



# National Transmission Corporation

TRANSCO-RECORDS

OP2016-11-\_\_\_\_\_  
November 16, 2016

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**CIRCULAR NO. 2016- 015**

**SUBJECT: TRANSCO RISK MANAGEMENT SYSTEM**

RECEIVED BY: iw

## 1.0 RATIONALE

The adoption of risk management practices is crucial to a government-owned and controlled corporation to protect itself and its resources, its officials and employees, and the general public against potential loss or damage, and to maximize the effectiveness, efficiency and reliability of its functions.

Further, the Governance Commission for GOCCs (GCG) issued Memorandum Circular No. 2012-07 entitled "Code of Corporate Governance for GOCCs" dated November 28, 2012, making the establishment of Risk Management System for all GOCCs mandatory.

This Circular ensures that a system is established within TransCo for the identification, monitoring and management of key risks at all levels of operation.

## 2.0 STATEMENT OF POLICY

Recognizing that effective risk management is critical for anticipating and managing situations or events that could prevent the corporation from achieving its strategic objectives, TransCo is committed to the implementation of a risk management system to effectively and efficiently manage risks at all levels of its operations. It is committed to integrating risk management into its decision-making processes, programs, practices, culture, business planning and performance reporting activities. TransCo shall focus on developing strategies to minimize risks to the corporate mission and objectives.

## 3.0 STATEMENT OF OBJECTIVES

The purpose of this Circular is to establish the implementation of TransCo's risk management system and provide guidelines thereto through the adoption of a Quality Management System (QMS) procedure in the identification, reporting, management/control and closure of risk. This procedure, labeled as PM-T-14 "Reporting and Control of Risk" is hereto attached as Annex A.

#### 4.0 IDENTIFIED SOURCES OF RISKS IN THE TRANSCO ORGANIZATION

The following have been identified as potential sources of risks in TransCo:

Type of Risks	Description
1. Strategic	Actions/events that could threaten the existence of the corporation
2. Financial	Actions/events that bring about financial burden/revenue losses to the corporation
3. Legal	Risks/losses associated with failure/neglect to satisfy administrative and statutory/legal requirements, or those arising from external factors
4. Operational	Risks/losses resulting from inadequate or failed procedures, systems or policies, employee errors, systems failures and any other event that disrupts business processes
5. Regulatory	Risks/losses arising from unfavorable decisions by the regulator
6. Information System	Possibility of computer virus and other cyber attacks
7. Occupational	Risks arising from exposure of personnel to hazardous conditions
8. Asset Condition	Risks/losses from the exposure of transmission assets to operational and maintenance deviations including man-made and natural occurrences
9. Reputational	A threat or danger to the good name or standing of a business which can occur through a number of ways: directly as the result of the actions of the company itself; indirectly due to the actions of an employee or employees; or tangentially through other peripheral parties, such as customers or suppliers.

#### 5.0 IMPLEMENTING THE RISK MANAGEMENT PROCESS

Risk Management Process is a continuous process that contributes progressively to organizational improvement by providing management with a greater insight into risks and their impact.

TransCo shall adopt the following risk management process at all its levels and functions. It shall consist in determining the context of the risk, assessing said risk and applying the necessary risk treatment. There shall be communication and consultation between the organization and concerned stakeholders which are both continual and iterative. It shall be a two-way process that involves both sharing and receiving information about the management of risk.

However, this is not joint decision making. Once communication and consultation are finished, decisions are made and directions are established by the organization, not by stakeholders. Thereafter, activities must be monitored and

reviewed in order to determine whether the actions are suitable, adequate and effective in achieving established objectives.

