SAN MIGUEL CORPORATION



ENTERPRISE RISK MANAGEMENT

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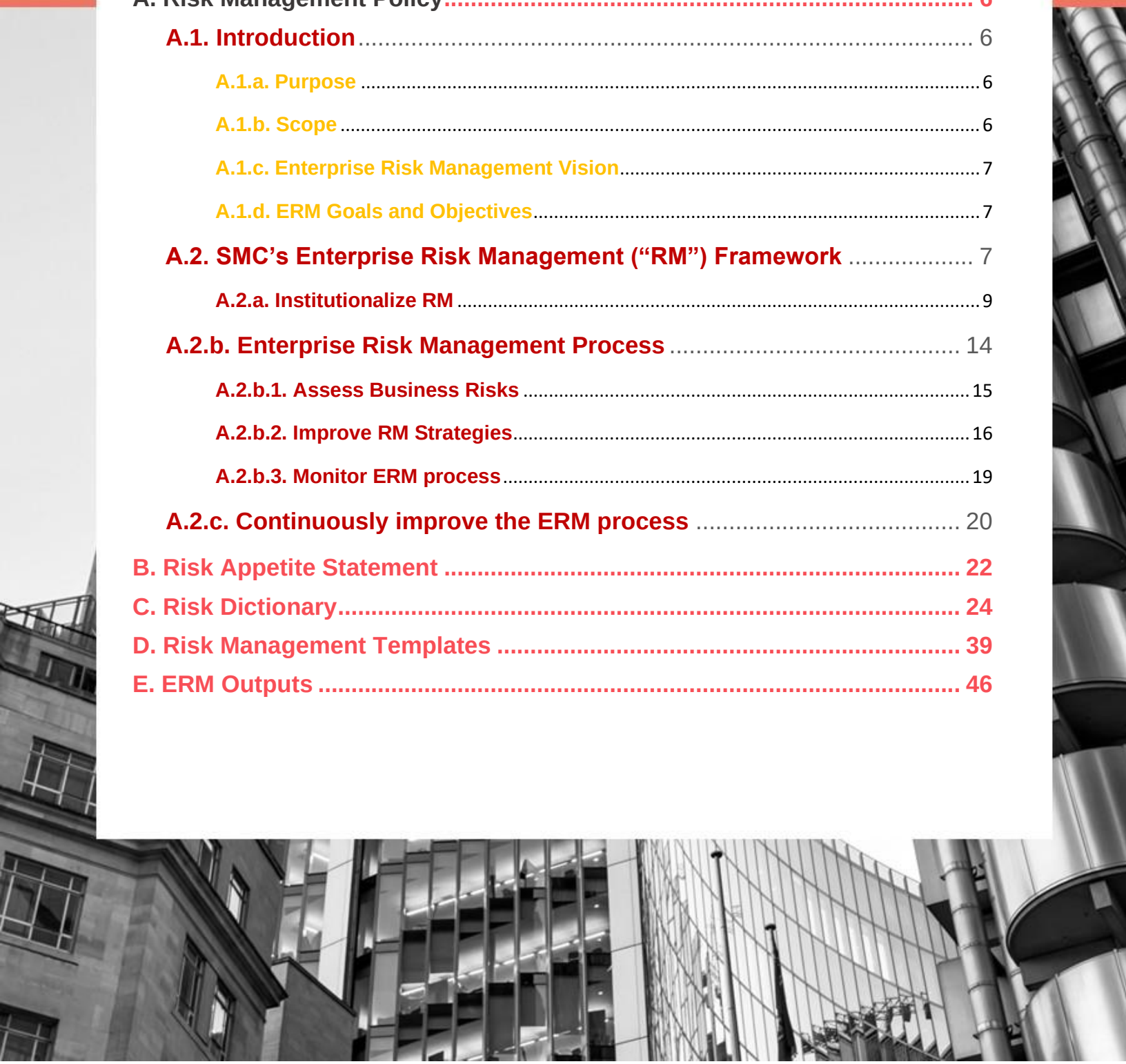
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Introduction

SAN MIGUEL
CORPORATION

Introduction

SMC's Enterprise Risk Management ('ERM')

As businesses continue to grow large and complex, the practice of delegating decision-making responsibilities to separate individuals, groups, and committees is becoming more popular among companies. With the distribution of significant management roles and duties to a greater number of individuals in the organization, there is a mounting challenge for the board to provide adequate oversight and for executive management to demonstrate sufficient supervision and monitoring of business operations to ensure the achievement of company goals and objectives.

