

RISK MANAGEMENT SYSTEM

I. RISK POLICY

a. Company

RISK EXPOSURE	RISK MANAGEMENT POLICY	OBJECTIVE
Credit Risk	It is a Company policy that all clients who wish to trade on credit terms are subjected to credit verification process.	To ensure that the Company's exposure to bad debts is not significant.
Liquidity Risk	Projected and actual cash flow information is regularly evaluated and funding sources are continuously assessed.	To finance capital expenditures, services and maturing obligations as scheduled.
Cash Flow Interest Rate Risk	Manage the interest rate exposure using a mix of fixed and variable rate debts.	<ul style="list-style-type: none"> • Achieve a more efficient leverage ratio • Attain a reasonably lower effective cost based on market conditions
Investment Risk	All matters regarding acquisition and/or divestment of investments, businesses and ventures are subject to the review and approval of the Board.	Increase shareholder value through: <ul style="list-style-type: none"> • Direct impact to net profit • Synergies in operation • Savings to the company
Regulatory and Political Risk	<ul style="list-style-type: none"> • Proactive engagement with regulators and relevant agencies to align with recent developments • Systematic monitoring of compliance 	<ul style="list-style-type: none"> • Timely filling of substantive and sound arguments for cases filed with the court aimed towards positive decisions • Maintain listening posts stationed in relevant government agencies to scout for plans or information which may potentially affect the Company

b. Group

RISK EXPOSURE	RISK MANAGEMENT POLICY	OBJECTIVE
Credit Risk	It is a company policy that all clients who wish to trade on credit terms are subjected to credit verification process.	To ensure that the Company's exposure to bad debts is not significant.
Liquidity Risk	Projected and actual cash flow information is regularly evaluated and funding sources are continuously assessed.	To finance capital expenditures, services and maturing obligations as scheduled.

c. Minority Shareholders

RISK TO MINORITY SHAREHOLDERS
The Company has no single controlling shareholder and therefore the risk to minority shareholders is non-existent.

II. CONTROL SYSTEM SET UP

a. Company

RISK EXPOSURE	RISK MANAGEMENT (MONITORING AND MEASUREMENT PROCESS)	RISK MANAGEMENT AND CONTROL (STRUCTURES, PROCEDURES, ACTIONS TAKEN)
Credit Risk	Continuously review and evaluate ceding companies' financial capacity, payment history, other available credit information and compliance with IC's requirements such as capitalization, latest available certificate of authority and any relevant reports.	<p>The management of credit risks comprises several process steps that cover various functions of risk management. These functions can be combined into three functional blocks to set up organizational units:</p> <ul style="list-style-type: none"> • Strategic credit risk planning – typically includes planning and



		<p>monitoring the credit risk level, defining the credit risk strategy, deriving the target level structure, and aligning the actual credit risk with guidelines of Company-wide capital allocation.</p> <ul style="list-style-type: none"> Operational credit risk analysis – comprises identifying, measuring, and aggregating the credit risk at acceptable level. The employees in charge of these activities apply the level risk models developed in the central credit staff and prepare reports based on their analysis. Credit risk controlling in a narrow sense – covers, among other things, defining and monitoring limits, deriving recommendations for courses of action if limits are exceeded, and setting risk-adjusted prices.
Liquidity Risk	<p>Established an Investment (Board) Committee to oversee investment performance relative to Company's adherence to approved investment policy / guidelines. Prepares an annual budget for investment income and related strategies involved is submitted for review and evaluation of the investment committee prior to</p>	<p>Renders regular investment report to the Investment Committee and the Board on the following:</p> <ul style="list-style-type: none"> Actual results vs. budgeted figures; Monitoring of non-Philippine peso cash flows (foreign currency risk); Maintaining investment limits per asset class (market



	seeking final Board approval.	price risk); <ul style="list-style-type: none"> Establishing limits on the duration and average maturity of the variable investment income portfolio (interest rate risk); and General adherence to established investment policy and guidelines.
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b. Group

RISK EXPOSURE	RISK MANAGEMENT (MONITORING AND MEASUREMENT PROCESS)	RISK MANAGEMENT AND CONTROL (STRUCTURES, PROCEDURES, ACTIONS TAKEN)
Operational Risk	Annual Risk Identification through Risk and Control Assessment	<ul style="list-style-type: none"> Interview with Risk owners Filtering of Risks Risk Rating and Ranking Assignment of Risk Owner Risk Owner Monitoring and Report

c. Committee

COMMITTEE / UNIT	CONTROL MECHANISM	DETAILS OF ITS FUNCTIONS
Audit Committee	Assists the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process and the Company's process for monitoring compliance	Mainly responsible for recommending the appointment of external auditors whose report they review; monitor the system of internal controls and corporate compliance with laws, regulations and code of ethics; serve as a



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	with laws and regulations and the Code of Conduct.	direct channel of communications to the Board for the internal and external auditor, officers and other concerned parties.
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