



**POLICY MANUAL FOR
ENTERPRISE RISK MANAGEMENT**

	POLICY MANUAL <i>ENTERPRISE RISK MANAGEMENT</i>	PM-ERM-001 Rev. Code: 0	Page A-1 of 4
Section: User's Guide		Effectivity Date: September 1, 2009	
Subject: Table of Contents		Sensitivity Classification: Company Use	

TABLE OF CONTENTS

Section Title	Subject	Page Number
User's Guide	Table of Contents	A-1 of 4
User's Guide	Approval Page	A-3 of 4
User's Guide	Distribution List	A-4 of 4
Background Information	Overview of the Manual	B-1 of 7
Background Information	Objectives of the Manual	B-2 of 7
Background Information	ERM Goals and Objectives	B-3 of 7
Background Information	Roles and Responsibilities	B-4 of 7
Guidelines	The Business Risk Management Process	C-1 of 7
Guidelines	Common Language	C-2 of 7
Guidelines	Oversight Structure	C-2 of 7
Guidelines	Business Risk Assessment	C-4 of 7
Guidelines	Development of Business Risk Management Strategies	C-5 of 7

	POLICY MANUAL <i>ENTERPRISE RISK MANAGEMENT</i>	PM-ERM-001 Rev. Code: 0	Page A-2 of 4
Section: User's Guide		Effectivity Date: September 1, 2009	
Subject: Table of Contents		Sensitivity Classification: Company Use	

TABLE OF CONTENTS

Section Title	Subject	Page Number
Guidelines	Risk Management Capabilities	C-6 of 7
Guidelines	Monitoring Risk Management Performance	C-6 of 7
Guidelines	Continuous Improvement of Risk Management Capabilities	C-7 of 7

Prepared by:
Enterprise-Wide Risk Management

Reviewed by:
Comptroller/Chief Risk Officer

Approved by:
ManCom

	POLICY MANUAL ENTERPRISE RISK MANAGEMENT	PM-ERM-001 Rev. Code: 0	Page A-3 of 4
Section: User's Guide		Effectivity Date: September 1, 2009	
Subject: Approval Page		Sensitivity Classification: Company Use	

We have reviewed the contents of this document described as
Enterprise Risk Management Policy Manual
and thereby approved its implementation effective September 1, 2009.

HELEN T. DE GUZMAN
Head, Comptrollership

JOSE P. DE JESUS
Chief Risk Officer, President and Chief Operating Officer

M. M. LOPEZ
ManCom, Chairman and Chief Executive Officer

Prepared by:
Enterprise-Wide Risk Management

Reviewed by:
Comptroller/Chief Risk Officer

Approved by:
ManCom

	POLICY MANUAL ENTERPRISE RISK MANAGEMENT	PM-ERM-001 Rev. Code: 0	Page A-4 of 4
Section: User's Guide		Effectivity Date: September 1, 2009	
Subject: Distribution List		Sensitivity Classification: Company Use	

DISTRIBUTION LIST

Copy No.	Organization	Position	Name of Recipient
1	Networks	Head	R. V. Buencamino
2	Customer Retail Services	Head	R. R. Almazora
3	Human Resources	Head	L. C. de la Llana
4	Legal	Head	A. V. Rosete
5	Corporate Marketing	Head	M. L. Lopez
6	Corporate Information and Technology	Head	M. L. Lopez
7	Regulatory Management	Head	I. C. de la Peña
8	Finance	Head	B. C. S. Yap
9	Corporate Logistics	Head	R. B. Benosa
10	Investment Management	Head	R. L. Andrada
11	Office of the President	President/COO	J. P. de Jesus
12	Office of the Chairman	Chairman/CEO	M. M. Lopez
13	Comptrollership	Head	H. T. de Guzman

Prepared by:
Enterprise-Wide Risk Management

Reviewed by:
Comptroller/Chief Risk Officer

Approved by:
ManCom

	POLICY MANUAL ENTERPRISE RISK MANAGEMENT	PM-ERM-001 Rev. Code: 0	Page B-1 of 7
Section: Background Information		Effectivity Date: September 1, 2009	
Subject: Overview of the Manual		Sensitivity Classification: Company Use	

Overview of the Manual

The Enterprise Risk Management (ERM) initiative aims to help Meralco grow shareholder value by comprehensively reviewing and improving its risk management infrastructure and culture and ensuring that the relevant activities are aligned with the overall goals and strategies of Meralco.

