

RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board of Directors through the Board Risk Oversight Committee has reviewed the Company's risk management system and has found the same effective and adequate.

(c) Period covered by the review;

Year 2016.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Board Risk Oversight Committee reviews the effectiveness of the Company's risk management system annually. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.

(e) Where no review was conducted during the year, an explanation why not.

NOT APPLICABLE

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<u>Financial Risks</u> <ul style="list-style-type: none"> ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management 	<ul style="list-style-type: none"> ▪ Manage interest cost by limiting borrowings ▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate ▪ All customers who wish to trade on credit terms are subject to credit verification procedures, and receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant ▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information ▪ Maintain debt-to-equity ratio at manageable levels 	The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite
<u>Market Risks</u>	<ul style="list-style-type: none"> ▪ Diversify portfolio by offering different product lines 	

Risk Exposure	Risk Management Policy	Objective
<ul style="list-style-type: none"> ▪ Economic and political conditions ▪ Competition 	<ul style="list-style-type: none"> ▪ Enhance existing amenities and introduce new concepts which will cater to the high-end market ▪ Offer long and affordable terms for buyers 	<p>with its long-term strategic objectives.</p> <p>In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p>
<u>Performance / Completion Risks</u> <ul style="list-style-type: none"> ▪ Suppliers ▪ Contractors 	<ul style="list-style-type: none"> ▪ Purchase only from accredited suppliers ▪ Performance bonds for contractors to ensure contractual arrangements meet the Company's performance standards 	
<u>Regulatory Risks</u> <ul style="list-style-type: none"> ▪ Government regulations ▪ Changes to Philippine laws and regulations 	<ul style="list-style-type: none"> ▪ Compliance with licensing and regulatory requirements necessary to operations 	
<u>Hazard Risks</u> <ul style="list-style-type: none"> ▪ Natural disasters 	<ul style="list-style-type: none"> ▪ Regular site inspections by Company personnel and consultants/experts ▪ Implement safety measures in the design plans ▪ Include in insurance coverage 	
<u>IT Risks</u> <ul style="list-style-type: none"> ▪ Primary data center risk ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk 	<ul style="list-style-type: none"> ▪ Co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery ▪ Implement enterprise security solutions to manage external and internal threats ▪ Annual review of technology roadmap to ensure alignment between business and IT 	

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<u>Financial Risks</u> <ul style="list-style-type: none"> ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management 	<ul style="list-style-type: none"> ▪ Manage interest cost by limiting borrowings ▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate ▪ All customers who wish to trade on credit terms are subject to credit verification procedures, and receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant ▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information ▪ Maintain debt-to-equity ratio at manageable levels 	<p>The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.</p> <p>In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p>
<u>Market Risks</u> <ul style="list-style-type: none"> ▪ Economic and political conditions ▪ Competition 	<ul style="list-style-type: none"> ▪ Diversify portfolio by offering different product lines ▪ Enhance existing amenities and introduce new concepts which will cater to the high-end market ▪ Offer long and affordable terms for buyers 	
<u>Performance / Completion Risks</u> <ul style="list-style-type: none"> ▪ Suppliers ▪ Contractors 	<ul style="list-style-type: none"> ▪ Purchase only from accredited suppliers ▪ Performance bonds for contractors to ensure contractual arrangements meet the Group's performance standards 	
<u>Regulatory Risks</u> <ul style="list-style-type: none"> ▪ Government regulations ▪ Changes to Philippine laws and regulations 	<ul style="list-style-type: none"> ▪ Compliance with licensing and regulatory requirements necessary to operations 	

Risk Exposure	Risk Management Policy	Objective
<u>Hazard Risks</u> <ul style="list-style-type: none"> ▪ Natural disasters 	<ul style="list-style-type: none"> ▪ Regular site inspections by Group personnel and consultants/experts ▪ Implement safety measures in the design plans ▪ Include in insurance coverage ▪ Co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery ▪ Implement enterprise security solutions to manage external and internal threats ▪ Annual review of technology roadmap to ensure alignment between business and IT 	
<u>IT Risks</u> <ul style="list-style-type: none"> ▪ Primary data center risk ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk 		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p>Principal risks of the exercise of controlling shareholders' voting power are as follows:</p> <ol style="list-style-type: none"> 1) Majority shareholders may dominate major Company decisions 2) Lack of transparency on the actions and decisions of majority shareholders 3) Abusive and inequitable conduct on the part of majority shareholders 4) Rights of minority shareholders may not be upheld and protected <p>The Company's Revised Manual on Corporate Governance expressly provides for the protection of its stockholders' rights and minority interests. The Board of Directors is committed to respect the rights of minority stockholders.</p>

