



Enterprise Risk Management Manual

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INTRODUCTION

1. PURPOSE

The purpose of this Enterprise Risk Management procedure is to prepare the Management and Staff of CARE MBA, Inc. the skills to apply consistent and comprehensive risk management which includes identifying, evaluating and controlling possible risks in the Association.

This ERM Policy will set as guide in identifying potential risks before they arise so that the Association will have its own action plan if needed. In addition thereto, all its employees will feel secure in their workplace. Managed problems and risks provide safer environment to the Board of Trustees and the Management and Staff as well.

2. POLICY STATEMENT

The Board of Trustees and Management of CARE MBA, Inc. consider risk management as a part of the Association and must have back up plans when they arise. CARE MBA, Inc. efficiently addresses the risks attaching to its business activities while overcoming them.

Enterprise Risk Management is the process of identifying and addressing methodically the potential events that represent risks to the fulfillment of strategic objectives of the Association. ERM is a tool that helps CARE MBA, Inc. to improve its decision making process and offers framework for efficiently managing risks and uncertainties that may be encountered in the future.

3. OBJECTIVES

Implementation of the Enterprise Risk Management is a responsibility of the Board Risk Oversight Committee with the guidance and approval of the Board of Trustees of the Association. It is important to have complete and current risk information available as they guide the management to make more informed decisions on future risks.

The objectives of this Enterprise Risk Management framework are as follows:

- To have a systematic approach in identifying potential risks within the Association.
- To provide a consistent risk evaluation.

- To adopt an accurate risk response and solution align with good decision making and business direction.
- To furnish an acceptable communication and monitoring of risk levels within the Association.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

CARE MBA, Inc. Enterprise Risk Management Framework must be consistent to the business operations and strategies of the Association that are composed of the following aspects:

1. INTERNAL CONTROL

Internal Control is the system established by the Board of Trustees and Management of CARE MBA, Inc. for the accomplishment of the association's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules.

The control environment of the Association consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The minimum internal control mechanisms for the Board is to ensure the separation of duties are perform in accordance to the defined control environment of the association.

2. ENTERPRISE RISK MANAGEMENT STRUCTURE

The organizational arrangement distinguishes the key people within the Association that are involve in the Enterprise Risk Management and their roles and responsibilities. This structure strengthens values through good corporate governance that are being performed by the Board of Trustees and Management. They are headed by the Chief Risk Officer (CRO) who is the Chairperson of the Board Risk Oversight Committee of CARE MBA, Inc. Their duties and responsibilities are as follows:

A. The Board of Trustees – They are the highest level of governance structure that are duly elected by members/representatives during the Annual General Meeting. Board of Trustees shall primarily responsible for approving and overseeing the implementation of the Association’s policies and procedures, action plans corporate governance and risk management.

- a. Oversees the Association’s risk management, procedures and internal controls
- b. Approves the risk management framework
- c. Supports and promote risk management of the Association
- d. Reviews risk reports
- e. Monitors risk indicators for identified significant risks.

B. The Board Risk Oversight Committee – The Board Risk Oversight Committee shall be responsible in the management of identified risks of the Association and shall continuously monitor the risks and ensure that the internal controls are being established. The Chairperson of the Board Risk Oversight Committee shall act as the Chief Risk Officer of CARE MBA, Inc.

- a. Monitors and evaluates the internal control environment which focuses on the identified internal and external risks of the Association.
- b. Regular review of the risk management activities
- c. Controls and manages threats to its operational and financial viability
- d. Present periodic risk report to the Board of Trustees
- e. Continuously upgrading the risk management policy and strategy for Board of Trustees’ approval

C. The Corporate Governance Committee – The Corporate Governance Committee is the one responsible for:

- a. Provides continuous training and education
- b. Responsible for the assessment of the performance evaluation
- c. They shall identify the risks on corporate governance based on the output of the performance evaluation

D. The Audit Committee – The Audit Committee is responsible for the following:

- a. Oversees the financial reporting process and system and its possible risks.
- b. Establishes a thorough risk management process and effective internal

control.

