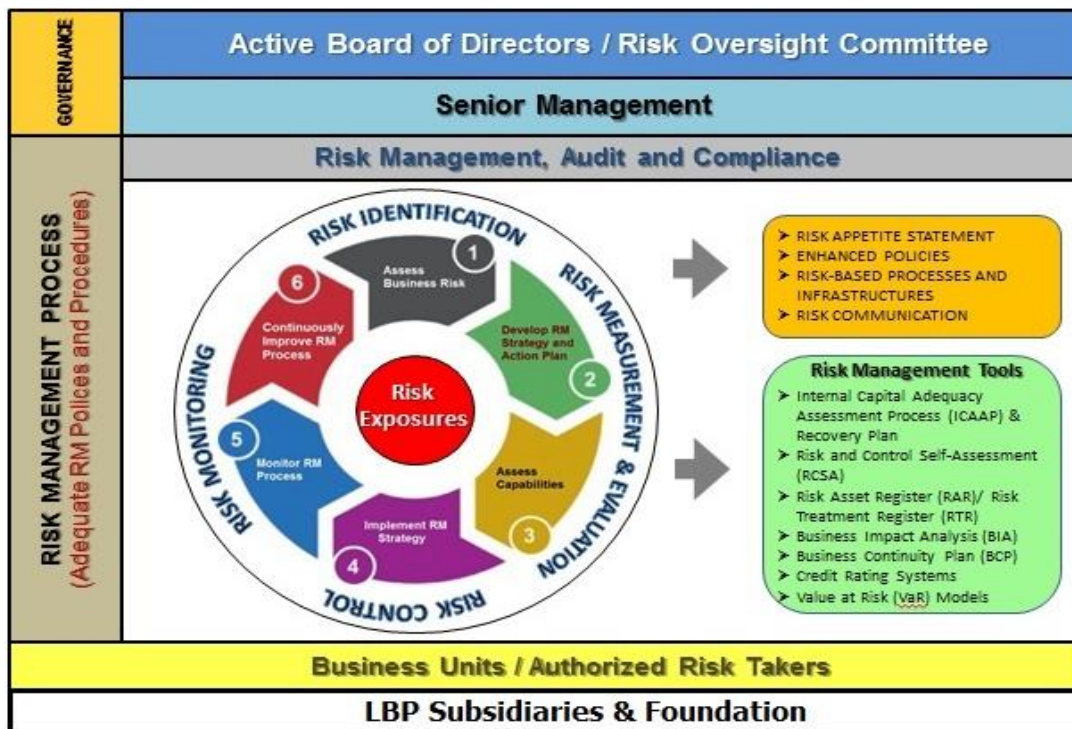
9) **Internal Audit Group (IAG)** is responsible for the adequacy, efficiency and effectiveness of the LSF's internal control, risk management and governance systems in the context of potential future risks. It reviews the effective implementation of established LSF RM policies and procedures.

All RMPS key players shall continuously acquire/update RM related competencies/specializations, skills and knowledge needed to perform their respective roles and responsibilities.



3. Risk Management Framework for LBP Subsidiaries

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



The LSFs comply with the guidelines / directions set forth under Section 142, and MORB 153 of the MORB pertaining to the implementation of the Risk Governance Framework and Sustainable Finance Framework for BSP Supervised Institutions (BSFIs). Hence, LSFs are covered under the LANDBANK RM Framework which is composed of the following elements:

1. Active and appropriate Board and Senior Management Oversight
2. Adequate RM policies, processes and infrastructure
3. Appropriate Risk Identification, Risk Measurement and Evaluation, Risk Control and Risk Monitoring
4. Comprehensive Internal Risk Controls and Independent Audit
5. Active participation and communication/escalation of risks by the Authorized Risk Takers/Business units

The RM process, practices and strategies of the LBP Subsidiaries are anchored on LSF's 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*.



The Senior Management and SROC of the LBP Subsidiaries is apprised on relevant RM issues/concerns on material risks through timely and accurate risk reporting. This assists them in rendering a well-informed and sound decision-making, specifically in determining viable solutions to address key risks issues.

#### **4. 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 – Risk Policy Formulation and Approval**

- Strategic Level involves: the BOD Level Committees, Management Level Committees and Senior Management. Duties and responsibilities are itemized under **Item C – Roles and Responsibilities of LBP Subsidiary Key Players under sub item 1) Board of Directors.**
- The Board-level committees are responsible for overseeing the LSF risk management framework, policies and strategies as aligned with LBP Parent Bank.
- Senior management, on the other hand, identifies, assesses and prioritizes enterprise-wide risks, establishes the risk appetite and integrates risk information into its decision-making process to arrive at sound risk management strategies.
- Both the Board-level committees and senior management are responsible for creating a risk culture that promotes a deep sense of risk awareness among the officers and staff of the Bank.

