ValuCare
You can count on us

Enterprise Risk Management Framework

Value Care Health Systems, Inc.

Creation Date: August 2020

Last Updated: August 2020

Version: 0

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Introduction

ValuCare is committed to its vision, which is to be the number one managed care organization in the Philippines, globally competitive in providing holistic care with compassion to the Filipino people. In achieving this vision, ValuCare will face risks to its business strategy, operational risks, financial risks, legal risks, compliance risks, technology risks. and risks associated with the protection of its people, property and reputation.

In line with corporate good governance, the Company commits itself to the public to effectively manage the business and ensure that a proper risk management process is in place. The Enterprise Risk Management Framework shall serve as the guiding principles for the officers and staff of ValuCare in managing the risks inherent in the Health Maintenance Organization (HMO) activities. All HMO companies are regulated by the Insurance Commission, Bureau of Internal Revenue, and the Securities and Exchange Commission. All existing regulatory policies related to HMO business issued by these regulatory bodies are embodied in the Insurance Code, The SEC Code, the BIR Code and various circulars, memoranda and regulations.

Enterprise Risk Management Policy

ValuCare defines risks as any potential event which could prevent the achievement of an objective. It is measured in terms of impact and likelihood. The company policy is to identify, analyze and respond appropriately to all type of risks.

Risk Management is an important activity within organizations. It helps an organization meet its objectives through the allocation of resources to undertake planning, make decisions and carry out productive activities. Risk management is unique in that it focuses on uncertainties that an organization faces: uncertainties in the probability of occurrence of events, uncertainties of consequences of events and other uncertainties that fall outside the normally expected range of variation. Risk management like other management activities must be practical, cost effective, and help the organization survive and prosper.

Risk management strategies or responses vary overtime according to the specific business objectives, for example strategic, operational or asset protection. The effectiveness of risk management and control measures will be regularly reported to and acted upon by the Board of Directors. In addition, periodic independent review will also be conducted.

Enterprise Risk Management (ERM)

Definition

This manual adopts the principles of Enterprise Risk Management (ERM). The COSO "Enterprise Risk Management-Integrated Framework" defines ERM as "a process effected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." The definition reflects certain fundamental concepts.

Enterprise risk management is:

- A process, ongoing and flowing through an entity
- Effected by people at every level of an organization
- Applied in strategy setting
- Applied across the institution, at every division, department and unit, and includes taking an entity-level portfolio view of risk
- Designed to identify potential events that, if they occur, will affect the entity and to
- manage risk within its risk appetite
- Able to provide reasonable assurance to an entity's management and board of directors
- Geared to achievement of objectives in one or more separate but overlapping categories

ERM Components

Enterprise risk management consists of eight interrelated components. These are derived from the way management runs an enterprise and are integrated with the management process. These components are:

a. *Internal Environment* – The internal environment encompasses the tone of an organization, and sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.
b. *Objective Setting* – Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.
c. *Event Identification* – Internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channeled back to management's strategy or objective-setting processes.

d. *Risk Assessment* – Risks are analyzed, considering the likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis and the process must initially consider which risks are controllable and uncontrollable.

e. *Risk Response* – Management selects risk responses – avoiding, accepting, reducing or transferring risk – developing a set of actions to align risks with the entity's risk tolerances and risk appetite.

f. *Control Activities* – Policies and procedures are established and implemented to help ensure the risk responses are uniformly and effectively carried out across the institution.

g. *Information and Communication* – Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up the entity.

h. *Monitoring* – The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through a continuous reporting system of ongoing management activities, separate evaluations, or both.

ERM Framework

The responsibility resides at all levels within ValuCare and uses the three lines of defense as follows:

The ***first line*** of defense rest with all divisions involved in operations such us Claims, Sales and Marketing, Customer Care, Members Data Administration, Providers Network, ACCUSA, Billing & Collection, Human Resources, Information and Communication Technology (ICT), Accounting and Facilities & Administration Department (FAD).