In response to the emerging trends in corporate governance, the concept of ERM became one of the topics that have been talked about in recent years globally. ERM means aligning the organization's strategy, processes, people, technology, and knowledge to manage the level of exposure and uncertainties an enterprise faces as it creates value for its stakeholders. As risk is inherent in all opportunities, ERM can serve as a bridge between an organization's strategic direction and aligned operational execution.

San Miguel Corporation's ("SMC" or "the Company") aspiration to take strides toward a more structured, integrated, and formalized risk management process leads to the adaptation of the ERM Framework in accordance with international standards.

The Enterprise Risk Management Framework (Framework) aims to provide a foundation and organizational arrangements to effectively plan, implement, monitor, review, and continually improve risk management throughout the organization.

This effort helps address the following goals:

- Establish an ERM process that is designed to enable SMC to focus on and manage business risks that matter the most; and
- Enhance ability to successfully implement a risk management process.

Further, this Framework will help ensure that information about risks derived from the risk management process is adequately reported and used as a basis of decision-making and accountability at all relevant organizational levels.

To ensure significance and practicality, the Framework is continuously assessed and amended on a regular basis.



RISK MANAGEMENT POLICY

SAN MIGUEL CORPORATION

A. Risk Management Policy

A.1. Introduction

This Enterprise Risk Management Policy ("the ERM Policy") provides guidance to the framework for managing risks across San Miguel Corporation ("SMC" or "the Company"). It contains the fundamental policies to guide the Board of Directors who oversees SMC's risk management function and all SMC personnel, including Senior Executive Management, who are directly or indirectly involved in the strategic, operations, compliance, and financial activities of the Company. This will serve as the guide to enable the concerned Company personnel to make appropriate actions and decisions pertaining to the management of the Company's portfolio of risks.

A.1.a. Purpose

This ERM Policy forms part of SMC's Enterprise Risk Management Manual and shall:

1. Establish the risk management vision, goals, and objectives of SMC;
2. Provide an enterprise-wide risk management framework, structure, and organization that support the achievement of the SMC's risk management vision, goals, and objectives;
3. Define the roles and responsibilities of SMC's Board of Directors ("BOD" or "the Board") and the Risk Oversight Committee of the Board, senior management, officers, and all employees regarding the Company's risk management processes and activities;
4. Establish a common culture and language that promote consistent definition and understanding of risks and their related impact to the SMC's business; and
5. Establish a consistent and enterprise-wide approach in identifying and prioritizing risks, analyzing inter-relationship among risks, identifying the drivers and sources of risks, development of strategies and action plans in managing risks, monitoring, and reporting on the implementation of risk management strategies and action plans, and evaluating the effectiveness of the overall risk management process for continuous improvement.

A.1.b. Scope

This ERM Policy applies only to SMC.

A.1.c. Enterprise Risk Management Vision

SMC endeavors to be the most customer-centric and community focused organization in the region by integrating the principles of ERM into the culture and strategic decision making across all functions. ERM will promote the success and enhance the accountability of the Management by incorporating risk assessment into its operations. This tool shall serve as one of the Company's key enablers for effective corporate governance and achievement of the Company's strategic objectives.

A.1.d. ERM Goals and Objectives

To effectively realize SMC's risk management vision, ERM shall:

1. Establish a sustainable risk management process to enable SMC to focus on and manage its key risks;
2. Embed risk management into the awareness and day-to-day activities of each SMC officer and employee;
3. Integrate a rigorous risk management process into the strategic planning, budgeting, and decision-making process; and
4. Provide a structured framework for enhancing corporate governance.

A.2. SMC's Enterprise Risk Management ("RM") Framework



Figure 1 – SMC's Enterprise Risk Management Framework aligned with international standards

The SMC ERM Framework is aligned with the Company's business environment and conforms to international standards which provides guidelines for risk management, codified by the Internal Organization for Standardization, for practitioners and companies employing risk management processes.

