

INSTITUTIONAL GOVERNANCE

Governance, Risk and Compliance Framework

The Corporation commits and adheres to its Code of Corporate Governance and the principles of accountability and transparency in the performance of its mandates to safeguard the interests of the depositing public and help maintain a sound and stable banking system. The Board of Directors, Management and employees believe that good corporate governance is an integral component of sound strategic management, and equally commit to the principles contained in the PDIC Code of Corporate Governance. The PDIC further recognizes that this Code guides the Corporation in carrying out its mandates and achieving its goals.

The PDIC's Integrated Governance, Risk and Compliance (GRC) Framework embodies the synergy among the various core and support functions in ensuring effective governance, risk management, and compliance processes. The GRC Framework identifies the process through which these functions are coordinated to maximize performance and avoid overlaps across governance, risk management, compliance and control for more efficient and effective information-sharing and reporting activities.

Corporate Governance

The Board Governance Committee (BGC) assists the Board of Directors in fulfilling its corporate governance responsibilities and ensuring adherence to the principles and standards of good corporate governance by defining the institutional framework for sound corporate governance; adopting policies and procedures consistent with good governance standards; and ensuring the availability of an effective system for monitoring compliance with laws, rules, regulations and policies.

The status of corporate compliance to issuances of various regulatory agencies was presented to the BGC by the Corporate Governance Office (CGO). The latter monitors laws, rules and regulations which affect or are relevant to the Corporation.

The BGC regularly discussed and endorsed to the Board of Directors the PDIC's Report on Corporate Performance every quarter of 2022, as well as guidelines and policies such as the Revised Approving Authorities for Foreign and Local Travel, Adoption of Flexible Work Arrangement, Standard Operating Guidelines and Instructions on Systems Maintenance, and the Implementing Guidelines for the Streamlined Procedures for Applications for Mergers, Consolidations and Acquisitions of Banks.

On 21 December 2022, the Board of Directors approved proposed revisions in the PDIC Code of Corporate Governance in view of the amendments to the PDIC Charter brought about by Republic Act (R.A.) No. 11840.

Since the BGC exercises the functions of a Nomination and Remuneration Committee, personnel movements requiring approval by the Board of Directors

were reported to the BGC and acted upon. The BGC likewise endorsed the creation of casual positions as needed by certain units to the Board of Directors for approval.

The Corporation's projects, programs and activities continued to be posted in the PDIC website to promote transparency and better stakeholder engagement. Such promotion and strengthening of public partnership were further displayed in the provision of an accessible, efficient and reliable feedback mechanism as embodied in the Corporation's Whistleblowing Policy. This policy provides feedback channels for any individual to report, anonymously if so desired, and testify on matters involving actions or omissions of all covered personnel that violate good governance principles, or are illegal, unethical, and against public policy and morals, promote unsound and unhealthy business practices, and are grossly disadvantageous to the PDIC and/or the environment.

The collective performance of the Board and individual Board members was evaluated during the year through a performance evaluation system that included self-assessment and peer assessment. All members of the Board Committees likewise responded to an assessment form to evaluate their performance and identify strengths and opportunities for improvement.

Risk Management

The Board of Directors, through the Board Risk Management Committee (BRMC), exercises oversight function over the Corporation to ensure that key risks are identified and managed consistent with its risk management policy. They are supported by the Enterprise Risk Management Committee (ERMC) which provides a strategic role in establishing the direction to embed risk management in all work contexts and levels.

The Enterprise Risk Management (ERM) Framework describes the key principles, elements, and processes to manage the risks of the Corporation effectively and efficiently. It also illustrates how risk management is embedded in the PDIC's organizational systems and decision-making processes. With its full implementation in 2014 and supported by the conduct of various workshops, the ERM Framework has contributed to the strengthening of management practices, decision-making and resource allocation of the Corporation. Since then, it has safeguarded the fulfillment of mandates of the PDIC and has enabled it to actively support other financial regulators in maintaining the stability of the financial system.

In 2022, the Corporation continued to implement measures and pursue action plans to address challenges and business continuity risks brought about by the COVID-19 pandemic. Various units in the organization persistently implemented its response measures to mitigate the impact of the disruption to the operations of PDIC. These measures include the continued implementation of health and safety protocols and the work from home arrangements aligned with the Civil Service Commission's Circular on alternative work arrangements.

Risk culture and awareness of employees were enhanced through the conduct of orientations and briefings on the ERM Framework and the business continuity

plan of the Corporation.

Collaboration among the Risk Management Office (RMO), CGO and Internal Audit Group (IAG) in 2022 under the GRC Framework was continued, further contributing to the enrichment of the risk management process through its monthly meetings. The sustained sharing of information among these units facilitated the identification of new and monitoring of existing risks and the reporting of the implementation of initiatives to reduce and mitigate these risks.

Cascading of the PDIC's Governance, Risk Management, Compliance and Internal Control System to PDIC employees also took place in 6 batches from July to October 2022, with the objective of empowering the attendees to understand PDIC's internal control system, governance, compliance and risk management frameworks and latest developments thereto.

Key risks and other risk-related matters were regularly updated, monitored, and reported to the ERMC and the BRMC for discussion, as evaluated by the concerned units and the RMO. These reports assist top management and the Board Committees in recommending actions to the Board. Regular reporting to the Board on the actions taken and planned mitigation measures provide assurance of Management's commitment to address risks.

Internal Audit

The Board Audit Committee (Board AC) is among the oversight committees of the Corporation created with the purpose of assisting the Board of Directors to oversee the financial reporting process, the system of internal control and audit process, and compliance with laws and regulations and the Code of Ethics.

The Board AC also oversees the activities of the IAG with its performance regularly monitored and measured through the Group's quarterly Office Performance Accomplishment Report (OPAR) as well as the Annual Office Performance Commitment Rating, reported to the Board AC during the year.

During the year 2022, the Board AC continuously emphasized the importance of the GRC Framework and the support roles and functions of the Board AC and IAG in the GRC Framework of the Corporation. Also, the Board AC acknowledged the constant efforts of the Corporation in delivering efficient services to its stakeholders, notwithstanding the challenges brought by the COVID-19 pandemic.

The Board AC noted that the internal control system of the Corporation was generally effective based on the results of audit engagements reported by IAG. The Board AC will continue performing its oversight functions especially in monitoring the Corporation's action plan in addressing areas of concerns pertaining to the internal processes (Operations and Support), and its full automation for efficiency particularly under the Receivership and Liquidation Sector. The continued monitoring of the implementation of action plans ensured a more efficient and effective process especially in the Closed Banks' handling of assets, recording, and regular reporting to the Board of Directors.

For the PDIC Management, commitment in strengthening governance and risk management processes and implementation of effective internal control system is eminent to ensure relevant risks are addressed in processes/systems where key or significant audit findings were noted.