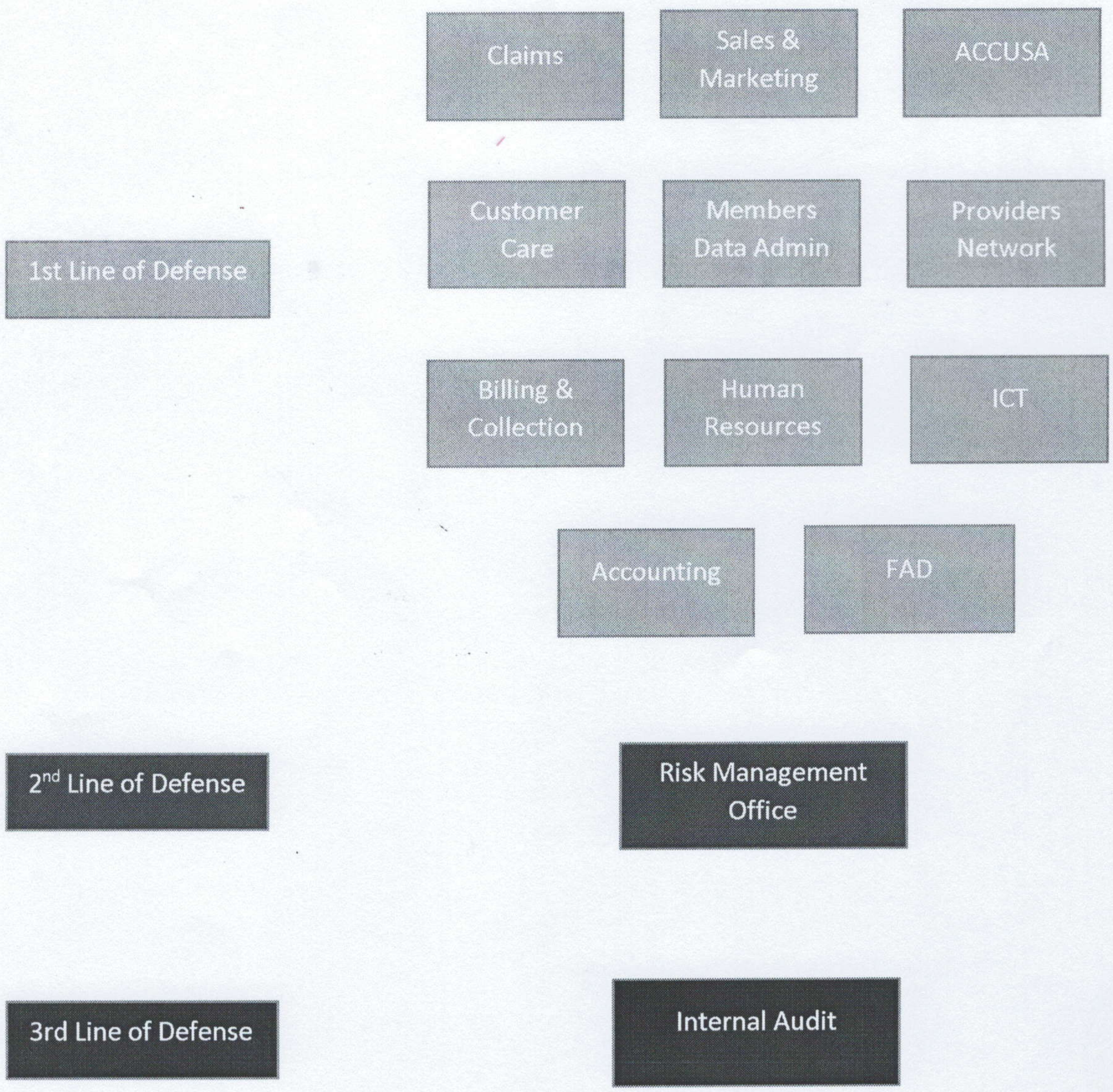
Assessment and evaluation of risks are integrated in the day to day activities and processes of said departments. The processes include selection and evaluation of prospects/customers, health service, pricing and evaluation of health providers as well as the suppliers. The said process incorporates setting up of proper system of internal control, identifying issues and taking remedial actions when required.

The ***second line*** of defense comes from the Risk Management Office of ValuCare which is under the supervision of by the Board Risk Oversight Committee (BROC). The Risk Management Office will be headed by the Chief Risk Overseer (CRO) which holds at-least a Vice President Rank. The CRO implements the Enterprise Risk Management Framework and complies to specific risk management directives and is responsible to the at least quarterly reporting to BROC

The ***third line*** of defense is the Internal Audit which provide an independent risk assessment, controls and corporate governance review to both the head office and branches of ValuCare. The Internal Audit function are administratively reporting to the President and reporting by functions to ValuCare Board Audit and Compliance Committee (BACC).

Value Care Health Systems, Inc.