Specific accountabilities and responsibilities shall be established, and necessary resources shall be allocated to make the Framework functionally in place.

Leadership and Commitment

Effective implementation of the Framework is primarily dependent on the leadership and commitment of the Board and senior management to implement the ERM Program across the Company. It is envisioned to be robust and shall be continuously calibrated to cater to the needs of SMC and attain their desired state.

Integrating ERM into SMC

Every individual in the organization is a Risk Manager. This objective can only be achieved once the risk management mindset has been made functional and embedded into SMCs organizational purpose, governance, leadership and commitment, strategy, objectives, and day-to-day operations.

Integrating risk management in SMC is a dynamic and cyclical process and was designed to address Company's needs.

Designing ERM Framework

In-depth consideration of both the internal and external environments where the organization operates is required in designing the Risk Management Framework. The external environment includes, but is not limited to, the market, legal and regulatory environment, our relationships with stakeholders, competition, as well as industry and international trends. Its internal context includes company mission, vision, culture and values, risk management commitment, policies and procedures, guidelines, organizational structure, organizational roles, allocation of resources, communications, consultations, and such other areas that are internally managed.

Implementing ERM Framework

Stakeholders must be constantly engaged and informed of the framework for it to be successful. Implementation of this will require resources invested to facilitate sessions (e.g., awareness, brainstorm workgroup, risk status reports), which aim to mindfully discuss and assimilate a risk management mindset throughout the organization and manage risks effectively. This will help enable SMC to explicitly address uncertainty in decision-making, while also ensuring that any new or subsequent risk can be identified as it arises.

Risk management process should be a part of all activities throughout the organization, including decision-making, and that changes in external and internal contexts will be adequately captured.

Evaluating ERM Framework

A consistently relevant framework necessitates periodic review by an independent and objective function, guided by a well-rounded questionnaire with a view to determine the level of the organization's maturity and effectiveness risk management in implementing the ERM Program.

Continuous Improvement of the ERM Framework

The ERM Framework, Process and Plan shall be regularly reviewed to improve its adequacy and effectiveness, taking into consideration SMC's internal and external environment. Decisions shall be made on how the risk management program can be improved. The Manual shall be updated to reflect enhancements that may be made to the program. Changes shall be communicated to all stakeholders concerned.

A.2.a. Institutionalize RM

At the onset of the ERM process, the Company shall establish the context in which risk management will be conducted. This requires consideration of the risk management goals and objectives, the risk management oversight structure, as well as the common risk language existing in the Company. The key components in the design of the ERM Framework are setting RM Goals and Objectives, establishing the oversight structure, and developing a common risk language.

A.2.a.1. Establish RM Goals and Objectives

To ensure that the ERM is aligned with the Company's strategic goals and objectives, SMC shall establish risk management goals and objectives that are geared towards the attainment of the Company's risk management vision, strategic goals and objectives that are consistent with its risk appetite.