This policy provides the framework for managing risks in Meralco. It contains the baseline policies to guide Meralco personnel who are directly or indirectly involved in operations, at all levels, including senior management and the Board of Directors, in taking appropriate actions and decisions pertaining to the management of Meralco's portfolio of risks.

	POLICY MANUAL ENTERPRISE RISK MANAGEMENT	PM-ERM-001 Rev. Code: 0	Page B-2 of 7
Section: Background Information		Effectivity Date: September 1, 2009	
Subject: Objectives of the Manual		Sensitivity Classification: Company Use	

Objectives of the Manual

The risk management policy shall:

1. Establish uniform ERM guidelines that will govern the risk management process in Meralco;
 2. Establish the framework that will be used for ERM in Meralco;
 3. Establish responsibility for the implementation of the ERM framework; and
 4. Establish the roles and responsibilities of each stakeholder in ERM.
-

	POLICY MANUAL ENTERPRISE RISK MANAGEMENT	PM-ERM-001 Rev. Code: 0	Page B-3 of 7
Section: Background Information		Effectivity Date: September 1, 2009	
Subject: ERM Goals and Objectives		Sensitivity Classification: Company Use	

ERM Goals and Objectives

ERM shall provide Meralco with both the structures and mechanisms to effectively manage existing and emerging risks as well as enhance its ability to take on additional risks accompanying new growth opportunities.

ERM shall provide a leading-edge, strategic business process and function that will ensure that all business risks are identified, measured and managed effectively and continuously within a structured, robust, integrated, and proactive framework. This risk management framework is intended to enhance Meralco's shareholder value by sustaining its competitive advantage, optimizing risk management costs, and enabling it to pursue strategic growth opportunities with efficiencies that surpass industry standards.

	POLICY MANUAL <i>ENTERPRISE RISK MANAGEMENT</i>	PM-ERM-001 Rev. Code: 0	Page B-4 of 7
Section: Background Information		Effectivity Date: September 1, 2009	
Subject: Roles and Responsibilities		Sensitivity Classification: Company Use	

ROLES AND RESPONSIBILITIES

Board of Directors (Audit & Compliance Committee)

1. Reviews and approves risk management policies, strategies and risk appetite;
 2. Sets clear directions on the management of critical risks;
 3. Receives and reviews reports from the Mancom with regard to the risk management activities across Meralco; and
 4. Reviews and evaluates the overall effectiveness of Meralco's risk management process.
-

Chief Executive Officer/Chief Operating Officer

1. Comprehensive and Overall Risk Executive – ultimately responsible for ERM priorities, including strategies, tolerances, policies and resource allocation;
 2. Chairs the Mancom Risk Management Sub-Committee (MRMSC), sets the direction and leads the decision-making processes as they relate to:
 - a. Identification of risk priorities;
 - b. Alignment of business risk strategies and policies; and
 - c. Resolution of conflicts with regard to risk management strategies.
-

	POLICY MANUAL <i>ENTERPRISE RISK MANAGEMENT</i>	PM-ERM-001 Rev. Code: 0	Page B-5 of 7
Section: Background Information		Effectivity Date: September 1, 2009	
Subject: Roles and Responsibilities		Sensitivity Classification: Company Use	

