

INSTITUTIONAL GOVERNANCE

Governance, Risk and Compliance Framework

PDIC acknowledges that good corporate governance is essential to the achievement of its goal as an active partner of the government in national development, safeguards the interest of the depositing public, and contributes to the promotion of financial stability in the economy. Thus, PDIC is committed to institutionalize the principles of good corporate governance in the entire organization. The Board of Directors, management and employees of the Corporation equally commit to the principles contained in PDIC's Code of Corporate Governance and acknowledge that this Code will serve as a guide in the achievement of corporate 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 discussed and endorsed to the Board of Directors the PDIC's Report on Corporate Performance every quarter of 2023, as well as guidelines and policies such as the PDIC Scholarship Program and Implementing Guidelines, Guidelines on Referrals for Contract Review to the Office of Government Corporate Counsel (OGCC), and Competency-Based Performance Management System.

Matters relating to the implementation of the Compensation and Position Classification System (CPCS) under Executive Order (E.O.) No. 150 after receipt by PDIC of the authority to implement the CPCS on 3 July 2023, revisions to the Financial Crisis Management Plan (FCMP), and action plan on the results of the Nationwide PDIC Public and Reputation Survey, were likewise presented to the BGC for endorsement to the Board of Directors.

Since the BGC exercises the functions of a Nomination and Remuneration Committee, the BGC reviewed and evaluated the qualifications of persons nominated to positions requiring approval by the Board of Directors.

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.

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. Supported by the Enterprise Risk Management Committee (ERMC), risk management is embedded in all aspects of strategy formulation and implementation ensuring the attainment of the Corporate objectives.

The Enterprise Risk Management (ERM) Framework describes the key principles, elements, and processes to manage the risks of the Corporation effectively and efficiently. It illustrates how risk management is embedded in the PDIC's organizational systems, including planning and decision-making processes. With its full implementation in 2014 and supported by the conduct of various workshops, the risk management has strengthened 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 implement programs and initiatives towards maintaining the stability of the financial system.

In 2023, the Corporation continued to implement measures to strengthen risk management and enhance the risk culture and awareness among its employees. On 20 June 2023, a partnership with the Bureau of Fire Protection (BFP) was signed through a Memorandum of Understanding signifying PDIC's support to BFP's Call-to-Action against Destructive Fire Campaign. Through the partnership, trainings of Basic Fire Safety among PDIC personnel and an assessment on PDIC's disaster preparedness were conducted.

Collaboration among the Risk Management Office (RMO), CGO and Internal Audit Group (IAG) in 2023 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.

Key risks and other risk-related matters were regularly updated, monitored, and reported to the ERMC and the BRMC. These reports provided top management and the Board Committees information for decision making on actions recommended to the Board.

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. Its Membership, Authority, Duties and Responsibilities, among others, is documented through its Board Audit Committee Charter approved by the Board of Directors and reviewed regularly.

The Board AC oversees the activities of the Internal Audit Group (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. IAG's functions, authority, duties and responsibilities, and audit activities, among others, are documented in the Operating Guidelines approved by the Board AC and the PDIC Board. This Operating Guidelines aligned also with the Revised Philippine Government Internal Audit Manual (RPGIAM) issued by the Department of Budget and Management.

During the year 2023, 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.

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. Its independent evaluation of the effectiveness of the internal control system of the processes/area audited, as well as the effectiveness of system controls for application systems, are supported with Internal Control Assessment Rating Methodology which earned PDIC a recognition from the Association of Government Internal Auditors (AGIA) in October 2023 for its exceptional contribution in implementing innovations and/or Best Practices in Internal Auditing in the GOCC Sector.

Among the key internal control procedures reviewed by the IAG and reported to Board AC are the review and/or setting of policies and guidelines, segregation of duties, financial recording and reporting, compliance to laws, rules, and regulars and managerial policies, and the 4 Es of Operations (*i.e.* efficiency, effectiveness, economical, and ethical) of Operating and Support process particularly under the Receivership and Liquidation Sector, Administrative Services, Information Technology, and other Sectors of the Corporation.

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.