A.2.a.2. Establish RM Structure

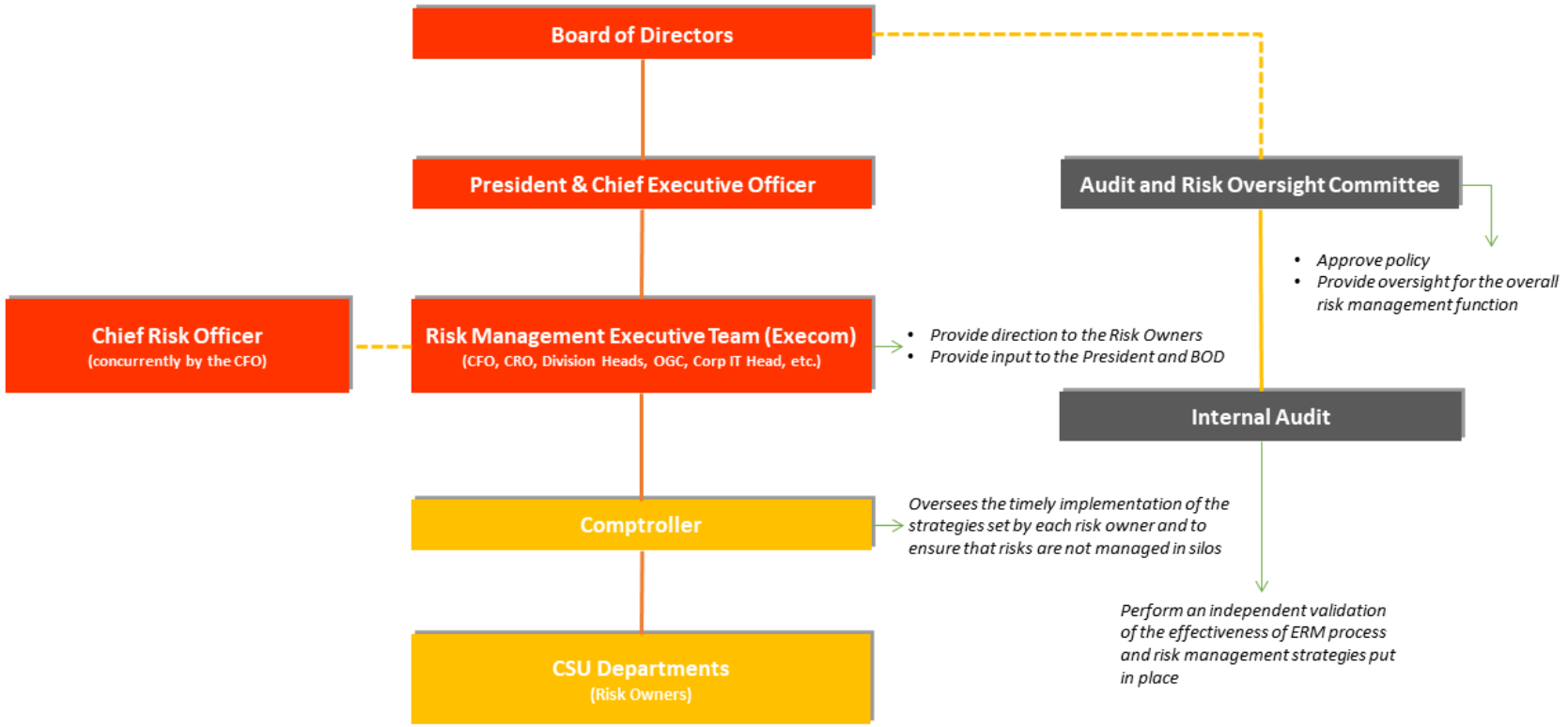
To ensure the successful implementation of SMC's ERM, it is important that a risk management structure is in place to have an integrated and independent view of the enterprise-wide risks across the different risk categories (e.g., strategic, operations, compliance and financial). This will allow the Company to reduce any gaps in risk coverage, risk management functional inefficiencies and overlaps, and confusion among concerned personnel due to lack of structured communication and reporting lines. Top management is accountable for managing risk while oversight bodies are accountable for overseeing risk management.

Top management and oversight bodies, where applicable, should demonstrate and articulate their continual commitment to risk management through a policy, a statement or other forms that clearly convey the Company's objectives and commitment to risk management. The risk management commitment should be communicated within the Company and to stakeholders, as appropriate.

A.2.a.3. Develop Common Risk Language

To enhance clarity of communication and action on risk-related matters, SMC shall ensure that a common risk language as embodied in the Company's risk dictionary exists, is communicated, and is understood by all employees at all relevant levels in the organization. SMC shall also ensure that the common risk language is continuously updated and modified to include new and emerging risks by considering factors that are both internal (e.g., change in business operations) and external (e.g., change in regulatory/economic conditions) to the Company. This shall be done through the review of the risk dictionary at least annually or if there are any changes in the environment which will warrant the team to revisit the Risk Dictionary earlier than scheduled.