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<u>Financial Risks</u> <ul style="list-style-type: none"> ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management 	<p>The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.</p> <p>In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p> <p>The Company also has an Enterprise Risk</p>	<p>The <u>Board Risk Oversight</u> Committee is tasked to perform and carry out the following responsibilities related to Risk Management:</p> <ol style="list-style-type: none"> 1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks. 2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring. 3) Advise the Board, in consultation with management, on the overall risk management program of the Company as
<u>Market Risks</u> <ul style="list-style-type: none"> ▪ Economic and political conditions ▪ Competition 		
<u>Performance / Completion Risks</u> <ul style="list-style-type: none"> ▪ Suppliers ▪ Contractors 		
<ul style="list-style-type: none"> ▪ Regulatory Risks ▪ Government regulations ▪ Changes to Philippine laws and regulations 		

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<ul style="list-style-type: none"> ▪ Hazard Risks ▪ Natural disasters 	<p>Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Company. The ERMC has the responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the <u>Board Risk Oversight</u> Committee on any risk concerns.</p>	<p>it relates to its risk appetite and strategic direction.</p>
<ul style="list-style-type: none"> ▪ IT Risks ▪ Primary data center risk ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk 		<p>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</p> <p>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</p> <p>6) Review the details of the Company's related party transactions.</p>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Group:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p><u>Financial Risks</u></p> <ul style="list-style-type: none"> ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management 	<p>The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.</p>	<p>The <u>Board Risk Oversight</u> Committee is tasked to perform and carry out the following responsibilities related to Risk Management:</p> <p>1) Review the adequacy and effectiveness of the Group's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.</p> <p>2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.</p>
<p><u>Market Risks</u></p> <ul style="list-style-type: none"> ▪ Economic and political conditions ▪ Competition 		
<p><u>Performance / Completion Risks</u></p> <ul style="list-style-type: none"> ▪ Suppliers ▪ Contractors 	<p>In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.</p>	<p>3) Advise the Board, in consultation with management, on the overall risk management program of the Group as it relates to its risk appetite and strategic direction.</p>
<p><u>Regulatory Risks</u></p> <ul style="list-style-type: none"> ▪ Government regulations ▪ Changes to Philippine laws and regulations 	<p>The Group also has an Enterprise Risk Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Group. The ERMC has the responsibility of developing a formal framework to assist</p>	<p>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</p>
<p><u>Hazard Risks</u></p> <ul style="list-style-type: none"> ▪ Natural disasters 		

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<u>IT Risks</u> <ul style="list-style-type: none"> ▪ Primary data center risk ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk 	<p>the Group in managing its risks and is mandated to report regularly to the <u>Board Risk Oversight</u> Committee on any risk concerns.</p>	<p>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</p> <p>6) Review the details of the Group's related party transactions.</p>

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Corporate Governance Committee	The Committee reviews and recommends, for approval of the Board of Directors, the improvements / amendments to corporate governance documentation and practices in accordance with rules and regulations of regulatory bodies.	Assists and advises the Board of Directors in performing corporate governance compliance responsibilities in relation with the Company's Revised Manual on Corporate Governance, the Philippine Code of Corporate Governance, and disclosure rules of the Securities and Exchange Commission and the Philippine Stock Exchange, Inc.
Enterprise Risk Management Committee (ERMC)	The ERMC is an oversight committee created to act as the monitoring body for the individual risk management activities of the Company.	The ERMC has the responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the <u>Board Risk Oversight</u> Committee on any risk concerns.
<u>Board Risk Oversight</u> Committee	The Committee directly reports the results of its review and assessment of the Company's risk management process to the Board of Directors.	The Committee is tasked to perform and carry out the following responsibilities related to Risk Management: <ol style="list-style-type: none"> 1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks. 2) Ensure that Management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of

Committee/Unit	Control Mechanism	Details of its Functions
		<p>occurring.</p> <p>3) Advise the Board, in consultation with Management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.</p> <p>4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.</p> <p>5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.</p> <p>6) Review the details of the Company's related party transactions.</p>