




## CERTIFICATION

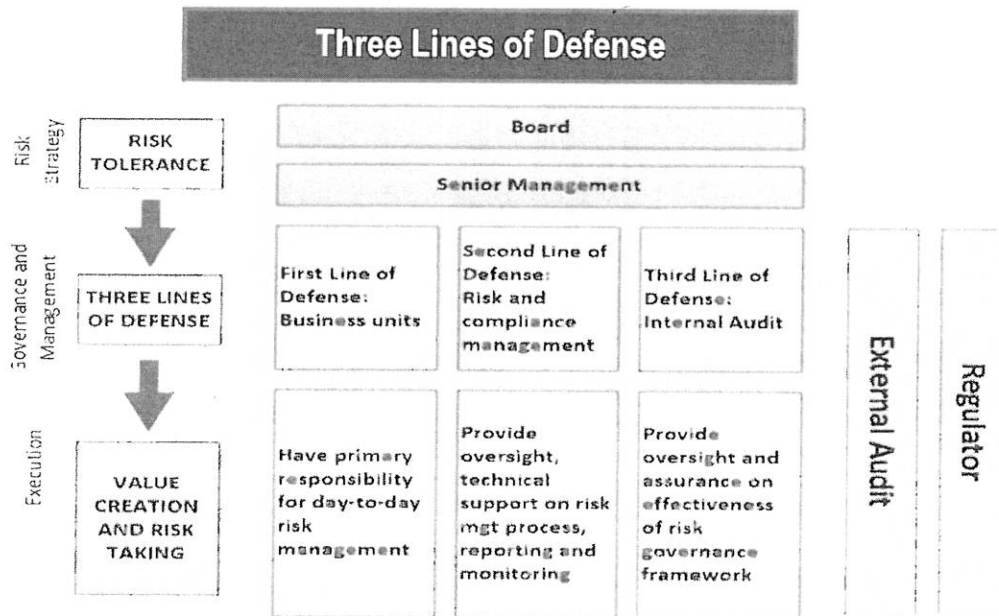
This is to certify that on March 21, 2017, per PhilHealth Board Resolution (PBR) No. 2242, s. 2017, the Board approved the “PhilHealth Risk Governance Framework and Risk Management Charter” attached herein as “Annex A” and “Annex B” correspondingly.

  
**ATTY. JONATHAN P. MANGAOANG**  
Corporate Secretary



## ANNEX A

### Philhealth Risk Governance Framework



#### First Line of Defense

Has ownership, responsibility and accountability for directly assessing, controlling and mitigating the risks.

#### Second Line of Defense

Monitors and facilitates the implementation of effective risk management practices by the first line, oversees implementation of risk management (RM) and ensures that RM is embedded in the regular operational processes of the Corporation.

#### Third Line of Defense

Provides assurance to the board and senior management on the effectiveness of the first and second lines of defense in assessing and managing risks.



## **ANNEX B**

### **PhilHealth Risk Management Charter**

#### **I. INTRODUCTION**

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Risk is the main cause of uncertainty in any organization. Corporations both in public and private sectors, have increasingly focused on identifying risks and managing them before they even affect their operations. The whole goal of risk management is to make sure that the corporation only takes the risks that will help it achieve its objectives while keeping all other risks under control. Risks are part of doing business and by having a procedure in place to deal with them makes a difference on their impacts.

Risk oversight has taken on increased importance in PhilHealth with the creation of the Risk Management Committee (RMC) of the Board per PhilHealth Board Resolution No. 1862, s. 2014. The purpose of the Committee is to perform oversight risk management function specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the Corporation.

While the RMC has the responsibilities and powers set forth in this Charter, Management is still responsible for designing, implementing and maintaining an effective risk management program.

#### **II. OBJECTIVE**

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This Charter sets out the Risk Management Committee (RMC) objectives, authority, roles and responsibilities, reporting and administrative arrangements as well as the roles of the Executive Committee (EXECOM), Project Management Team for Risk Management (PMT-RM), Internal Audit Group and Business Units in the management of risks.