ERM Structure



Stakeholders	Responsibilities
1. Board of Directors (Board)	▪ Provides an oversight role to risk management activities including the periodic review and approval of the ERM Policy, ERM Framework and ERM Process through the Audit and Risk Oversight Committee
2. Audit and Risk Oversight Committee (AROC)	▪ Assists the Board in fulfilling its responsibility for oversight of the Company's risk management activities. ▪ Sets the risk appetite of the Company
3. President and Chief Executive Officer	▪ Is the ultimate risk executive and is essentially responsible for ERM priorities, strategies, and policies. ▪ Heads the Risk Management Executive Committee ("RMEC") that set the direction and leads the decision-making as they relate to: ➢ Recognition of risk priorities; ➢ Alignment of business objectives and risk strategies, action plans and policies; and ➢ Settlement of conflicts regarding ERM strategies and action plans. ▪ Ensures that sufficient resources of the organization are allocated in pursuing ERM initiatives, strategies, and action plans. ▪ Reports to the AROC of the BOD on a regular basis on ERM related matters.
4. Risk Management Executive Committee (RMEC)	▪ Is the ERM think tank; defines risk priorities, aligning risk policies and strategies with overall company plan.
5. Chief Risk Officer	▪ Is the champion of ERM process at SMC; develops, implements risk management process, tools, and methodologies; analyzes, develops, and executes policies and reports risks; submits risk report to the AROC; monitors the implementation of the risk management strategies and action plans.

Stakeholders	Responsibilities
6. Comptrollership / RIMD	▪ Suggests to the RMEC development of additional ERM Policies and other related guidelines. ▪ Supervises, supports, and incorporates the ERM processes across SMC in coordination with RMEC. ▪ Gathers and evaluates the risks reports provided by the Risk Owners and monitors the status of risk management strategies and action plans. ▪ Organizes the sharing of best practices across the Company. ▪ Drives the continuous improvement of SMC's current ERM process. ▪ Constantly reviews and provides updates in the risk dictionary and ensures that emerging risks are identified and included.
7. CSU Departments	▪ Is composed of the different Risk Owners that support the RMEC in the implementation of the ERM Process. ▪ Has the responsibility for and ownership of the assigned risks and interrelated risks. ▪ Actively participates in the risk identification process of SMC. ▪ Performs risk prioritization, analysis, development of strategies and actions plans, and coordination with other Risk Owners. ▪ Assesses and communicates the progress of risk management strategies and action plans to the CRO. ▪ Ensures consistent execution of each identified risk and continuous improvement of the risk mitigation strategies in the ERM process for the risk that they are responsible for. ▪ Prepares the reports to be forwarded to the CRO and RMEC.
8. Internal Audit	▪ Provides independent assessment of the effectiveness of the ERM framework, process, and

Stakeholders	Responsibilities
	the strategies formulated to treat the risks identified.

A.2.b. Enterprise Risk Management Process

The SMC's risk management process is established, which will ensure that critical risks of the Company are identified and assessed and follows a risk assessment process based on international standards. The program is described below:



Figure 2 – Enterprise Risk Management Approach

The adopted approach consists of three main phases: Assess, Improve and Monitor.

The overall process of SMC's risk assessment involves a dynamic and iterative process for identifying and assessing risks that will not allow the achievement of the organization's objectives.

Based on the risk management approach, risk assessment is comprised of three significant steps namely: (1) risk identification and prioritization, (2) risk analysis and (3) risk sourcing.

Results of the risk assessment contribute to the decision-making process of SMC towards improving the organization's risk management strategies and action plans.

The second phase involves a cyclical process of assessing the proper risk treatment; deciding whether residual risk levels are tolerable to the organization; if not tolerable, creating a new risk treatment; and evaluating the effectiveness of the risk treatment.

The last phase of the ERM process focuses on the monitoring of the organization's existing control effectiveness and the implementation of risk management strategies and action plans.

Monitoring of the ERM process is a combination of regular communications, key performance measures, periodic audits, and assessments by different functions at appropriate levels of SMC are discussed in a detailed manner in the succeeding parts of this section.

A.2.b.1. Assess Business Risks

SMC shall identify and prioritize risks that are relevant and critical to its business by using the following guidelines:

1. Taking into account the context of the risk management process, SMC shall identify risks that could be relevant and significant to the Company's business by conducting surveys, interviews, brainstorming sessions, and facilitated sessions with the members of the ManCom and RMU and other relevant personnel (collectively, "the ERM participants") identified by management to participate in the ERM process. The objective of this activity is to come up with the Company's risk universe or to revisit the existing risk universe.

   Refer to Annex A (Initial Risk Universe) for the initial risk universe listing all the risks identified.