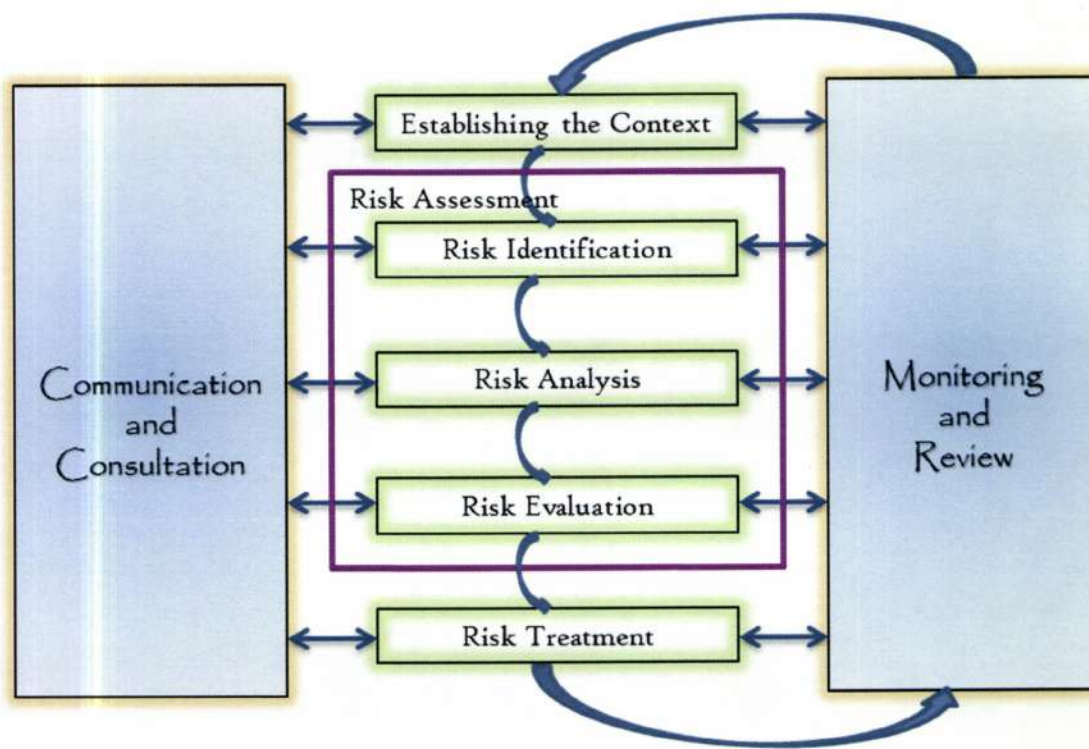


Figure 1: Risk Management Process

## 6.0 RISK MANAGEMENT ORGANIZATION

Pursuant to TransCo's Code of Corporate Governance, the Board Technical Committee (BTeC) shall act as the Risk Management Committee.

In support, the TransCo Management Committee (ManCom) shall:

1. Assist the BTeC in fulfilling its role of overseeing the corporation's risk management policies and practices
2. Monitor and review risk management practices and related corporate disclosures
3. Formulate and recommend risk management policies
4. Ensure that the risk management process is observed throughout the corporation
5. Ensure that risk management programs are in place and are implemented as needed
6. Conduct periodic meetings to discuss risk occurrences and activities encountered during the period and the corresponding actions taken relative thereto
7. Evaluate the corporate risk management system and regularly report its findings on the implementation of the system to the BTeC

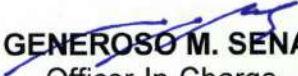
The ManCom shall likewise be responsible for ensuring that Procedure PM-T-14 is up to date and responsive to the requirements of TransCo.

## **7.0 RISK MANAGEMENT PROGRAMS**

Concerned departments shall formulate approaches by way of QMS Procedures that will cover identification and addressing specific risks under Section 4.0 above as may be needed. The same shall be approved by the ManCom.

## **8.0 EFFECTIVITY**

This Circular takes effect immediately.

  
**GENEROSO M. SENAL**  
Officer-In-Charge

**PM-T-14**

**Title : REPORTING AND CONTROL OF RISK**

**1.0 Purpose**

To establish a system for reporting and control of risk.

**2.0 Scope**

This procedure covers the identification, reporting and resolution of risk encountered and prevention of such risk.

**3.0 Definition of Terms / Acronyms**

3.1 Risk - A threat of liability, loss, damage, injury, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.

3.2 Risk Assessment - overall process of risk identification, risk analysis and risk evaluation.

3.3 Risk Control - is an important action taken by firms that is intended to proactively identify, manage and reduce or eliminate risks.

3.4 Risk Identification - is the critical first step of the risk management process. The objective is the early and continuous identification of events that, if they occur, will have negative impacts on the corporation's ability to achieve performance or capability outcome goals.

3.5 Risk Analysis - is a process that is used to understand the nature, sources, and causes of the risks that have identified and to estimate the level of risk. It is also used to study impacts and consequences and to examine the controls that currently exist. How detailed the risk analysis ought to be will depend upon the risk, the purpose of the analysis, the information the organization has, and the resources available.

3.6 Risk Evaluation - is a process that is used to compare risk analysis results with risk criteria in order to determine whether or not a specified level of risk is acceptable or tolerable.

3.7 Risk Treatment - is a risk modification process. It involves selecting and implementing one or more treatment options. Once a treatment has been implemented, it becomes a control or it modifies existing controls.

**4.0 General Requirement – not applicable**

**5.0 Reference**

5.1 Circular No. 2016-\_\_\_\_\_ (TransCo Risk Management System)

**6.0 Appendix – not applicable**

## 7.0 Procedure