- c. Review reports, opinions and recommendations prepared by the Internal and external auditor
- d. Reports to the Board of Trustees the outcome of opinions and recommendations of the internal and external auditor on matters such as: key areas of risk for financial statement, reasonableness of accounting estimates, significant or unusual transactions and matters noted during audits.

E. The Related Party Transactions Committee – The Related Party Transactions Committee shall be responsible for:

- a. All corporate dealings of the Association with integrity and honesty
- b. Reviews all related party transactions and monitor if there are possible threats in transactions
- c. Evaluates each transaction to assess its fairness and transparency

F. The General Manager – The General Manager is responsible for the following:

- a. Develop and implement an effective Enterprise Risk Management Framework, principles and policies
- b. Continuously improves the Enterprise Risk Management framework
- c. Identifies the Association's risk
- d. Builds a risk awareness culture
- e. Assigns responsibilities for risk ownership, monitoring and reporting
- f. Establishes internal and external communication and reporting mechanisms
- g. Monitors the effectiveness of risks responses
- h. Creates and reports a periodic report to the Board of Trustees

G. Chief Risk Officer – The Chairperson of the Board Risk Oversight Committee acts as the Chief Risk Officer of the Association with the following duties and responsibilities:

- a. Monitoring of the overall risk management framework of the Association
- b. Recommends action plans and strategies on risk assessments

- c. Develop risk management policies of the Association
- d. Responsible for all risk management strategies and operations
- e. Reports periodically to the Board Risk Oversight Committee on risk thresholds, losses, risk assessments and business continuity plan

H. The Compliance Officer – The Compliance Officer shall be responsible for the following duties:

- a. Monitors compliance with the provisions and requirements of the Association’s rules and regulations
- b. Documents the internal risk policies and structures
- c. Compiles risk information and prepare reports for the Board of Trustees
- d. Timely submission of compliances on different government agencies
- e. Handles the efficiency and effectiveness of internal controls

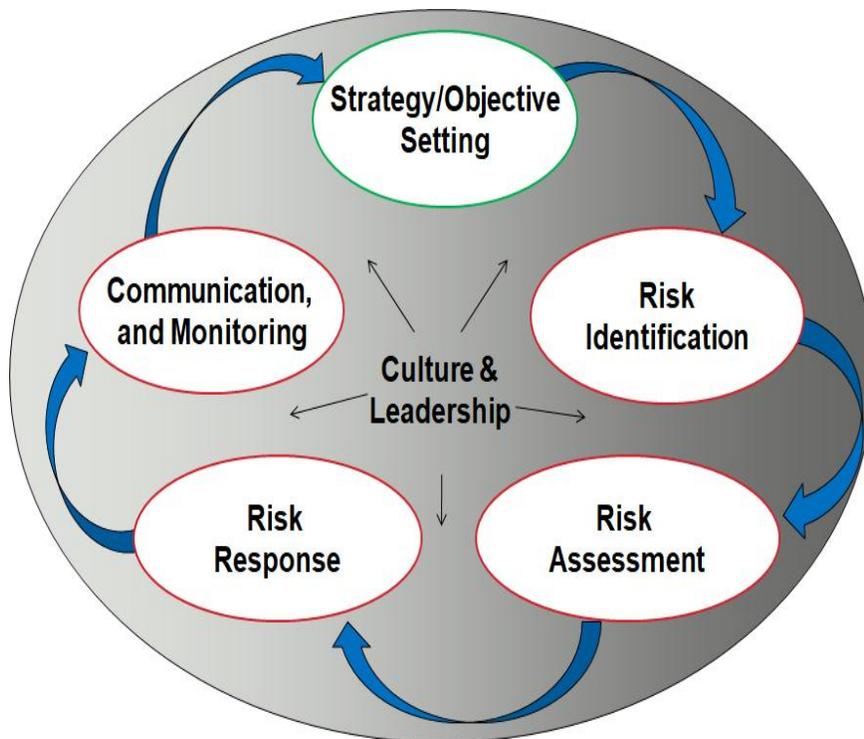
I. Employees of CARE MBA, Inc. – Every employees of CARE MBA, Inc. shall performed the following duties on risk management:

- a. Understand, accept and implement the Enterprise Risk Management Framework processes
- b. Report directly to the General Manager on possible threats if any
- c. Follow the Code of Conduct and Ethics of the Association
- d. Work and perform their duties and responsibilities with honesty and integrity

ENTERPRISE RISK MANAGEMENT PROCESS

The Enterprise Risk Management Framework includes a description of the risk management process of identifying, prioritizing, evaluating and treating of possible risks. The Association also includes the techniques and strategies to be used in assessing and evaluating the identified risks inside and outside CARE MBA, Inc. as follows:

1. Set Strategy and Objectives
2. Risk Identification
3. Risk Assessment
4. Risk Response / Treatment
5. Communication and Monitoring



STEP 1. SET STRATEGY AND OBJECTIVES

The Enterprise Risk Management process is to set a clear organizational strategies and measurable objectives.

Defining the strategy and objectives is essential before moving to the next step. The approach will provide the direction in developing operational plans and allocation of resources.

Strategic objectives are aligned to the acceptable risk appetite to make sure that

organization is not accepting too much nor too little risk.

STEP 2. RISK IDENTIFICATION

The risk identification must be done quarterly. The purpose is to recognize the potential risks of the Association that may affect the achievement of objectives and narrow them down to the most significant risks.

1. **External Risks** – External risks are uncontrollable and unexpected to happen like natural disasters, economic risks and political risks. It is beyond the control of the Association.
2. **Internal Risks**- Internal risks are faced by the Association from within its organization and arise during its normal operations. CARE MBA categorized its internal risks into people, process and system. These risks are manageable and beyond the control of the Association.

To identify the potential risks, CARE MBA, Inc. can use the following methods:

- Documentation reviews and discussions
- Information gathering techniques
- Group Brainstorming
- SWOT analysis (Strength, Weakness, Opportunities and Threats)
- Workshops

STEP 3. RISK ASSESSMENT

This is the process of identifying, analyzing and mitigating of potential risks that may create a negative effect in the Association. To avoid possible threats, it is only necessary to be prepared and pay attention before they get worse.

1. **Risk Identification** – CARE MBA, Inc. must identified the threats in order to reduce the adverse effect of risks and maximize the good impact and opportunities and improve chances for risk response and creation.
2. **Risk Classification** - Every organization has hazards that may be dangerous in the smooth flow of business transactions. However, risk classifications create awareness and can significantly reduce the likelihood of threats and help the management identify ways to solve them.

Low	▪ Not likely to result in failure or harm
Medium	▪ Risks that can cause an impact but not a serious one is rated as medium.
High	▪ Involving or exposed to a high level of danger.

3. **Risk Indicator**- Risk indicator is a tool use by management to gauge the threats of the activities and use to give signal on the increasing risk exposures in various areas of the Association.

		Impact		
		Low	Medium	High
Probability	High	low	medium	high
	Medium	low	medium	medium
	Low	low	low	low

STEP 4. RISK RESPONSE / TREATMENT

The Association’s risk response planning is to develop options and determine actions to enhance opportunities and reduce threats in and out of CARE MBA, Inc. It includes the identification and assignment of individuals or parties to take responsibility for each agreed risk response as follows:

1. **Tolerate** –This action is chosen when risk is acceptable, control is impossible or cost of control surpasses the potential benefit. Contingency plan is a must to handle any potential impact.
2. **Transfer** – Transferring threats is an option that works well for risks to asset risks by paying a third party. Contractually transfer the risk and loss of exposure to a third party. (e. g. reinsurance providers).
3. **Mitigate** - There are methods to reduce or mitigate risks. This can include deploying of additional resources (e. g. people, process, technology, system etc.) setting up new or revising existing control measures, streamline operations and improving employees skills and knowledge.
4. **Avoidance** – Avoiding risks may be the easiest action to mitigate threats. Eliminate the risks altogether by eradicating the cause of the risk event. This can be done by foregoing certain strategies or terminating activities that jeopardize the operations of the Association. But sometimes, avoiding risks also

means avoiding possible gains.