2. Based on the responses of the ERM participants, SMC shall update the risk dictionary by including "new" risks that were identified by the respondents in addition to the risks listed in the current risk dictionary. SMC shall ensure that the newly identified risks are grouped appropriately in the risk dictionary into four categories, namely, strategic, operations, compliance, and financial.

   Refer to the Risk Dictionary for the list of risks and corresponding definitions.

3. Once relevant and critical risks have been identified or modified, SMC shall prioritize risks in terms of severity of impact and likelihood of occurrence to come up with the Company's initial risk profile.

Refer to Annex B (Risk Criteria Matrix) for the criteria used for the risk prioritization activities.

4. SMC shall present the top risks included in its initial risk profile to the Audit and Risk Oversight Committee of the BOD for validation and updating of the initial risk profile, as necessary. The objective of this presentation is to come up with the final Company risk profile and the corresponding top risks. SMC shall then analyze the relationship of the top risks that are part of the Company's risk profile with other risks to identify the commonalities and properly define the top risk.

5. Upon identification of the top risks, SMC shall analyze the drivers and sources of these risks, or simply identifying their root causes (e.g., "Why and how does the risk occur?" and "Where does it originate from?") After this activity, SMC shall assess and identify those risks, considering their drivers and sources, which need to be prioritized and acted upon immediately.

6. SMC shall also identify the owners of the risks. The Risk Owners shall be identified after evaluation of the specific functions or processes to which the risks relate.

   Refer to Annex C (Risk Sourcing Template – Bow Tie Analysis) for reference. This should be done per highly leveraged risk listing the causes and consequences accordingly.

7. SMC shall compare the results of the risk analysis with the established risk criteria to determine where additional action is required. This can lead to a decision to:

   - accept the risk and do nothing further;
   - consider risk treatment options;
   - further analyze to better understand the risk;
   - maintain existing controls;
   - reconsider objectives.

A.2.b.2. Improve RM Strategies

After identifying, prioritizing, and analyzing risks, SMC shall develop strategies to manage risks consistent with the Company's strategic goals and objectives and risk appetite. The following table shall be used by SMC in developing its risk management strategies:

ACCEPT:	
RETAIN	
• Plan	for well-defined contingencies by documenting a responsible plan and empowering people to make decisions periodically
• Reprice	products/services by including an explicit premium in the pricing market conditions permitting to compensate for risk undertaken
• Self-insure	risk through: - internal charges to income and loss - borrowed funds (from external sources should a risk event occur) - reserving losses (under accepted accounting principles) - using a pure captive insurance company - participation in a group or an industry captive
• Offset	risk against other within a well-defined pool
REDUCE	
• Disperse	financial, physical or information assets geographically to reduce risk of unacceptable catastrophic losses
• Control	risk through internal processes or actions that reduce the likelihood of undesirable events occurring to an acceptable level (as defined by management's risk threshold)
EXPLOIT	
• Allocate	capital internally within the Company using robust methods to finance the risks taken and generate desired returns
• Diversify	financial, physical, customer, employee/supplier and organizational asset holding used by Company's business model
• Expand	business portfolio by investing in new industries, geographic areas and/or customer groups

• Create	new value-adding products, services, and channels
• Redesign	the Company's business model, i.e., its unique combination of assets and technologies for creating value
• Reorganize	processes through restructuring vertical integration, outsourcing, re-engineering, and relocation
• Price	to influence customer choice toward products that suit the Company's risk profile
• Arbitrage	price discrepancies by purchasing securities or other assets in one market for immediate resale in another
• Influence	regulation, public opinion and standards setters through focused lobbying, political activism, public relations, etc.
TRANSFER	
• Insure	through cost-effective contract with independent, financially capable, party under a well-defined risk strategy
• Reinsure	to reduce portfolio exposure through contracts with other insurers when such arrangements are available
• Hedge	risk by entering into the capital markets, making feasible changes in operations, or executing new borrowings
• Securitize	risk by accessing the capital markets, making feasible changes in operations, or executing new borrowings
• Share	risk/rewards of investing in new markets and products by entering into alliances or joint ventures
• Outsource	non-core processes (a viable risk transfer option only when risk is contractually transferred)
• Indemnify	risk by entering into contractual risk-sharing arrangements with independent financially capable parties