### **III. ACCESS AND AUTHORITY**

In furtherance of its duties and responsibilities, the Risk Management Committee (RMC) shall have direct access to, and shall receive regular reports from EXECOM, and shall be provided by PhilHealth with any information it requests relating to the performance of its functions. The RMC shall have the power to conduct or authorize investigation, as it deems appropriate, as to the likelihood of a risk to happen and its potential magnitude and impact and recommend to the Board the appropriate risk response measures. The RMC is authorized to engage independent professional advisors as it considers appropriate. The RMC may form and delegate authority to sub-committees, comprised of one or more members of the Committee, as necessary or appropriate. Each sub-committee shall have the full power and authority of the RMC. The RMC is empowered to approve and amend risk management policies and programs, except for policies and programs that the Board has reserved its authority to review and approve.

### **IV. COMPOSITION**

The Risk Management Committee (RMC) shall consist of at least three (3) members of the Board, with at least one member having a background in finance and investments (PhilHealth Board Resolution No. 1862 s. 2014). Preferably, RMC shall have members from both the Audit Committee and the Corporate Governance Committee.

The RMC members shall be appointed by the Board and shall serve until such member's successor is duly appointed or until such member's resignation or removal. Unless a Chairperson is appointed by the Board, the members of the RMC may designate a Chairperson by majority vote. The Chairperson shall preside all regular sessions of the RMC and shall approve the agenda for RMC meetings. Any member of RMC may suggest discussion items to the Chairperson for consideration.

The PhilHealth President and CEO (or his permanent representative) shall be a member of the RMC.



## V. MEETINGS AND QUORUM

A quorum shall consist of a majority of Risk Management Committee (RMC) members but shall also require a management representative to be present.

The RMC shall meet with such frequency and at such intervals as it shall determine as necessary to carry out its duties and responsibilities, to address urgent issues and concerns as may be directed by the Chairperson. The Chairman of the Board or any member of the RMC may call meetings of the Committee. Preferably one (1) week prior to the date of the meeting, a notice confirming the date, time, venue and agenda of the meeting shall be distributed to each RMC member.

As part of its responsibility to foster open communication, RMC may meet with the EXECOM, officers and concerned Heads of Business Units. It may also meet with the Internal Audit Group (IAG) to discuss areas of common interest, always mindful of the principles on conflict of interest, objectivity and impartiality.

The RMC may request any officer or employee of the Corporation, or any special counsel or advisor, to attend a meeting of the Committee. For purposes of decision-making, simple majority shall be considered in quorums and voting.

The Committee shall maintain minutes of the meeting, and written consent/action taken without a meeting, reflecting the actions so authorized or taken by the Committee.

Briefing materials will be provided to the Committee as far in advance of meetings as practicable.

## VI. REPORTING

The Risk Management Committee (RMC) shall report its actions and any recommendations to the Board. The RMC shall consider the appropriate reporting lines



for the Corporation's Chief Risk Officer (CRO), in the case of PhilHealth, the Senior Vice-President (SVP) for Actuarial Services and Risk Management Sector - whether indirectly or directly reporting - to the RMC.

## **VII. DUTIES AND RESPONSIBILITIES**

### **A. Risk Management Committee (RiskCom)**

The Risk Management Committee (RMC) shall have an oversight role and in fulfilling that role, it shall assist the board in (PhilHealth Board Resolution No. 1862 s. 2014):

1. Overseeing, in conjunction with other board-level committees or the Board, if applicable, risks, such as credit, market, liquidity, operational, legal, reputational and other risks of the Corporation, including crisis management;
2. Develop the Risk Management Policy of the Corporation, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of PhilHealth; and
3. Provide quarterly report and update the Board on key risk management issues, if any

### **B. The Executive Committee (EXECOM)**

The EXECOM shall carry out the following duties and responsibilities:

1. Accountable for the overall management of the Corporation's operation;
2. Establish working groups to develop strategies for the management of Corporate-wide risks, such as business continuity, reputational risks and financial risks;
3. Ensure that the Corporation's risk management objectives and risk management indicators are align with the objectives, strategies and overall performance indicators, respectively, of the Corporation;



4. Promote the desired risk culture and establish the Corporation's risk appetite and context; and
5. Enforce compliance to risk management policies and processes.

