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### 1. INTRODUCTION

All activities undertaken by NATCCO MBAI, also referred to as Association in this policy, carry an element of risk. The exposure to these risks is managed through the practice of Enterprise-Wide Risk Management (ERM). In managing risk, it is the Association's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of everyone in the Association.

This policy outlines the Association's risk management process and sets out the responsibilities of the Board, the Audit Committee and Board Risk Oversight Committee (BROC), senior management and others within the Association, in relation to risk management.

This is also in compliance with Recommendation 2.11 of the Revised Corporate Governance Circular Number 2020-71.



### 2. POLICY STATEMENT


It is the declared policy of NATCCO MBAI to create, protect, and enhance member value and its viability by managing the uncertainties that could have an impact on achieving its objectives. ERM policy has been developed to ensure that the Association achieves its objectives by maintaining an ERM framework such that:

- 2.1 Significant current and emerging risks and opportunities are identified and understood;
- 2.2 Appropriate risk management systems to manage these risks are developed and effectively implemented;
- 2.3 Regular reviews are conducted to evaluate the effectiveness of risk control measures; and
- 2.4 Reports are produced on a regular basis regarding the adherence to this policy.

### 3. APPLICABILITY

This Policy applies to all Officers and employees of the Association.

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#### 4. DEFINITION OF TERMS

**Risk-** is an event or activity that may have an impact on the Association’s ability to effectively execute its strategies and achieve its objectives or which may cause a significant opportunity to be missed.

**Enterprise-wide Risk Management-** is a systematic approach to setting the best course of action to manage uncertainty by identifying, assessing, responding to, monitoring and reporting risks that may have an impact on the achievement of objectives.

**Risk Appetite-** is the degree of risk, on a broad-based level, that the association is willing to accept or take in pursuit of its objectives.

**Risk Control Activities-** means taking action to avoid, transfer, mitigate or retain the risks identified.

**Risk Assessment-** is the process of evaluating and comparing the level of risk against predetermined acceptable levels of risk.

**Risk Register-** is a document containing the identified risks, likelihood and impact assessment, the risk rating, risk management response option, risk control strategies and the status of the risk.



#### 5. ROLES AND RESPONSIBILITIES


##### 5.1 Board Risk Oversight Committee (BROC)

5.1.1 Develops a formal enterprise risk management plan which contains the following elements:

- 5.1.1.1 Common language or register of risks
- 5.1.1.2 Well defined risk management goals, objectives and oversight
- 5.1.1.3 Uniform processes of assessing risks and developing strategies to manage prioritized risks
- 5.1.1.4 Designing and implementing risk management strategies, and
- 5.1.1.5 Continuing assessments to improve risk strategies, processes and measures;

5.1.2 Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee (MROC). This function includes regularly receiving information on risk exposures and risk management activities from Management. The BROC conducts regular discussions on the Association's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

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- 5.1.3 Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROCC revisits defined risk management strategies, looks for emerging or changing material exposures and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- 5.1.4 Advises the Board on its risk appetite levels and risk tolerance limits. The committee shall have access to any of the Association's relevant documents and records that are necessary for it to carry out its duties;
- 5.1.5 Reviews at least annually the Association's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment and when major events occur that are considered to have major impacts on the Association;
- 5.1.6 Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Association and its stakeholders;
- 5.1.7 Reports to the Board on a regular basis, or as deemed necessary, the Association's material risk exposures, the actions taken to reduce the risks and recommends further action or plans, as necessary.

## 5.2 Board of Trustees



Exercises oversight responsibility on the functions of BROCC.


## 5.3 Audit Committee

The role of the Audit Committee is to advise and assure the Board of Trustees on the association's implementation and performance of risk management.

It is responsible in:

- 5.3.1 Evaluating the association's risk identification, assessment and management of risk from internal and external sources.

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5.3.2 Providing assurance to the Board of Trustees on the performance of risk management of the Association.