REJECT:	
AVOID	
• Divest	by exiting a market or geographic area or by selling, liquidating, or spinning off a product group or business
• Prohibit	unacceptably high-risk activities, transactions, financial losses and asset exposures through appropriate limit structures and corporate standards
• Stop	specific activities by redefining objectives, refocusing strategies, or redirecting resources
• Target	business development and market expansion to avoid pursuit of “off-strategy” and unacceptably high-risk projects
• Eliminate	at the source by designing and implementing internal preventive processes

Based on the approved risks management strategies, SMC shall develop specific action plans to support the implementation of these strategies. SMC shall ensure that appropriate communication protocols and channels exist to support the execution of action plans that require coordinated effort across business functions. Risk Owners shall be notified on a quarterly basis to provide updates on the action plan due for the period, which shall be used to monitor whether such action plan had been completed or a new target date has been set. This shall include assessment of new or emerging risks which may affect the company’s goals and objectives.

Refer to Annex D (Risk Strategies and Action Plans Template – Articulation Map). This should be accomplished per highly leveraged risk, detailing the action plans for each cause and consequence identified.

A.2.b.3. Monitor ERM process

SMC shall continuously monitor the risks and effectiveness of the implementation of the strategies/action plans. SMC shall ensure that all initiatives pertaining to the overall ERM process are continuously monitored, recorded, and regularly reported to the appropriate stakeholders in the Company. Monitoring of the ERM process shall be applied on 1) existing priority risks; 2) new emerging risks; 3) risk management performance; and 4) specific

policies and procedures both at the enterprise-wide and business function levels.

The risk management process and its outcomes should be documented and reported to enhance the quality of dialogue with stakeholders and support top management and oversight bodies in meeting their responsibilities. Decisions concerning the creation, retention and handling of documented information should take into account, but not be limited to their use, information sensitivity and the external and internal context.

The Internal Audit function shall provide an independent assurance on the effectiveness of controls and compliance with the ERM framework. Any material weaknesses or significant control deficiencies identified shall be reported and presented to the ManCom and BOD together with the actions being taken to resolve the issues or to follow up on the resolution of long-outstanding issues.

A.2.c. Continuously improve the ERM process

SMC shall evaluate and implement any improvements to policies, processes, people, management reports, methodologies, and systems and data that are identified through monitoring consistent with the Company's continual improvement philosophy. SMC shall ensure that appropriate coordination is in place among ERM stakeholders to identify and evaluate these improvement opportunities through the regular monitoring of action plans and assessment of risk management strategies being implemented.

SMC shall assess the effectiveness of the ERM process annually through regular feedback with Risk Owners and other risk management stakeholders. The process shall be benchmarked against industry best practices for up-to-date methodologies as well as perform self-assessment from learnings through seminars. Third party consultants shall be engaged, whenever necessary, at a minimum interval of three years to assist in the evaluation of the process.

Refer to Annex E (Risk Register and Monitoring Dashboard Template).

Common risk language and risk management framework, tools, and methodologies shall form part of SMC's training programs to help employees enhance their understanding of the Company's common risk language and ERM processes and activities.



RISK APPETITE STATEMENT

SAN MIGUEL CORPORATION

B. Risk Appetite

This Risk Appetite Statement is developed to guide the Management as to the amount and type of the risk the Company is willing to accept, according to the opportunities and threats at a corporate level, to achieve the Company's mission and objectives. The Board, through its Risk Oversight Committee, is responsible to assess and update this document, when necessary. As part of ERM process, this will be helpful in guiding the proper development of Key Performance Indicators ("KPIs") and Key Risk Indicators ("KRIs"), which are useful tools to enhance Management's awareness as to their progress with the overall vision of the Company.

Our risk appetite is aligned to our mission and vision to provide superior long-term value to our shareholders. Specifically, it is driven by the following:

OUR VISION
We are San Miguel.

Guided by a strong sense of social, environmental, and economic responsibility, our businesses will lead efforts to deliver on national goals, setting the pace of progress in the Philippines.

OUR MISSION
To provide goods and vital services well within the reach of every Filipino, making everyday life a celebration.