Risk Management Organization



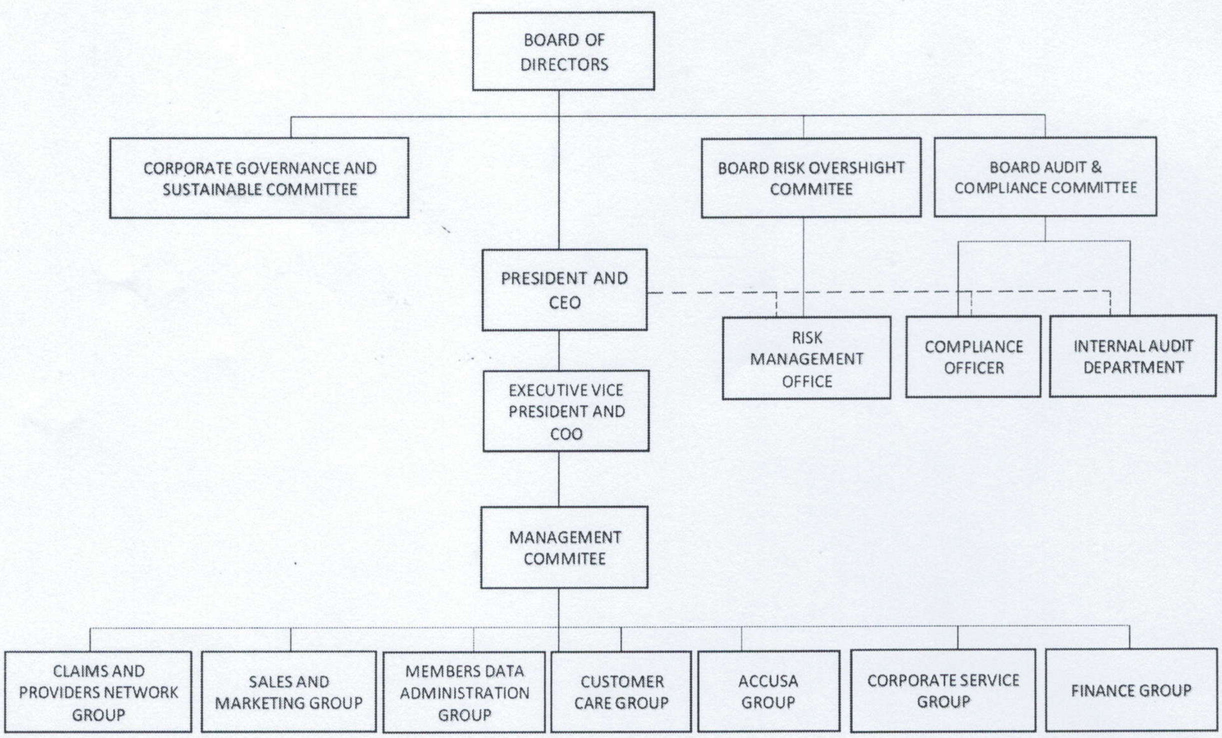
Risk Management Objectives

The company's risk management objectives are to:

a. Institutionalize the Risk Management Process
b. Define and disseminate the company's risk objectives
c. Develop risk management infrastructure
d. Identify, measure, analyze, and manage risks inherent in all HMO activities
e. Assist risk taking business and operating units in understanding and measuring risk profiles.

Enterprise Risk Management Methodology

The basic risk management function in ValuCare has the Board of Directors on top of three separate and distinct responsibilities namely: the (1) Board Audit and Compliance Committee (BACC), the (2) Line Management, and (3) the Board Risk Oversight Committee (BROC). Organizationally, the framework is illustrated by the following functional Table of Organization of the company:



Corporate Service Group includes Human Resources, ICT and FAD.

ValuCare was incorporated under the corporation code. Being an HMO company it is supervised by the Insurance Commission (IC) and therefore endeavors to adopt the risk management standards of the IC. The Board of Directors and the BROC has responsibility for setting the company's risk appetite and risk tolerance. It should also ensure that management establishes a framework for assessing the various risks, develops a system to manage risk, and establishes a method for monitoring compliance with internal policies. It is likewise important that the board of directors adopts and supports strong internal controls and written policies and procedures and ensures that management effectively communicates these throughout the organization."

General Responsibilities of the Board of Directors:

1. The board of directors is primarily responsible for approving and overseeing the implementation of the company's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of Top Management as the latter manages the day to day affairs of the company.