#### 5.4 President

Main risk management responsibilities of the President:



- 5.4.1 Establish the operational structure for risk management;
- 5.4.2 Ensuring governance mechanisms to effectively monitor risks and the way risk is managed;
- 5.4.3 Undertaking, at least annually, a formal operational risk assessment process for the Association's Board of Trustees;
- 5.4.4 Establishing and maintaining a culture of risk awareness;
- 5.4.5 Ensure the capturing of risk information in the Association's risk registers and information on risks including:
  - 5.4.5.1 Authorizing risks to be added or retired from their risk register,
  - 5.4.5.2 Validating and reviewing existing risks on the risk register and
  - 5.4.5.3 Identifying risk owners, control owners, and treatment owners.
- 5.4.6 Ensure that risk management is incorporated at the conceptual stage of planning as well as throughout its implementation and evaluation.


#### 5.5 Internal Audit

- 5.5.1 Evaluate the adequacy, effectiveness and contribute to the improvement of the risk management processes in the Association in accordance with the Internal Audit Charter.
- 5.5.2 Providing advice and recommendations on risk management policy and program by contributing to policy development, and to the realization of Association's objectives.
- 5.5.3 Monitoring and reviewing appropriateness of Association's risk management operations including staff development to support effective risk management capability across the Association.
- 5.5.4 Providing technical consultancy advice in risk management and associated aspects which extend across the Association.

#### 5.6 Employees

- 5.6.1 Support, report and contribute to the risk management process.

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5.6.2 Maintain an awareness and participation in the identification, assessment and management of the risks that relate to their work group.



## 6. PROCEDURES (refer to the Association’s Risk Register)


### 6.1 THE ERM FEEDBACK LOOP



#### 6.1.1. Risk Identification

- 6.1.1.1. The Association will identify risks on a continuous basis for existing processes and for new products, projects or changes to existing products or processes. The following are to be considered in the identification of risks:
- 6.1.1.2. Based on the Association’s objectives, identify the events that might inhibit the ability to meet its objectives.
- 6.1.1.3. Define how the risks affect the achievement of objectives.
- 6.1.1.4. Determine the sources of risks from external and internal activities.

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## 6.1.2. Risk Assessment

### 6.1.2.1 Likelihood

Rating	Description	Perceived Likelihood
4	Almost Certain	The event is expected to occur as there is a history of regular occurrence at Association
3	Likely	There is a strong possibility the event will occur as there is a history of frequent occurrence at Association
2	Possible	The event might occur at some time as there is a history of occurrence at ASSOCIATION
1	Unlikely	Not expected to occur during period of exposure

### 6.1.2.2 Impact Measurement

RATING	TITLE	DESCRIPTION	FINANCIAL IMPACT	(AND/OR) REPUTATION AND IMAGE IMPACT
4	<b>CRITICAL</b>	Very serious impact; very hard to recover; represents a control weakness; no longer possible to achieve business objectives	More than 16M	<ul style="list-style-type: none"> <li>-decrease in the members/public's confidence in Association</li> <li>-serious decline in service/product delivery, value and/or quality recognized by members</li> <li>-contractual non-compliance or breach of legislation or regulation with litigation and/or penalty</li> </ul>

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**ELLEN R. PASTORES**  
 BOT Chairperson  
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3	<b>HIGH</b>	Serious impact; able to recover with significant effort; represents a control weakness which could cause significant effect on the ability to achieve business objectives	More than 8M to 16M	-probable decrease on the members/public's confidence in Association -major decline in service/product delivery, value and/or quality recognized by members. -contractual non-compliance or breach of legislation or regulation with probable litigation and/or penalty
2	<b>MODERATE</b>	moderate impact; may reduce ability to achieve business objectives within targeted timeline	More than 4M to 8M	-possible decrease in the members/public's confidence in Association -moderate decline in service/product delivery, value and/or quality recognized by members
1	<b>LOW</b>	low impact ; able to recover with minor effort	More than 2M to 4M	-should not decrease the members/public's confidence in Association -minimal decline in service/product delivery, value and/or quality recognized by members

**6.1.2.3 Risk Rating**


SCORE	SEVERITY/RATING
12 – 16	CRITICAL
7 – 11	High
3 – 6	Moderate
1 -2	Low

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BOT Chairperson  
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**6.1.2.4 Prioritize Risks**

Risks are prioritized based on risk rating, where likelihood and impact are multiplied and plotted in the Association’s Risk Severity Chart.