### **C. Project Management Team for Risk Management (PMT-RM)**

PMT-RM shall fulfill the following duties and responsibilities:

1. Serve as the technical arm of the Risk Management Committee (RMC) and shall have access to all information, records and documents as may be needed within a reasonable period of time;
2. Facilitate, coordinate and provide advice on the risk management processes to help Business Units manage their risks;
3. Maintain and manage the PhilHealth's risk registry;
4. Oversee compliance to risk management policies and processes; and
5. Perform other related tasks as may be assigned by the RMC, EXECON and Chief Risk Officer (CRO) from time to time.

### **D. Business Units**

Business units shall discharge the following duties and responsibilities:

1. Identify and analyze risks in their own areas, assess the controls in place to deal with those risks and prepare the corresponding risk response measures to address the identified risks given the probability of its occurrence and impacts;
2. Develop and implement remedial measures for residual risks with unacceptable or high impacts;
3. Monitor the effectiveness of the risk response measures and the status of the identified risks;
4. Report to PMT-RM and to concerned business units the risks which may have implications in other areas of the Corporation;



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5. Report to PMT-RM experiences that might assist the Corporation to identify, evaluate and treat risks;
6. Perform other related tasks as may be assigned by the Board, RMC and EXECOM in the management of risks

#### **E. Internal Audit Group (IAG)**

IAG shall discharge the following duties and responsibilities:

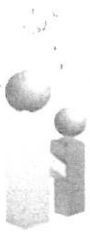
1. Coordinate with – but remains independent from Project Management Team for Risk Management (PMT-RM);
2. Independently review the business units' systems and processes if they provide effective controls;
3. Audit the adequacy and effectiveness of the Risk Management Framework;
4. Audit the effectiveness of the risk management policies, processes and systems;
5. Audit compliance to the risk management policies and processes; and
6. Audit management commitment to risk management and the take up of their roles.

## **X. SECRETARIAT AND SUPPORT**

The Secretariat of the Risk Management Committee (RMC) shall be the Office of the Corporate Board Secretary (CorSec) and shall have the following functions:

1. Prepare the agenda for the meeting of RMC, in consultation with PMT-RM;
2. Prepare and keep all the minutes of the meetings and the resolutions of the Committee;
3. Maintain Risk Management Reports and other records of RMC;
4. Distribute approved minutes of the Committee meetings with a copy to each RMC member;
5. Endorse to Management within two (2) weeks from the RMC meeting, Committee Resolutions requiring management attention/action; and
6. Perform such other related functions, as may be assigned by RMC or its Chairperson.





## XI. CHARTER REVIEW

Risk Management Committee (RMC) shall review the adequacy and effectiveness of this Charter at least annually and recommend amendments as needed to respond to new risk-oversight needs and any changes in regulatory or other requirements. The Committee shall also perform any other activities consistent with this Charter, the National Health Insurance Act of 2013 (RA 10606 as amended), and governing laws that the Committee and the Board determined as necessary and appropriate. Any proposed amendments to this Charter that stems from such review shall be submitted to the Board for approval.

## GLOSSARY

1. **Controls** – current processes, policies, procedures, actions or other measures that act to minimize negative risk or enhance positive opportunities or benefits. A control is something that is currently in effect, as opposed to a risk response measures, which is control not yet implemented.
2. **Credit Risk** – risk that a borrower will default on any type of debt by failing to make the required payments.
3. **Mitigating Risk** – refers to an overall approach to reduce the risk impact severity and/or probability of occurrence.
4. **Residual Risk** – a risk that remains after all efforts have been made to mitigate or eliminate risks associated with a business process.
5. **Risk** – the effect of uncertainty on objectives. Risks include events which cause damage or are negative in impact as well as events which prevent the realization of positive opportunities or benefits.
6. **Risk Appetite** – is a concept that helps guide organizational risk management activities by allowing officials to establish a baseline level of risk an organization is prepared to accept before taking an action and evaluate the likelihood and impact of the risk.