##### **b) Portfolio level - Analysis, Control and Policy Review**

- Portfolio level risk management involves the BU Heads and various business and support units of the LSF, LSF Risk Management Department or RM Officer/LSF CPC
- BU Heads are responsible for analyzing and controlling risks. They monitor the occurrence of policy breaches and procedural infractions and deviations and ensure that risk measures are properly applied by the business and support units. Should controls fail in addressing risks, BU Heads should review attendant policies and propose workable adjustments when necessary.
- The BU Heads collate and consolidate all risk reports from its various risk-taking sub - units and prepare the necessary analysis. The consolidated risk reports should then be submitted to higher Management Level and the Risk Management Department or LSF CPC for reporting to the LSF SROC.



These Management reports should provide snapshots of overall risk positions of the LSF BOD and Senior Management to evaluate performance from a risk perspective and to initiate the necessary adjustments in the LSF's overall business strategy.

- The LSF Risk Management Department or RM Officer/CPC monitors and implements the LSF overall risk management framework and provides important inputs in formulating risk management policies. It also analyzes risks from LSF organization-wide taking into consideration set risk appetite, tolerances and limits and other relevant risk policies. Policy modifications and enhancements are initiated or recommended whenever necessary.
- In case the RM Unit is not included in the LBP Subsidiary's organizational structure, the Business Unit Heads with the assistance of RM CPC, shall perform the portfolio-level RM deliverables.

**c) Transactional Level – Risk Policy Implementation**

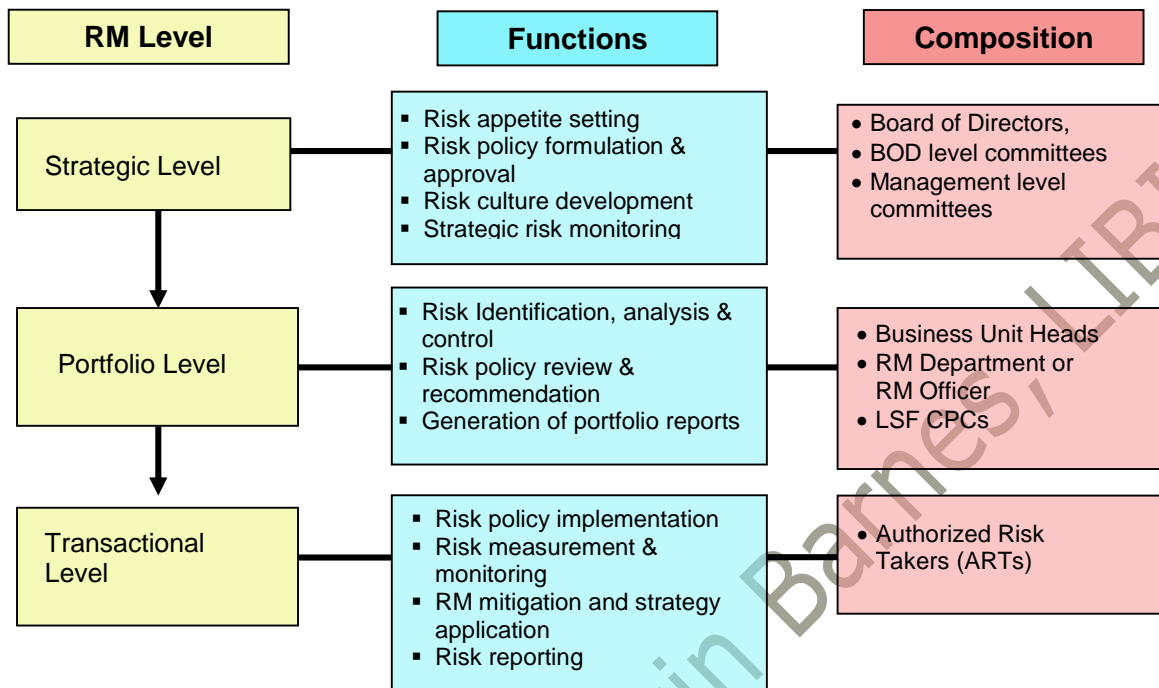
- The Transactional Level comprises of LSF Business and Support Units that are directly responsible for the processes and the risks.
- The transactional level involves specifics of day-to-day risk-taking activities as performed by the risk owners or the Authorized Risk Takers (ARTs). All transactions of ARTs should conform to Bank policies and procedures and should be within specified limits and approving authorities.
- Identification and recognition of risks and the occurrence of risk events 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.
- Situations requiring actions by the next higher officer should be escalated by the ARTs in a proper and timely manner and Risk mitigation strategies are applied whenever possible, to address or resolve the risk event(s).
- Reports on risk events, policy breaches and procedural infractions and corresponding risk mitigation strategies taken should be elevated to the BU Heads. On a regular basis, risk reports should be prepared and submitted by the risk-taking units to the BU Heads for reporting to SROC.

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 subsidiary to ensure that the duties and responsibilities in all the three Levels of RM are duly delegated by the BOD.

LSFs follow the three (3) lines of defense model in Risk Management as articulated in the LBP Parent Bank's Volume 1 Risk Governance Framework Manual.



**Figure 3. 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 (ERM) 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 LSFs 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 4. Enterprise Risk Management Process**



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

The initial step of “Setting RM oversight structure, goals and objectives” is a one-time activity that serves the purpose of establishing the subsidiary’s RM goals and setting the oversight structure and RM policies to get the ERM process in motion. 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 revisit its existing infrastructure, business goals and objectives and establish its ERM goals and objectives relevant to its current business landscape, nature of operations, risk profile and size.



b. Assess preliminary risk universe

Subsidiaries Risk forms part of the LANDBANK’s Risk Universe and Risk Dictionary. Any new/emerging risks to be identified under the ERM process will be integrated in the Subsidiary’s Risk Universe and Risk Dictionary such as E&S Risk, Physical Risk and Transition Risk, among others.

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- POROU-Operational Risk Management Department (ORMD) and shall cover a general discussion of the Bank’s RM Framework, Risk Appetite Statement, RM principles/processes/ activities and ERM Tools. 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 RM CPC. The topic and deliverables are as follows:

**Table 2. Conduct of Risk Self-Assessment**

Topic	Deliverables
Risk Self-Assessment (RSA)	<ul style="list-style-type: none"> <li>• LBP’s RM Framework</li> <li>• LSFs Executive Information Deck</li> <li>• Risk Universe</li> <li>• Priority Risks</li> <li>• New/emerging Risks</li> <li>• Regulatory requirements</li> </ul>

d. The Risk Appetite Statement (RAS)

Risk Appetite is the level of enterprise-wide risk that a subsidiary 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) shall define the basis that the LSF – 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 Risk Appetite Statement for Subsidiaries Risk is articulated in the Bank’s Major Risk Assessment Document (MRAD) for Subsidiaries Risk.





## **2. Assess Business Risks**

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 LSFs 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 CPC 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 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 CPC of the LBP Subsidiary by utilizing a survey questionnaire to be designed by LBP, 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 LBP, 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 with inputs from 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 LSF's Risk Universe, and shall be given customized definitions by the RM CPC and/or RM Champions/Designates.

The result of this activity will be the Risk Dictionary duly approved by the LBP Subsidiary SROC and noted by the LBP's RISKCOM.

- b. 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, key players shall prioritize, through a voting process or other applicable ERM tool to be provided by ORMD, 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 succeeding 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. This includes the RCSA for Environmental and Social Risk to be developed and cascaded to LSFs by ORMD.
- **Risk Driver Analysis (RDA).** In order to further analyze risks and since risk assessment is an encompassing process, the 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 LBP POROU-Operational Risk Management Department (ORMD) 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.

- **Assign risk owners / risk owner groups.** The following are the risk owners of Subsidiaries Risk

**Table 3. Primary and Secondary Risk Owners of Subsidiaries Risk**

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> <li>• Subsidiaries' Risk Focal Person</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>



**3. 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.

The Risk Officer / RM CPC shall present the LBP Subsidiary's KRI to the Senior Management and SROC for approval. (*Please refer to **Template 1***)

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

**4. 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.

Identification of Risk Control shall be comprised of two activities: 1) RM Strategy Formulation (**Template 2**); and 2) RM Action Planning (**Template 3**).

**a. Risk Management Strategy Formulation**

RM strategies are specific actions, RM initiatives or responses available to manage risks, which can comprise of 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.

The formulation of RM strategies shall be based on the Risk Drivers for identified priority 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 an 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 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.
- 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.

## **5. 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.

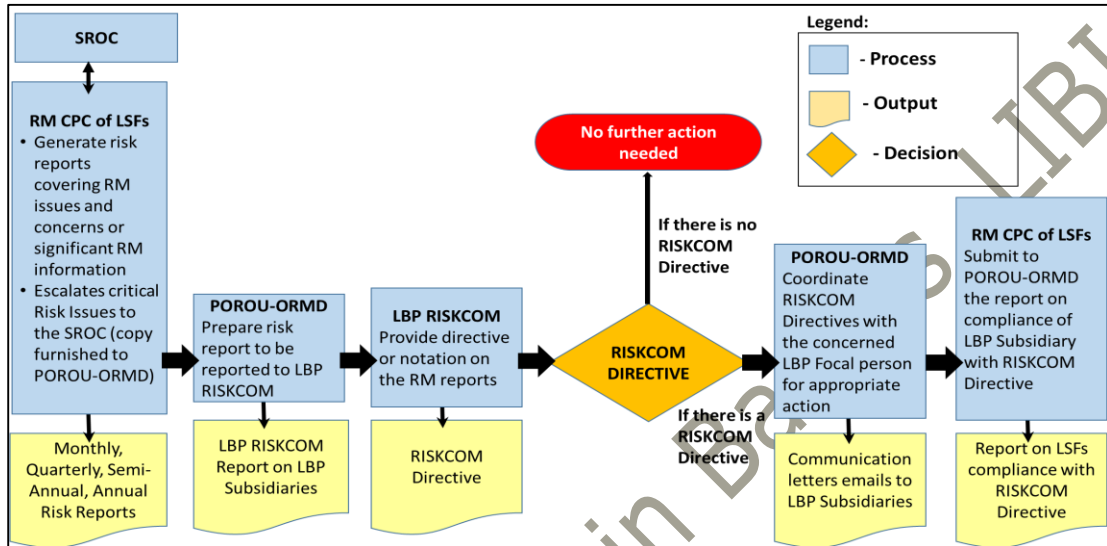
In the course of RM monitoring, the risk reporting process is designed, re-designed, modified or enhanced to ensure that it captures the priority enterprise-wide risks in all Units inclusive of the LBP Subsidiaries. These reports will supplement existing silo reporting being done for Credit, Market,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