2. The Board shall formulate the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance; and

3. It shall be the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, for the best interest of the Company, its stockholders *and other stakeholders.*

Please see Annex A for the Complete Powers, Duties and Responsibilities of the Board of Directors.

Corporate Governance and Sustainable Committee (CGSC)

ValuCare also has a Corporate Governance and Sustainable Committee responsible for the following:

a. reviews regularly the implementation of corporate governance framework and policies and consistently implemented;
b. oversee the evaluation of the performance of the Board, its committees, and senior management;
c. recommends on the following:
    (i) training for directors or senior management as a continuing education program
    (ii) assignment of tasks or projects to board committees
    (iii) succession plan for board members and senior officers

d. formulates policies to strengthen provision on promotion, salaries and benefits, conflict of interest issue in relation to continuing education programs and succession plan;
e. establish policies and procedure to encourage Value Care employee participate in attaining company goals and governance;
f. responsible for overseeing the nomination and election process of the members of the board of directors and ensuring appropriate knowledge, competencies and expertise.
g. ensure that the number of independent directors required are followed where 20% of the total shareholders but not less than two (2) members of the board are independent directors;
h. review and evaluate the qualification of all nominated to the Board as well as those position that require Board approval;
i. prepare short listing of directors nominated in accordance to qualification and disqualifications;
j. oversee the design and implementation of remuneration and other incentive of the board and officers;
k. establish a formal and transparent policy and procedure on remuneration of corporate officers, directors, and key personnel to ensure that the remuneration are consistent with financial capacity, business strategy and environment;
l. Disallow any director to determine his/her own remuneration;
m. Provides annual report and disclosure of the total compensation of its executive officers for previous year and current year;
n. ensure that the company has a policy on disclosure of non-financial information emphasizing on management economic, environment, social and governance issue relative to company sustainability;
o. responsible for operation or active role in the implementation of Corporate Social Responsibility (CSR);
p. assess the company's sustainability performance including economic, social and environmental performance; and
q. The Chairman of the committee shall preside over the meetings, maintain efficient communication between the Board and Management.

Organizational Responsibilities

Line Management

Top Management at ValuCare consists of the President, Executive Vice President and COO, Chief Financial Officer, Senior Vice President and Deputy COO and Assistant Vice Presidents. The Top Management covers various areas under their direct responsibility and oversight functions on the company's operations, all within limits provided by the By-Laws. As the Management Committee of the Board, it shares with the latter the responsibility of promoting the highest standards of ethics and integrity, in words and action, within the entity. Under the Top Management are other Risk Taking Personnel (RTPs) in the Front Office and Back Office.

Front Office

Front Office Personnel (FOPs) refer to all company personnel who have the ability and who have been given the authority to commit the company to financial transactions and therefore expose the company to various risks. The control of risks and trading behavior by personnel who over the years, have proven integrity, discipline, and skill are an essential part of the company's risk system and highlights the human component of risk management. FOPs who operate within designated units and specified limits, are the company's "frontline" in risk. They are responsible for identifying opportunities by way of soliciting HMO business, taking the commensurate risk positions and actively monitoring, evaluating, and adjusting those positions. FOPs include the Sales Group, Underwriting Group, Claims Group, Customer Care Group, Providers Network Group, Members Data Administration Group, ACCUSA Group and Billing and Collection Group. Because of the considerable discretion inherent in their activity, FOPs have the responsibility to:

a. Know, understand, and fully commit themselves to all of the company's risk policies and procedures herein outlined, and to be thoroughly familiar with all service and policies and procedures as well us all pertinent regulations that apply to their activities, and the precise amount, nature and application of risk limits to control those risks.
b. Know the risks assumed in their activities, and the precise amount, nature, and application of risk limits to control those risks.
c. Immediately report inadvertent excesses of limits to line managers.
d. Understand the risk profile of the clients they serve, and to scan and determine market opportunities within the context of overall company strategy and risk tolerance.
e. Identify types of risk created in any new health care service and activity they plan.
f. Maintain healthy relations and uphold the good image of the company with all clients and counterparties.

Back Office

The company's back office consists of the support structure and base for the company's overall operations. This includes Accounting, Human Resources, Internal Audit, Information & Communication Technology, Compliance, Risk Management Office, Facilities and Administration and Treasury. The functions of the back office are to provide support to the front office, establish and maintain a system of effective internal control for the safe and sound operation of the HMO business.