**ManCom Risk
Management Sub-
Committee
(MRMSC)**

1. Approves Meralco's ERM policy and any revisions thereto;
2. The MRMSC should be composed of Meralco's Mancom;
3. Makes recommendations to the Board on matters pertaining to ERM;
4. Ensures the sufficiency and effectiveness of the relevant infrastructure (e.g., policies, processes, management reports, people, methodologies, and systems and data) for managing specific risks;
5. Designates risk owners for each identified risk area;
6. Approves risk responsibilities and accountabilities;
7. Approves risk measurement methodologies;
8. The champion of ERM across Meralco;
9. Oversees the entire business risk management process across Meralco;
10. Monitors the proper performance of specific risk management functions by the EWRM office, other respective risk management units, and BU/department heads of each business unit within Meralco through the semi-annual risk monitoring reporting process;
11. Ensures that each Meralco business unit's risks are integrated with the rest of the critical parent company level risks through review of the consolidated risk information and analysis across Meralco presented by EWRM office;
12. Ensures that all initiatives pertaining to ERM are continuously monitored and regularly reported to the appropriate members of the organization including the CEO and Meralco Mancom through the regular reporting process; and

	POLICY MANUAL <i>ENTERPRISE RISK MANAGEMENT</i>	PM-ERM-001 Rev. Code: 0	Page B-6 of 7
Section: Background Information		Effectivity Date: September 1, 2009	
Subject: Roles and Responsibilities		Sensitivity Classification: Company Use	

**ManCom Risk
Management Sub-
Committee
(MRMSC)**

13. Develops monitoring procedures to facilitate efficient monitoring activities. Monitoring consists of both formal and informal processes performed by senior management, process/risk owners, as well as internal auditors.

**Internal Audit
Group**

1. Conducts periodic audit to ensure compliance with approved risk management policies; and
2. Makes recommendations for improvement in the risk management function to the Mancom and the Board.

**Enterprise Wide
Risk Management
(EWRM) Office**

1. Accountable for managing and coordinating with the Business Risk Owners/Representatives of Meralco;
2. Works with the MRMSC in planning, deploying and monitoring risk management activities;
3. Monitors and reports progress of work to the MRMSC;
4. Ensures ERM objectives are met;
5. Ensures quarterly reports are received from Business Risk Owners, consolidated and reported to the MRMSC and/or the Audit & Risk Committee on a regular basis;
6. Ensures risk assessment exercises are conducted with results reported to the MRMSC at least on an annual basis; and
7. Prepares and finalizes all annual ERM reports and materials for presentation to the Board subject to the review and approval of the CRO.

	POLICY MANUAL <i>ENTERPRISE RISK MANAGEMENT</i>	PM-ERM-001 Rev. Code: 0	Page B-7 of 7
Section: Background Information		Effectivity Date: September 1, 2009	
Subject: Roles and Responsibilities		Sensitivity Classification: Company Use	

**Business Risk
Owner (i.e.,
Heads of each
business unit in
Meralco)**

1. Has overall accountability for and ownership of the assigned risk;
2. Recommends risk tolerances and limits along with measurement methodologies for approval by the Mancom (MRMSC);
3. Coordinates with the various risk management unit representatives from the different departments within the business unit to ensure that required risk management activities are carried out;
4. Reviews and validates the risk management strategies, action plans and other risk management outputs/reports developed by the different departments within the business unit;
5. Ensures the adequacy and continual application of risk management programs;
6. Ensures that quarterly status of risks is submitted to EWRM on time.
7. Reviews new and emerging risks in identified by the respective departments within the business unit and coordinates the disposition of these risks with the risk management unit;
8. Ensures that the risk management function/activities form part of the performance measures of the members of his business unit and corresponding risk management unit representative;
9. Develops alternative risk management strategies and evaluates the best management options following the overall risk management policies of Meralco; and
10. Identifies required capabilities to achieve the desired level of risk management proficiency and implements necessary actions to close the identified capability gaps.

	POLICY MANUAL ENTERPRISE RISK MANAGEMENT	PM-ERM-001 Rev. Code: 0	Page C-1 of 7
Section: Guidelines		Effectivity Date: September 1, 2009	
Subject: The Business Risk Management Process		Sensitivity Classification: Company Use	

The Business Risk Management Process

1. ERM shall be an integral part of Meralco's culture and shall serve as a tool for effective corporate governance in the pursuit of its aspirations of becoming a world-class Philippine enterprise.
2. To enable a fully integrated business risk management function within Meralco, the Business Risk Management Process or "BRMP" framework shall be put in place covering the following key processes of an entire cycle of risk management:

