

Risk Management Committee (RMC) Report 2015

In performing its functions, the Risk Management Committee (RMC) assists the Board of Directors of EDC in its oversight responsibility over Management’s activities in managing risks involving physical, financial, operational, labor, legal, security, environmental and other risks of the corporation. In carrying out its mandate, the RMC:

- 1. Conducts a yearly evaluation of the Company’s risk assessment and risk management program and ensure that appropriate controls are in place;
- 2. Recommends to the Board our strategic risks, including the risk mitigation and control measures that require immediate or urgent implementation;
- 3. Reviews our risk tolerance, financial exposures, and investment guidelines, including the mitigating strategies, insurance, and other risk financing schemes being undertaken; and
- 4. Reviews periodically our security, safety, physical loss control measures, and our specific Emergency Response Plan to ensure that all risks are adequately covered.

The RMC conducted three (3) meetings in 2015. Details of the RMC meeting attendance are as follows:

Risk Management Committee	
Members	No. of Meetings Attended
Francis Giles B. Puno Chairman	3
Jonathan C. Russell Member	3
Peter D. Garrucho, Jr. Member	2

The following are the activities of our RMC in 2015:



- ***Business Continuity Management.*** Business Continuity Management (BCM) was completed in EDC's Bac-Man Geothermal Business Unit (BGBU). Plans for emergency response, crisis management, and business recovery were developed together with the BGBU process owners and subject matter experts. To further improve EDC's BCM Program and strengthen the BCM capabilities of the organization, the following initiatives were also conducted:

1. Establishment of standard alert levels;
2. Conduct of earthquake awareness sessions, including information drive on emergency preparation;
3. Head Office participation in the July 30 Metro Shake Drill;
4. Crisis management desktop simulations in all locations;
5. Various safety drills in all locations; and
6. Review of BCM Plans.

- ***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) Bac-Man Geothermal Business Unit (BGBU); (b) Mt. Apo Geothermal Business Unit (MAGBU); (c) Leyte Geothermal Business Unit (LGBU); (d) Northern Island Geothermal Business Unit (NIGBU), and (e) Wind Ilocos Norte Business Unit (WINBU). 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 2015 budget and work programs. The Centers of Excellence (COEs) in the Head Office also conducted their annual risk assessments as a requirement under planning and strategy execution process.

- ***Critical Assets Risk Monitoring.*** The Critical Assets Risk Monitoring is a monthly report that highlights the status of the priority assets of EDC considering a fleet-wide and per business unit perspective. This utilizes

the risk management framework and functions as a tool to better formulate the asset management strategy of the company.

- ***Customer Credit Portfolio Analysis.*** The Customer Credit Portfolio is an annual assessment of the Electric Cooperative (EC) customers of EDC by determining their risk profiles through qualitative and quantitative evaluation.