

## RISK MANAGEMENT COMMITTEE (RMC).

The duties and responsibilities of the RMC, as indicated in its Charter, are as follows:

1. Conduct a yearly evaluation of the Company's risk assessment and risk management program and ensure that appropriate controls are in place.
2. Recommend to the Board the Company's strategic risks, including the risk mitigation and control measures that require immediate or urgent implementation.
3. Meet periodically with the Audit and Governance Committee, key management, and internal and external auditors to understand and discuss the control environment.
4. Review the Company's risk tolerance, financial exposures, and investment guidelines, including the mitigating strategies, insurance, and other risk financing schemes being undertaken.
5. Review periodically the security, safety, physical loss control measures, and the specific Emergency Response Plan adopted by the Company to ensure that all risks are adequately covered.

The RMC conducted two (2) meetings in 2014. Funds priority risk, cultural alignment risk, 2014 Risk Management Projects, BGBU Risk Review, Approval of EDC's Hedging Policy and Disaster Preparedness and Recovery Risk are several items discussed during RMC's meetings in 2014. Directors who are non-committee members also attended the RMC meetings. On the average, eighty-three percent (83%) of our RMC members are in attendance in every committee meeting in 2014. Details of the RMC meeting attendance are as follows:

Risk Management Committee	
Name of Directors Who Attended	No. of Meetings Attended
Francis Giles B. Puno Chairman	2
Jonathan C. Russell Member	2
Peter D. Garrucho, Jr. Member	1

*\*Other non-member directors attended at least one committee meeting, namely, Federico R. Lopez, Ernesto B. Pantangco, Francisco Ed. Lim (ID) and Arturo T. Valdez (ID).*

The following are the activities of our RMC in 2014:

- **Business Continuity Management.** Business Continuity Management (BCM) was launched in our Leyte Geothermal Business Unit (LGBU) and BacMan Geothermal Business Unit (BGBU). Plans for emergency response, crisis management, and business recovery have been developed in LGBU while these are ongoing for BGBU.

To further strengthen the BCM capabilities of the organization, desktop simulations covering various emergency and crisis management scenarios were also conducted.



- **Strategic Business Unit Risk Reviews.** Risk reviews were conducted as part of their annual planning and strategy execution process by the following business units: (a) BGBU; (b) Mt. Apo Geothermal Business Unit (MAGBU); (c) LGBU and (d) Northern Island Geothermal Business Unit.

The objective of the risk reviews is to identify the top risks of each strategic business unit (SBU). Correspondingly, the initiatives that would address the SBUs' top risks are part of their 2014 budget and work programs.

- **Vendor Financial and Credit Evaluation.** 231 financial and credit evaluation of suppliers and contractors were conducted to review their financial performance and credit history. The purpose of the evaluation is to provide EDC with an understanding of its suppliers' and contractors' financial condition and related risks.

- **Risk Management Survey and Enterprise Risk Management (ERM) Workshops.** A risk management survey was conducted with all employees in all locations in July 2014 to determine the organization's risk management practices, which it considers to be an integral part of its ERM system implementation. Furthermore, areas for improvement were identified through the survey.