Back office sees to it that:

a. There is separation between front and back offices.
b. Personnel are not assigned conflicting duties.
c. No one person is involved with a transaction from origination to settlement.
d. Processing of transaction adhere to internal and external regulations.

Board Audit and Compliance Committee (BACC)

Audit and Compliance is an essential part of the risk management system of ValuCare. However, each function has been treated separately and independently of one another.

Board Audit and Compliance Committee

The purpose of the committee is to:

a. Provide oversight functions of the company's internal and external auditors.
b. Monitor and evaluate the adequacy and effectiveness of the internal control system of the company.
c. Provide oversight over compliance functions and/or oversee the compliance program of the company.
d. Assist the Board in the performance of its oversight responsibility of monitoring compliance with applicable laws, rules and regulations.

Internal Audit Function

The Internal Audit is tasked to perform the following:

a. Reviews the performance of Risk Management and Risk Responses.
b. Reviews and ensures compliance of Risk-Taking Personnel with policies and procedures periodically through spot checks.
c. Scan for internal control deficiencies or ineffectively controlled risks and report these in a timely manner to the BACC or to the Board of Directors.
d. Conducts follow-up reviews and immediately reports to the BACC or to the BOD the identified deficiencies that remain uncorrected.
e. Reviews and ensures that existing policies and procedures remain adequate for the company's activities.
f. Reviews the Risk Management process periodically to assess its effectiveness.

Compliance Function

The compliance function has the primary duties of identification, monitoring and controlling compliance (or regulatory risks). A Compliance Officer should have the ability to identify compliance issues as quickly and as efficiently as possible and to report the findings to the appropriate levels of Management, to the Board Audit and Compliance Committee (BACC) or the Board of Directors. At the minimum, the Compliance Officer shall have the following responsibilities:

a. Identify all relevant HMO laws, rules and regulations promulgated or issued by government regulatory bodies like the Insurance Commission, Securities & Exchange Commission, Bureau of Internal Revenue, etc. and monitor compliance on these.
b. Educate or train personnel on identified HMO laws, rules and regulations thru regular staff meetings, issuance of memoranda, memorandum circulars, resolutions, instructions, and policies, including those related to AMLA and Data Privacy Act and ensure compliance to those.
c. Establish and maintain a constructive working relationship with regulatory bodies for the prime purpose of seeking clarification on HMO laws, tax matters, AML issues, DPA concerns, SEC regulations, or discussing compliance findings.
d. Prepare the Compliance Plan/Program for the office. Monitor and assess the compliance program and recommend to the BACC or to the Board of Directors any warranted revision or changes in the program.
e. Conduct random compliance testing of transactions, give an assessment and rating of office in so far as compliance with regulations are concerned and issue a certification of compliance to the President and CEO on a quarterly basis.

Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) is created by the Board of Directors to assist the Board in performing its oversight functions to manage the risks of the Company. BROC is given the authority on the following:

a. Management to submit regular reports on current risk exposures on liquidity, market, credit, operational, legal, compliance, strategic, reputational, technology risks and other applicable risks and to address said risks.
b. The committee has the authority to approve or endorse risk policies and procedures, frameworks, plan and programs and access company records deems necessary.

Risk Management Office

Risk Management Office (RMO) is headed by ValuCare's Chief Risk Overseer, this function reports directly to the BROC. The CRO assists the company's BROC in all its risk management responsibilities. The CRO shall be responsible for the discharge of the following functions:

a. Acts as the primary contact person as far as risk management matters is concerned.

b. Ensures the annual review, test and update of the Business Continuity Plan (BCP) is promptly observed and the Certification of Compliance is submitted to the President and CEO.

c. Sees to the objectivity in executing the Risk Control Measures.

d. Sees to the correctness, completeness and timeliness in the preparation and submission of the risk incident/s.

e. Ensures that all levels of staff understand the responsibilities with respect to operational risk management via risk awareness programs in coordination with BROC and Top Management.

Identification of Risks

Simply defined, risk is the possibility of a loss. Like any other HMO institution, the Company has to contend with a variety of risks as it engages in a wide range of activities. Risk identification is the recognition and understanding of existing risks or risks that may arise out of an activity. The risks may arise at both the transactional, departmental, divisional and companywide level, so identification is a never-ending process. As tools for identification, the customers and services of the company, both new and existing are subjected to analysis, evaluation, and approval in the context of the risk guidelines of the company.

As a means to identify risks, the following shall be employed:
a. Risk Assessment of Customers and Health Care Services – An analysis and evaluation of the company's health care services new or old, shall be made vis-à-vis the business parameters and risk guidelines.

b. Limits Setting and the Risk Approval Process – The risk approval process covers all activities that need risk limits. Risk-Taking Personnel start the process by preparing a service proposal, risk proposal, or risk limit request. With the endorsement of the Department Head, the proposal goes through the Management Committee, the BROC and the Board of Directors.

Identified Risks in ValuCare

Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people or system or from external events. This definition includes Legal Risk, but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities and services, and cuts across multiple activities and business units within the organization

Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities. In particular, the key financial risk that the Company is exposed to is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its health care service contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

Credit Risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. ValuCare manages the level of credit risk it accepts by setting up of exposure limits for each client or group of clients; reporting of credit risk exposures; monitoring compliance with risk limit and reporting breach thereof to the board. With respect to credit risk arising from its financial assets, which comprise of cash and cash equivalents, service fee receivables and available for sale (AFS) instruments, the Company's maximum exposure is equal to the carrying amount of these instruments. The Executive Committee determines the investment placements of the Company which is being implemented by the Treasury Group. The Collection Unit enforces the strict collection of service fee receivable balances and ensures that set policies on credit arrangements are complied.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Company's funding requirements are being monitored by the Treasury Group. Disbursements entailing huge amounts are coursed through the Treasury Group which ensures that all disbursements are properly funded. Free funds are invested in financial instruments as overseen by the Executive Committee.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: market interest rates (interest rate risk) and market prices (price risk).

ValuCare mitigate the exposure to market risk by assessing and determining what constitutes market risk for the Company. Approving risk limit and monitoring compliance. Breaches are reported to the BROC. The risk is reviewed regularly for pertinence and for changes in the risk environment.

The Company's market risk response is to manage such risks by setting and monitoring objectives and constraints on investments and limits on investment in close coordination with Executive Committee which meets regularly.

Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards and contracts. Compliance risk can lead to diminished reputation, reduced value, limited business opportunities, reduced expansion potential, and lack of contract enforceability.

Reputation risk

Reputation risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the company's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the company to litigation, financial loss, or a decline in its customer base. Reputation risk exposure is present throughout the organization and requires the responsibility to exercise an abundance of caution in dealing with customers and the community.

Technology risk

Technology can give rise to operational, strategic, reputation and compliance risks in many ways. With ValuCare's increased reliance on technology, it is important to understand how specific technologies operate and how their use or failure may expose the company to risk.

Legal risk

Legal Risk is the current and prospective impact on earnings or capital arising from legal sanctions against ValuCare. This impacts not only the company's financial performance but will also affect the company's reputation if such legal sanctions are made public.

Information Security risk

Information Security risk is the risk to organizational operations (including mission, functions, image, reputation), organizational assets, individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability. This covers data or information being processed, in storage or in transit.

Business Continuity risk & Disaster Recovery risk

Business Continuity risk & Disaster Recovery risk is the risk that an organization cannot maintain state of continued, uninterrupted operation of a business when its primary location of business(es) becomes inoperable due to unforeseen natural and man-made disaster or loss events.

Disaster Recovery risk is the risk to the organization where the primary location of its technology assets that enables continuity of business becomes inoperable.

Risk Management Process

Overview of the Risk Management Process

The Risk Management Process of VauCare is performed coherently and collaboratively at three levels, namely:

1. Strategic Level - where the Board of Directors and Line Management define the company's mission and vision, set corporate goals, formulate strategic plans, and establish the risk philosophy.

2. Transactional level – where the Risk-Taking Personnel (RTP), Front Office, and Back office determine opportunities and take risks, congruent to the goals, strategies and risk philosophy set at the Strategic Level.

3. Portfolio level – where the portfolio or total risk exposure is captured and evaluated by the Board Risk Oversight Committee.

In each of these 3 levels, the risk process involves the 4 main aspects of risk management namely:
a. Risk Identification
b. Risk Measurement
c. Risk Evaluation (Analysis of Risk)
d. Risk Management (Monitor, Control or Mitigate Risk)

These four aspects are the main components of the ValuCare's risk management process. These shall serve as the standard risk management framework, thus all departments of the Company must apply these processes, particularly the RTP who should carefully consider the risks associated with the:

1. Proposed transaction,

2. Prospective or existing client, and

3. Risk in the market it is in and the Risk in the HMO industry as a whole.

Risk Identification

Risk Identification - is the recognition and understanding of existing risks or risks that may arise from new or renewal businesses. This is a continuing process which should occur at both the transaction and portfolio level. As tools for identification, the customers and services of the company, both new and existing are subjected to a thorough analysis, evaluation, and approval in the context of the risk guidelines of the company. As means to identify risks, the following shall be employed. There are a number of ways where the identification of risks is done in the company:

a. *Risk Assessment* - Is an activity aimed to identify, assess, and prioritize risks to provide reasonable assurance to management that the company's business objectives are achieved. It is an empowering method / process by which management and staff of all levels collectively identify and evaluate risks and controls; and assisting them in understanding the consequences of risks and their potential impact on business outcomes.

   The Risk Assessment of ValuCare is a forward-looking process through which risks are identified and the effectiveness of controls are assessed and examined. For example, Risk Assessment of Customers and Health Care Services - An analysis and evaluation of the company's services new or old, shall be made vis-à-vis the business parameters and risk guidelines.

b. *Limits Setting and the Risk Approval Process* - The risk approval process covers all activities that need risk limits, whether these activities are existing or proposed. Risk-Taking Personnel start the process by preparing a service proposal, risk proposal, or risk limit request. With the endorsement of the Department Head, the proposal goes through the Management Committee, the Board Risk Oversight Committee, and the Board of Directors.

Risk Measurement

Risk Measurement – is the assessment of risks in both individual transactions and portfolios. The measurement tools must be accurate and appropriate for each type of risk. Quantifiable risks are subject to numerical measurement. These risks shall be managed and controlled by means of a structure of general and specific limits (expressed in monetary units).

Non-Quantifiable risks are not subject to specific numerical measurement, but are just as significant and require similar management attention. These risks are invariably managed by development of both the "control culture", and an effective internal control system that constantly monitors and updates operational policies and procedures of ValuCare's activities and transactions.

Risk Evaluation or Analysis

Risk Analysis revolves around data. The risk analysis process of ValuCare comprises the following:

a. Identification of Variables for which data is to be collected – This process should focus on those risk variables that will provide relevant information and contribute to a meaningful risk analysis.

b. The collection process has to be practical and as such data needed should be readily available. Risk Analysis revolves around historical data in order to predict and quantify the risk.

c. Risk Modeling – Once data has been collected, they have to be translated into a risk model, which should be updated on a regular basis.

Risk Monitoring, Control and Reporting Array

The aspect of risk management that completes the process is monitoring and control. This ensures that the risks identified are compared against the limits set; that the information and/or data pertaining to the risks have been thoroughly analyzed; and any breaches in the limits are appropriately reported and finally, that management actions as spelled out in the risk approval process are followed through. It is important that corrective and/or continuing actions are engaged to ensure the completeness of the risk management process.

The following approaches could be used to manage risk.

Where the risk is material, the decision to use any of the following approaches should be transparent within the organization and should be consistent with ValuCare's overall business strategy and appetite for risk:

a. Accept risk - Management decides to continue operations as is with a consensus to accept the inherent risks.

b. Monitor risk - Management performs timely review of risk positions & exceptions and ensure that its decisions are implemented for all geographies and services.

c. Transfer risk - Management decides to transfer the risk from, for example, from one business area to a third party (e.g. Insurer).

d. Control Risk - Management controls the occurrence of risk. It entails establishment and communication of risk limits through policies, standards and procedures that define responsibility and authority.

e. Reduce risk -Management decides to reduce current risks through improvement in controls and process.

f. Mitigate risk - Management accepts current level of risk but undertakes key actions to mitigate risks by changing the way it conducts business.

Risk Mitigants

a. Strict adherence to the business guidelines, manuals and policies and procedures.
b. Strict review of accounts for renewal within the prescribed period before the expiry date of the health service contract.
c. Training of employees by sending them to seminars in order to enhance their knowledge and expertise in their respective functions.
d. Strict adherence to regulatory agencies circulars, memos, issuances and guidelines.
e. Constant ties with HMO Association in protecting and advancing the industry's image and reputation.

Risk Management Reports

a. Risk Management requires all departments or business units to report the Actual, Potential and Near-miss losses emanating from respective departmental operations. This report should be submitted on a monthly.

b. Likewise, the Risk Assessment is conducted on semi-annually while the Key Risk Indicators (KRIs) established from the Risk Assessment response are monitored monthly. Further, the Company performs Vulnerability Assessment and Penetration Testing on its information Technology for possible adverse unexpected outcomes that may impact the company's IT infrastructure on an annual basis.

Risk Awareness Program

The Risk Awareness Program are being implemented by the Chief Risk Overseer by disseminating materials and providing lectures/orientation on Risk Awareness and by collaborating with Human Resources Group and Information Communication Technology Group to conduct Information Security Awareness Training to ensure that everybody in the company is aware of the various types of risk and how to mitigate them.

Review of the ERM Framework

The Chief Risk Overseer of ValuCare, shall review the risk management process at least annually or as the need arises. The review shall be documented. The overall effectiveness and relevance of the process shall be evaluated. Policies are re-examined and the entire framework is validated.

Annex A: Complete Powers, Duties and Responsibilities of the Board of Directors

1.2.1 Corporate Powers of the Board

The Board of Directors exercise all powers defined under the Corporation Code and Corporate Governance and other governing entities.

1.2.2 Specific duties and responsibilities of the Board of Directors

The company believes that compliance with the principles of good corporate governance starts with the Board of Directors. The Board of Directors perform the crucial role and therefore they shall:

a. Determine and review Company's purpose, vision and mission, and strategies to carry out its objectives. They ensure that the strategic business directions are soundly established and are in line with the overall goals and strategy. Mindful of their responsibility to foster long-term success and secure Company's sustained growth and competitiveness across the industry.

b. Oversee the conduct of the company's business to ensure that the business is being properly managed and dealings with policy holders, claimants, and creditors fair and equitable. That the implementation of appropriate risk management systems to specifically manage the member's data, insurance, investment, financial and operational risks of the company.

c. Approves policies in the core areas of operations specifically in investments, insurance and claims management.

d. Plan succession, including appointing, training, fixing the compensation of, and where appropriate, replacing senior management.

e. Develop and implement an investor relations program or adopt shareholder communications policy for the company.

f. Review the adequacy and integrity of the company's internal control systems and information communication technology including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines

g. Establish an appropriate compensation package for all personnel that are consistent with the interest of all stakeholders.

h. Review and approve material transactions not in the company's ordinary course of business.

i. Establish a system of check and balance which should applies to the Board and its members.

j. Have an appropriate reporting system so that the Board can monitor, assess and control the performance of the Management.

k. Present to all its members and shareholders a balanced and understandable assessment of the company's performance and financial condition.

l. Appoint Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.

m. The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for the company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies.

n. Ensure that employee retirement trust fund is fully funded or the corresponding liability appropriately recognized in the books of Value Care at all times.

Annex B: Risk Assessment Register Template

Risk Assessment Register													
Risk No	Identified Risk or Opportunity	Owner	Description of Risk *(potential consequences)*	Probability	Impact	Risk Priority Number	Risk Level	Control Measures	Mitigation Level	Actions to address risk/opportunity	How to integrate or implement actions	Evaluate effectiveness	Review Date
1													
2													
3													
4													
5													
9													
	Prepared by:			Reviewed by:						Approved by::			

Annex C: Risk Evaluation Matrix Template

Risk Evaluation				
RISK LEVEL		PROBABILITY		
		UNLIKELY (1)	PROBABLE (2)	LIKELY (3)
IMPACT	LOW (1)	Trivial = 1	Tolerable = 2	Moderate = 3
	MEDIUM (2)	Tolerable = 2	Moderate = 4	Substantial = 6
	HIGH (3)	Moderate = 3	Substantial = 6	Extreme = 9

Risk Priority Number	Risk Level	Mitigation Level	Action to be Taken
1	Low	Trivial	Acceptable and will be monitored
2	Low	Tolerable	Acceptable and will be monitored
3 and 4	Medium	Moderate	Unacceptable and will be controlled
6	High	Substantial	Unacceptable and will be controlled
9	High	High Priority	Unacceptable and will be controlled

ValuCare
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This ValuCare Enterprise Risk Management Framework was duly approved by Board Risk and Oversight Committee (BROC) on August 2020.

Approved by:

Dr. Samuel D. Ang
Chairman of the Board and BROC Member

Dra. Patricia L. Tan
President and CEO, BROC Member

Dra. Josefina C. Chua
Treasurer and BROC Member

R. Laurel

Mr. Robertson K. Laurel
Independent Director and BROC Member

Mr. Owen Y. Lee
Independent Director and BROC Member