RATING	REQUIRED ACTION
Critical (12-16)	Requires immediate action to control the risk, notify Audit Committee; Requires President attention; Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days; reported to the BOT through an executive summary by the Audit Committee.
HIGH (7-11)	Action required to control the risk; Unit Head attention; requires a detailed plan of action to be put in place within 30 days; reported to the BOT through an executive summary by the Audit Committee.
MODERATE (3-6)	Action is advisable if it is cost effective; requires short-term management action; requires Unit Head’s attention; requires a detailed plan of action to be put in place within 30 days; reported to the BOT through an executive summary by audit committee.
LOW (1-2)	Requires no immediate action from management; requires Unit Head's attention; timeframe for action is subject to competing priorities and cost/benefit analysis; reported in detailed findings in report to management.

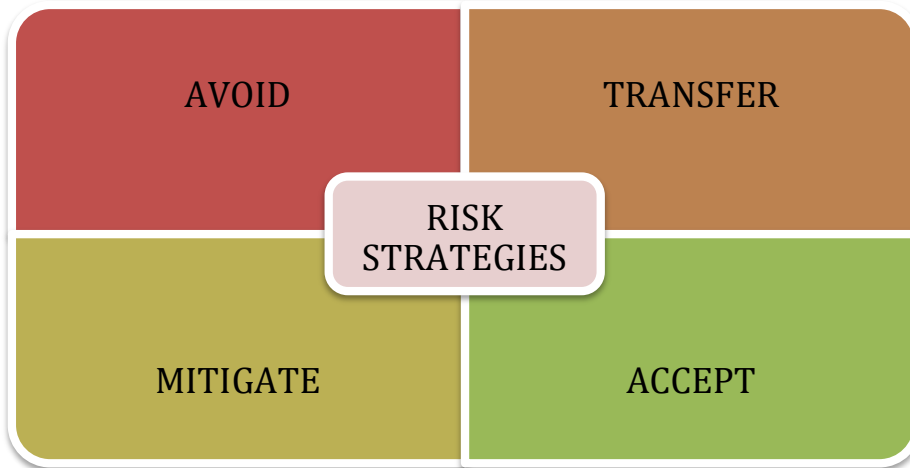
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**6.1.3 Managing Risks**

**6.1.3.1 RISK STRATEGIES**

The Association will determine one or more from the following options in treating identified risks in order to optimize risk management using the risk strategies options:





**6.1.3.2 Implementation**


Risks and related responses are assigned to the Unit Head who is responsible for the area affected by the risk. As part of the response process, management will determine and document control activities or management actions necessary to manage all risks.

**6.1.4 Monitoring Effectiveness**

Management shall submit a report to the Board of Trustees at least quarterly on the following:

- 6.1.4.1 Status of significant risks and those risks that exceed their acceptable levels;
- 6.1.4.2 Timeframe and status of any additional risk management activities that may be required to bring risks within approved levels;
- 6.1.4.3 Any negative trends of higher risk areas and any changes to risk management activities;
- 6.1.4.4 Any emerging risks; and
- 6.1.4.5 Any exception to ASSOCIATION’s established policies or limits for key risks.

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**6.1.5 Policy Revision**

Should the existing risk policy fail to respond effectively, the Association must revise the policy and implement corrective actions to address process and control deficiencies.

**7. SEPARABILITY CLAUSE**



If any provision or part of this policy is declared invalid, the remaining parts or provisions not affected must remain in full force and effect.

**8. AMENDMENTS**

This Policy may be amended or modified only by a written instrument, executed by the President and approved by the Board of Trustees.

**9. DATE OF EFFECTIVITY**

This policy must take effect on the date of the approval of the Board of Trustees.

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