




# **MANAGEMENT CONTROL POLICY**

**(June 1, 2013)**

	<b>POLICY AND GUIDELINES ON MANAGEMENT CONTROL</b>	Rev. Code:	Page 1 of 2
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Subject: <b>Management Control Policy</b>			

## I. INTRODUCTION

This policy defines the roles and responsibilities of management, internal audit and the Audit & Risk Management Committee related to controls over organization's processes. It also describes the responsibility for a system of checks and balances and emphasizes the importance of internal control processes. Internal control is an integral part of MERALCO's governance system and risk management.


## II. STATEMENT OF POLICY

Management is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the company in a manner which provides the Board of Directors reasonable assurance that:

1. Data and information published either internally or externally is accurate, reliable, and timely;
2. The actions of directors, officers, and employees are in compliance with the organization's policies, standards, plans and procedures, and all relevant laws and regulations;
3. The organization's resources (*including its people, systems, data/information bases, and customer goodwill*) are adequately protected against loss, fraud, misuse, and damage;
4. Resources are acquired economically and employed profitably; quality business processes and continuous improvement are emphasized; and
5. The organization's plans, programs, goals, and objectives are achieved.

## III. INTERNAL CONTROL RESPONSIBILITIES OF THE COMPANY

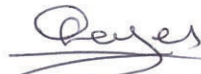
- A. Controlling is a function of management and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the organization to:
  - Identify and evaluate the exposures to loss which relate to their particular sphere of operations.
  - Specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to be used to minimize, mitigate, and/or limit the risks associated with the exposures identified.

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- Establish practical controlling processes that require and encourage officers and employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined in Section II of the preceding paragraph.
  - Maintain the effectiveness of the controlling processes that have been established and foster continuous improvement to these processes.
- B. The internal auditing function is charged with the responsibility for ascertaining that the ongoing processes for controlling operations throughout the organization are adequately designed and are functioning in an effective manner. Internal audit is also responsible for reporting to the Audit & Risk Management Committee of the Board and the President & CEO on the adequacy and effectiveness of the organization's systems of internal control, together with ideas, counsel, and recommendations to improve the systems.
- C. The Audit & Risk Management Committee is responsible for monitoring, overseeing, and evaluating the duties and responsibilities of management, the internal audit activity, and the external auditors as those duties and responsibilities relate to the organization's processes for controlling its operations. The Audit & Risk Management Committee is also responsible for determining that all major issues reported by Internal Audit, the external auditor, and other outside advisors have been satisfactorily resolved.

Approved by:

**On behalf of the Management Committee (ManCom),**



**MR. OSCAR S. REYES**

President & Chief Executive Officer