LSFs shall regularly update and report their accomplishments or actual output in implementing the established Action Plan (**Template 3**).

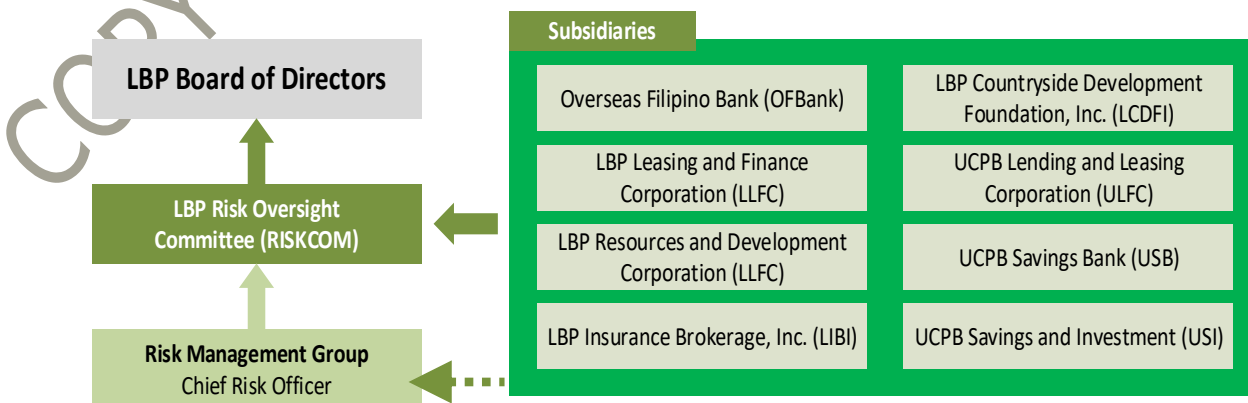
**Figure 5. LBP Subsidiaries Risk Reporting Framework**



**Figure 5** shows the Risk Reporting Framework of LSFs which include procedure/process on the proper escalation or echoing of RM related issues and concerns and risk reports to the Bank’s Risk Oversight Committee for notation/approval/recommendation.

Risk reports are being generated by the Risk Designates (primary risk owners) and/or ARTs of each LBP Subsidiary and these are reported to the SROC. The LSF RM CPC furnishes ORMD with a copy of reports that needs further escalation to the LBP RISKCOM for notation or approval. The requirement for LSF’s completion of the LBP RISKCOM Directives/recommendations shall be coordinated by ORMD until fully accomplished. Lastly, ORMD apprises LSFs on the result of LBP’s ROC’s notation/approval of all items reported aside from the required directives/instructions/recommendations for compliance of LSFs.

**Figure 6. LSFs covered in the Risk Reporting Framework**





a. Purpose of Risk Monitoring

Risk monitoring shall be done to determine areas that needs to be addressed or validated as follows:

- 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 RMPs

b. Risk Monitoring Reports

Risk Monitoring Reports is comprised of data/information, documents, reports, RM Tools that LSFs are required to submit to ORMD. The RM documents/reports/tools required from the LBP Subsidiaries as itemized in their Service Level Agreements is attached as **Exhibit 1**.

**6. 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.

ERM methods/tools/templates to be used by LSFs shall not be limited to the format/content of the ERM methods/tools/templates being used by its Parent Bank. Customization of these tools shall be encouraged based on the LSF's size, risk profile, nature/scope of business operations.

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



**G. Risk Management Culture Development in LBP Subsidiaries**

To assist in strengthening the risk culture to be embedded in the LBP Subsidiaries, POROU-ORMD shall coordinate with RM CPCs for the conduct of RM walkthroughs, trainings, round table meetings and other relevant RM activities.

**1. Conduct of Walkthrough on RM Tools**

LBP Subsidiaries are included in the coverage of the implementing guidelines of each RM Tool and are required to submit the duly accomplished and signed RM Tools to ORMD for review, validation and reporting to LBP ROC. For this purpose, ORMD facilitates the conduct of walkthrough on RM Tools annually or as needed to ensure that LSFs have adequate knowledge and understanding on the components and proper accomplishment of each RM Tool.

These RM tools shall also be used by the LSFs as reference in identifying and quantifying estimated losses under the LBP ICAAP – MRAD for Subsidiaries Risk.

The RM documents/reports/tools required from the LBP Subsidiaries as itemized in their Service Level Agreements is attached as **Exhibit 1**.

**2. Conduct of RM Training and advisory meetings**

LBP Subsidiaries and Foundation shall provide a training intervention for their respective Business Units on risk management which aims to strengthen their internal controls and corporate governance. Observations and recommendations of the LBP IAG Audit Team may be used as reference in updating the topics to be covered in RM Trainings and advisory meetings with LSFs.

The RMG Department Heads or their assigned representatives will act as resource person/s to conduct seminars and walkthroughs on various RM competencies according to their areas of competencies/topics as follows:

**Table 4. RM Training Topics and Resource Speakers**

<b>Topics</b>	<b>Resource Speaker*</b>
1. RM Framework	Head, ORMD POROU
2. Operational Risk Management	Head, Operational Risk Management Department (ORMD)
3. IT/InfoSec Risk Management	Head, Information Security and Technology Risk Management
4. Treasury Risk Management	Head, Market & Liquidity Risk Management Department
5. Credit Risk Management	Head, Credit Risk Management Department
6. Other RM related topics based on evolving BSP regulatory requirements such as Environmental and Social Risk, Data Privacy Act, Freedom of Information, among others	RMG Department concerned

*\*Unit/Team Heads may be designated as resource speakers upon the discretion of RMG Department Head*





**Annex A**

**LANDBANK’S RISK UNIVERSE**

The LANDBANK Risk Universe which includes Subsidiaries Risk, lists all the risks that the Bank faces on an enterprise-wide basis. It was further developed to include the risks considered under the BSP-required Internal Capital Adequacy Assessment Process (ICAAP) prepared by the Bank on an annual basis.

Credit	Market
<ol style="list-style-type: none"> <li>1. Counterparty Credit Risk: Investments<sup>∨</sup></li> <li>2. Counterparty Credit Risk: Loans<sup>∨</sup></li> <li>3. Country Risk <sup>∨</sup></li> <li>4. Sovereign Risk <sup>∨</sup></li> <li>5. Transfer Risk <sup>∨</sup></li> <li>6. Currency Risk <sup>∨</sup></li> <li>7. Indirect Country Risk <sup>∨</sup></li> <li>8. Issuer Risk <sup>∨</sup></li> <li>9. Custody Risk <sup>∨</sup></li> <li>10. Credit Concentration Risk <sup>∨</sup></li> <li>11. Contagion Risk <sup>∨</sup></li> <li>12. Prepayment Risk</li> </ol>	<ol style="list-style-type: none"> <li>27. Market Risk <sup>∨</sup></li> <li>28. Foreign Currency Risk</li> </ol>
Compliance	Operational
<ol style="list-style-type: none"> <li>13. Compliance Risk <sup>∨</sup></li> <li>14. Anti-Money Laundering Risk</li> <li>15. Banking Regulations Risk</li> <li>16. Ethics Risk</li> <li>17. Related Party Transactions Risk<sup>∨</sup></li> </ol>	<ol style="list-style-type: none"> <li>29. Operational Risk</li> <li>30. <b>People Risk</b> <sup>∨</sup> <ol style="list-style-type: none"> <li>31. Recruitment &amp; Selection Risk</li> <li>32. Performance Management Risk</li> <li>33. Training and Development Risk</li> <li>34. Remuneration and Compensation Risk</li> <li>35. Succession Planning Risk</li> <li>36. Adequacy of Manpower Complement Risk</li> <li>37. Disciplinary Actions Risk</li> <li>38. Separation from Service Risk</li> </ol> </li> <li>39. Culture Risk</li> <li>40. Employee Communication Risk</li> <li>41. Internal Fraud Risk</li> <li>42. <b>Process Risk</b> <sup>∨</sup> <ol style="list-style-type: none"> <li>43. Accounting, Reporting and Disclosure Risk</li> <li>44. External Fraud Risk</li> <li>45. Internal Control Risk</li> <li>46. Product Creation Risk</li> <li>47. Product Pricing Risk</li> <li>48. Marketing Risk</li> <li>49. Product Delivery &amp; Support Risk</li> <li>50. Client Relationship Mgt. Risk</li> <li>51. Sales (Business Growth) Risk</li> </ol> </li> <li>52. CARP Funding Risk</li> <li>53. CARP Collections Risk</li> <li>54. CARP Legal Implications Risk</li> <li>55. Outsourcing Arrangements Risk</li> <li>56. Trust Operations Risk <sup>∨</sup></li> <li>57. Subsidiaries Risk <sup>∨</sup></li> </ol>
Interest Rate	
<ol style="list-style-type: none"> <li>18. Interest Rate Risk in the Banking Book <sup>∨</sup></li> <li>19. Gap Risk <sup>∨</sup></li> <li>20. Basis Risk <sup>∨</sup></li> <li>21. Options Risk <sup>∨</sup></li> </ol>	
Liquidity	
<ol style="list-style-type: none"> <li>22. Liquidity Risk <sup>∨</sup></li> <li>23. Capital Reserve Risk</li> <li>24. Insurance Risk</li> <li>25. Lending Capacity Risk</li> <li>26. Leverage Risk</li> </ol>	

**Legend:**

<sup>∨</sup> Risks under LBP ICAAP



**Operational**

- 58. Event Risk <sup>1</sup>
- 59. Business Continuity Planning Risk
- 60. Legal Risk <sup>1</sup>
- 61. Contract Risk
- 62. **Information Technology Risk**
- 63. Cyber Security Risk
- 64. Data Privacy Risk <sup>1</sup>
- 65. Information Security Risk <sup>1</sup>
- 66. IT Availability/Continuity Risk <sup>1</sup>
- 67. IT Confidentiality Risk <sup>1</sup>
- 68. IT Integrity Risk <sup>1</sup>
- 69. IT Management Risk
- 70. Technology Implementation Risk

**Reputation**

- 71. Reputational Risk <sup>1</sup>
- 72. Crisis Communication Risk
- 73. Customer Suitability / Protection Risk

**Legend:**

- <sup>1</sup> Risks under LBP ICAAP
- <sup>2</sup> Emerging risks
- <sup>3</sup> Risks Taken from the context of Merger and acquisitions

**Strategic**

- 74. Strategic Risk <sup>1</sup>
- 75. Board Performance Risk
- 76. Communication Management Risk
- 77. Competition Risk
- 78. Forecasting Risk
- 79. Measuring and Monitoring of Major Initiatives Risk
- 80. Organizational Structure Risk
- 81. Planning and Execution Risk
- 82. Socio-Political Risk
- 83. Strategic Planning Risk
- 84. Tone at the Top Risk
- 85. Technology Identification Risk
- 86. Vision and Direction Risk

**Mergers, Acquisition & Divestiture<sup>3</sup>:**

- 87. Asset Quality and Valuation Risk <sup>3</sup>
- 88. Capital Reserve Risk <sup>3</sup>
- 89. People Risk <sup>3</sup>
- 90. Socio-Political Risk <sup>3</sup>
- 91. Technology Identification and Implementation Risk <sup>3</sup>
- 92. Tone at the Top Risk <sup>3</sup>
- 93. Vision and Direction Risk <sup>3</sup>

**New/emerging risks**

- 94. Environmental & Social Risk <sup>2</sup>
- 95. External Events Risk or Physical Risk <sup>2</sup>
- 96. Transition Risk <sup>2</sup>

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**Exhibit 1**

**LIST OF RMPS DOCUMENTS AND RISK REPORTS**

Name of Report	Description	Frequency of Submission	Deadline
<b>OPERATIONAL RM TOOLS</b>			
<p>1) Risk Event Monitoring (REM) Report</p> <p><i>Note: Risk Events shall be reported not later than five (5) banking days from the date of occurrence / discovery of risk event.</i></p> <p><i>Information in the duly signed REM reports are being recorded by ORMD under the Subsidiaries - Operational Risk and Loss Database for quarterly reporting to the LANDBANK Risk Oversight Committee.</i></p>	<p>REM Report is a Risk Management tool used by BUs (Field Units, Head Office Units including LBP Subsidiaries) in reporting the operational risk events categorized per Basel II Risk Events such as:</p> <ul style="list-style-type: none"> <li>a) Internal Fraud</li> <li>b) External Fraud</li> <li>c) Employment, Practices and Workplace Safety</li> <li>d) Clients, Products and Business Practice</li> <li>e) Damage to Physical Assets</li> <li>f) Business Disruption and Systems Failure</li> <li>g) Execution, Delivery and Process Management</li> <li>h) Other External Events (Other external events that cannot be classified under Basel II Category which can affect the Bank's reputation such as Environmental &amp; Social Risk, and Violation of Data Privacy Act (DPA) RA10173</li> </ul> <p>This report also includes amount of quarterly fines / penalties incurred by the LBP – Subsidiaries / Foundation due to non-compliance with regulatory requirements, laws and regulations classified under Execution, Delivery and Process Management.</p>	Quarterly	Within five (5) days from date of occurrence or discovery of risk event
<p>2) Risk and Control Self-Assessment (RCSA)</p>	<p>The RCSA is a self-assessment tool used to identify and measure potential operational risks, analyze and assess controls on an annual basis to address the identified risks. This tool aggregates the estimated inherent and residual loss to determine areas with significant risk exposures. It aims to apprise the Committee on the core business processes and overall risk profile of LSFs.</p>	Annually	October 15 <sup>th</sup>
<p>3) Business Impact Analysis (BIA)</p>	<p>The BIA is a self-assessment tool used to identify and measure (quantitatively and qualitatively) the business impact or loss of business processes in the event of a disruption. It aims to assess the potential impact of disruptions to business functions and to identify the most critical function and critical systems of the Bank.</p>	Annually	February 15 <sup>th</sup>



Name of Report	Description	Frequency of Submission	Deadline
	It also sets timeframes within which critical business functions and critical systems must be recovered / resumed following a disruption and identifies the minimum level of resources required to ensure continuity of operations consistent with the criticality of functions.		
4) Business Continuity Risk Assessment (BCRA)	<p>BCRA is an ORM tool that involves the identification and assessment of potential threats and vulnerabilities that could severely interrupt the Bank's business activities and the corresponding likelihood and magnitude of impact on business functions and processes.</p> <p><b>Note:</b> Since the BCRA shall be accomplished on a per building or site basis, Subsidiaries located in the LBP Plaza are not required to submit the BCRA and they are included in the assessment by the Facilities Management Department. Other LBP Subsidiaries not located in the LBP Plaza, whether leased or owned are required to submit the BCRA).</p>	Annually	February 15 <sup>th</sup>
5) Business Continuity Management Guidelines/Policy & 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.	Annually	June 30 <sup>th</sup>
6) Risk Assessment Register & Risk Treatment Register (RAR&RTR) (Collection, validation and reporting c/o ISTRMD)	RAR&RTR 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 subsidiaries. The goal is to determine an acceptable level of risk and selecting appropriate controls on information security assets.	Annually	Sept. 15 <sup>th</sup>
<b>ICAAP &amp; RECOVERY PLAN</b>			
7) Information requirements under the Major Risk Assessment Document (MRAD)	<p>LSFs provide inputs to ORMD for the updating of the MRAD under LANDBANK's Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan that covers the following:</p> <ul style="list-style-type: none"> <li>• Definition of Subsidiaries Risk</li> <li>• Risk Management Methodology</li> <li>• Summary of Quantified Risk</li> </ul>	Annually	January to March



Name of Report	Description	Frequency of Submission	Deadline
<b>RM POLICIES</b>			
8) Risk Management Manual	A manual that covers latest regulatory issuances and current RM practices of the LSF including procedures to facilitate the implementation of the RM Framework, clarify rules and responsibilities of all key players in managing risks. It also firms up the RM policies and principles of the LSF and serve as bases for the continual enhancement of the RM practices	Annually	June 30 <sup>th</sup>
<b>OTHER RISK REPORTS / DOCUMENTS UNDER THE RMPS</b>			
9) RMPS (Executive Information Deck) as part of ERM implementation	Executive Information Deck or related documents i.e., Basic Business Information, Manual of Operations, among others.	Annually	Event-driven
10) Service Level Agreement	Outlines the obligations between the Parties with regards to rendering of reciprocal services in order to promote operational efficiency, leverage on customer relationship, and increase in productivity. This is also in compliance with but not limited to the following regulatory requirements	Annually	Event-driven
<b>ENTERPRISE RISK MANAGEMENT TOOLS</b>			
11) Risk Universe	A roster of risks that the LSF considers as relevant in its operations considering the size, complexity and extent of its operations	Event-driven	Event-driven
12) Risk Prioritization based on Risk Assessment of impact and effectiveness of controls	A tool that will facilitate risk assessment based on the following: a) criteria in assessing the impact of risk b) assessment of effectiveness of current controls and b) assessment of impact if the risk will occur.	Event-driven	Event-driven
13) Risk prioritization	Risks are assessed based on impact and risk management effectiveness.	Event-driven	Event-driven
14) Setting of threshold per risk criteria defined	To aid management in analyzing priority risks, a Risk Assessment Criteria Matrix is prepared to show the impact to the Bank of risk groups at low, medium and high levels of occurrences. It likewise reflects the tolerance levels the Bank would recognize should the risks occur. The RACM serves as an analytical tool, a reference material that is used as one of the bases of risk prioritization.	Event-driven	Event-driven
15) Identification of Risk Champions and Risk Designates	In order to establish risk ownership and in preparation for the ensuing risk analysis, Risk Champions and Risk Designates are appointed by the Management Committee for each of the priority risks	Event-driven	Event-driven
16) Risk Mapping and Risk Modelling	Building risk inter-relationship models facilitates the understanding of how risks relate to one another. It also allows evaluation of which risks may be considered high-leverage - that is, those risks that, when managed effectively, could significantly	Event-driven	Event-driven



Name of Report	Description	Frequency of Submission	Deadline
	impact or contribute to the management of other risks		
17) Risk Driver Analysis	The Risk Driver Analysis (RDA) is a structured process of determining the causes and sources of risks. Two concepts are introduced here, <b>Risk Driver</b> and <b>Risk Sourcing</b> . Risk driver causes the risk to happen while risk source causes the drivers to happen. Risk sourcing is the process of understanding the origin of the risk	Event-driven	Event-driven
18) Setting of Key Performance Indicators / Key Risk Indicators	Key Risk Indicators (KRIs) are measurable parameters that should be forward-looking and help predict the occurrence of loss events. They suggest possible symptoms, warning signs or so-called 'red flags' that indicate there may be an issue warranting further analysis, (e.g., a new risk to source and measure).	Event-driven	Event-driven
19) RM Strategy	After risks are measured and the KRI matrix completed, risk management strategies must be formulated. RM strategies are specific actions or responses available to manage risk, which can comprise a range of different options depending on the risk strategy	Event-driven	Event-driven
20) RM Capability Assessment	Assessment of the Bank'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 Bank to implement effectively and efficiently the risk management strategies formulated	Event-driven	Event-driven
21) Enterprise Risk Report	This is a risk report covering all risk areas of each LSF. It highlights various areas such as Operational Risk, Credit Risk, Liquidity Risk, among others. It also shows a trending analysis on the major risk exposures of LSFs.	Event-driven	1 <sup>st</sup> week of the Month
22) Risk Oversight Committee - Minutes of Meeting	Duly approved ROC Minutes of Meeting from Subsidiaries to be reported to LBP Risk Oversight Committee for notation	Event-driven	1 <sup>st</sup> week of the Month

KEY RISK INDICATOR TEMPLATE

Identified Critical Risk

Key Risk Driver	Key Risk Indicator	Scenarios	Impact
<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>

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**RM STRATEGY FORMULATION TEMPLATE**

<p><b>Identified Critical Risk</b></p> <hr/> <p><b>Guide: Input critical risk and include the risk definition</b></p>	<p><b>Risk management options</b></p>
<p><b>RISK DRIVER</b></p> <p><b>Guide: Input identified risk driver and include its description</b></p>	<p><b>CURRENT RISK MANAGEMENT STRATEGIES</b></p> <p><b>Guide: Input current mitigation strategies, initiatives, programs, plans, and other activities being done to manage the risk.</b></p> <hr/> <p><b>OPPORTUNITIES FOR IMPROVEMENT</b></p> <p><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></p>

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**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>
<p><b>Guide: What are the specific action steps to implement the above strategies?</b></p>	<p><b>Guide: Who will be primarily responsible for this action plan? Indicate the position or designation of the person responsible.</b></p>	<p><b>Guide: When should the action plan be performed and/or how often? When is the deadline for implementation?</b></p>	<p><b>Guide: What are the resources required to implement these action plans?</b></p>	<p><b>Guide: How do you measure or track the implementation of these action plans?</b></p>

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**Template 4**

**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

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## DEFINITION OF TERMS

**BSP Supervised Financial Institution** - A BSFI is an institution that is required to abide by the laws, rules and regulations set by the BSP.

**Compliance function** - 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. *BSP Circular No. 972, series of 2017*

**Critical Risks** - 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. *ERM Volume*

**Key Risk Indicator** - KRIs are measurable parameters that help predict the occurrence of loss events *Strategic RM Manual, 2011*

**Risk Bulletin** - A Quarterly Newsletter on Risk Management of LBP Subsidiaries.

**Risk Champions** - 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.

**Risk Designates** - 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.

**Risk Dictionary** - 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.

**Risk events** - A single specific occurrence that adversely affects the Bank and/or its LBP Subsidiaries resulting in financial and non-financial losses.

**Risk Universe** - 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. *Strategic RM Manual, 2011*

**RM Framework** - 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

**RM function** - 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. *BSP Circular No. 971, series of 2017*

**RM Strategies and RM Action Plans** - 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. . *LBP - ERM Phase I*

**Subsidiary** - 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 *AO No.029 s.of 2018*

**Subsidiary Risk Oversight Committee** - 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. *BSP Circular 969, s. 2017*

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# ACRONYMS

## A

ART – Authorized Risk Taker

## B

BCP - Business Continuity Plan

BCRA – Business Continuity Risk Assessment

BIA - Business Impact Analysis

BOD - Board of Directors

BSP - Bangko Sentral ng Pilipinas

BU - Business Unit/s

## C

CRMD - Credit Risk Management Department

## E

ERM - Enterprise Risk Management

## I

ICAAP – Internal Capital Adequacy Assessment Process

ISTRMD – Information Security and Technology Management Department

## 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

MLRMD – Market & Liquidity Risk Management Department

MORB – Manual of Regulations for Banks

MRAD – Major Risk Assessment Document

## O

OFBank – Overseas Filipino Bank

ORMD - Operational Risk Management Department

## 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

RMPS - Risk Management Program of Subsidiaries

RTR - Risk Treatment Register

RSA - Risk Self-Assessment

## S

SROC - Subsidiary Risk Oversight Committee

## U

ULFC - UCPB Leasing and Finance Corporation

USB - UCPB Savings Bank

USI - UCPB Securities Incorporated

## REFERENCES

### Volume 1 Risk Governance Framework Manual

#### Manual of Regulations for Banks:

- Section 142. Risk Governance Framework
- Section 146. Operational Risk Management
- Section 149. Business Continuity Management
- Section 153. Sustainable Finance Framework

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