CARE MBA, Inc. proper risk control measures will easily identify if there will an upcoming risk on the Association, employees, and members to know when, where and how they will be exposed to risk. Internal control is designed to safeguard the Association and minimize threats and protect policies, rules and regulations.

The table below shows the Association’s action plans on gauged probability and impact of identified risks.

Probability	Impact	Action Plan
Low	Low	Non-priority
Low	Medium	Monitor
Low	High	Reduce
Medium	Low	Monitor
Medium	Medium	Monitor / Action
Medium	High	Monitor / Action / Prevent
High	Low	Monitor
High	Medium	Action
High	High	Avoid / Prevent / Mitigate

STEP 5. COMMUNICATION AND PLANNING

The last step for Enterprise Risk Management process is the communication and monitoring of risks. The Association must review the progress of the plan and check if a risk has occurred. It is also important tool for disseminating information and understanding about risk management decisions. In addition thereto, risk monitoring is essential to CARE MBA, Inc. because it helps to highlight whether strategies are effective or not and it can also lead to identification of new risks.

The main objectives of this step are as follows:

- 1. To determine whether the ERM process is working.** – Monitoring of the ERM process on a regularly basis is essential to find out the status of implementation and effectiveness of ERM. Any deviations must be reported to allow for corrective actions to be taken. Lessons learned must be assessed for further improvements of ERM framework and process.
- 2. To find out whether risk treatment strategies adopted are sufficient or**

need further action. - Monitoring must be assessed regularly to measure its adequacy and effectiveness of treatment measures. This will allow the management to reassess the risks and decide whether additional control methods will be done.

3. **To assess whether the risk profile has changed.** –The internal and external environment of the Association must be regularly assess. This will allow for the early identification of new emerging risks, discontinuance of control treatment and re-distribution of resources based on the revised risk profile.
4. **Reporting** – Risk reports must be done periodically by the acting Chief Risk Officer of the Association who is the Chairperson of the Board Risk Oversight Committee. The report must be available to both internal and external users.
5. **Own Risk Assessment risk Report** – The acting Chief Risk Officer of the Association who is the Chairperson of the Board Risk Oversight Committee must submit a comprehensive own risk assessment report to the Board of Trustees annually.

The content of the report includes the following:

1. Summary of significant risks;
2. Risks that surpasses the acceptable risks level;
3. Risk management decisions taken to bring risks to acceptable levels and status of implementation
4. New and emerging risks including to their assessment
5. The trend of each risk (whether decreasing, stable or increasing) and the effectiveness of the methodologies and procedures to manage each risk (whether weak, acceptable or strong)

Weak	<ul style="list-style-type: none"> ▪ There are significant gaps in the methods, procedures and controls. ▪ The methods, procedures and controls are not fully documented. ▪ The methods, procedures and controls and effectiveness cannot be assessed.
Acceptable	<ul style="list-style-type: none"> ▪ The methods procedures and controls are reasonable and appropriate including cost/benefit considerations. ▪ There are possibilities to further improve the methods procedures and controls. ▪ The methods, procedures and controls may either: <ol style="list-style-type: none"> a. Not be fully documented b. Not fully implemented c. Not fully followed
Strong	<ul style="list-style-type: none"> ▪ The methods, procedures and controls are appropriate to the risk: <ol style="list-style-type: none"> a. Fully Documented

	b. Fully Implemented c. Fully followed
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Risk Monitoring Report - A sample report is shown in the table below.

Priority Risks	January	February	March	April	May	June
Risk 1						
Risk 2						
Risk 3						
Risk 4						
Risk 5						

The report provides an indication whether the risk management were effective in treating the risks. (*Green-Low Risk; Yellow-Medium Risk; Red-High Risk*)