Risk Appetite Coverage

- **Strategic Risk**
  The Company aims to maintain stakeholder confidence to further maintain and improve the business relationship with relevant parties. This includes the communication to stakeholders in a timely manner, as well as transparency in the decision-making process that has an impact to stakeholders.

- **Financial Risk**
  The Company manages financial risk by ensuring the efficient collection and analysis of financial information.

- **Operational Risk**
  Maintaining the image of trust and integrity, the Company is embodied to provide quality product to consumers at an affordable price.

- **Compliance Risk**
  The Company is committed to comply with relevant laws and regulations.



RISK DICTIONARY

SAN MIGUEL CORPORATION

Risk Dictionary

Accounting - Failure to establish appropriate procedures to capture, record, process, and monitor all relevant information for proper financial reporting, disclosure, and accounting practices resulting in inaccurate, incomplete, and untimely financial reporting and ultimately wrong financial decisions.

Accounting estimates - Failure to properly identify and manage changes in the underlying assumptions resulting from possible future circumstances may result to misleading financial information that may severely affect management's decision-making and cause possible significant financial losses.

Allegations and claims - Failure to manage and mitigate the adverse effects of various legal proceedings resulting from allegations and claims (e.g., unfair employment practices, misleading product labelling, and imitation of intellectual property) from consumers, stakeholders, and competitors may result to substantial financial losses, settlement expenses, and damage to Company's reputation.

Annual Budgeting - Failure to effectively budget for new and existing initiatives that support the overall strategic goals and objectives for growth, expansion, acquisition, and overall profitability may lead to improper monitoring of and lack of control over the Company's performance over time, thus affecting profitability and effectiveness.

Anti-corruption - Failure to create a corporate environment or culture that deters corruption in dealing with both internal and external stakeholder groups may lead to financial losses, damage to employee morale, reputational damage and deterioration of stakeholders' confidence and diverts the company away from delivering core business and services.

Board communications - Failure to provide the board/management with timely and relevant information to make the most effective business decisions may result in wrong strategies and priorities undermining the Company's competitiveness.

Board performance - Failure of Board of Directors to discharge in good faith their obligations and oversight duties to the Company and its stakeholders and to possess adequate knowledge to interpret and act on the information provided may lead to loss of investor and other stakeholders' confidence and erosion of shareholders' value.

Business acceptance - Failure to establish adequate change management and communication processes to obtain business acceptance of new business initiatives such as efficiency programs may result in widening communication gaps, project implementation delays, and loss of business opportunities.

Business continuity planning - Failure to undertake the appropriate advanced planning to ensure the ability to recover and maintain business operations in the event of a disruption due to (1) fortuitous physical acts (e.g., terrors and malicious acts), (2) natural events (e.g., fire, floods, and droughts), and (3) controllable catastrophe (e.g., power failure, IT breakdown, and epidemics) may result in prolonged operational stoppages and substantial losses that may adversely affect the Company's short-term and long-term profitability.

Business Development - Failure to create a continuous stream of portfolio investments and divestments to consistently meet or exceed investors' expectations and wants over the long-term may lead to impairment of the Company’s value and growth prospects.

Business Model - Failure of the Company to identify obsolete business models or it lacks the information to update assessment of the current model and make the necessary action on a timely basis may lead to misalignment of employee efforts to the objectives of the organization.

Business Portfolio - Failure of the management to effectively prioritize its investments or balance its business portfolio in a strategic context may preclude the Company from optimizing its returns and overall performance.

Business valuation - Failure of management and key decision makers to reliably measure the value of a specific business or any of its significant segments in a strategic context may lead to incorrect management decision-making on owned businesses (e.g., to decide whether to invest/grow, maintain/harvest, or divest/liquidate) and prospective businesses (e.g., acquire, joint venture, or strategically align).

Capital funding - Failure to raise substantial funding for capital expenditures (e.g., acquisition/upgrade of production and storage facilities, processing plants, and transportation assets) to keep pace with competitive developments, technological advances, regulations, and changing safety standards in the industry may lead to operational disruptions, litigations, and waning market share.

Cash management - Failure to effectively and efficiently administer, monitor, and manage cash-related activities to maximize its value may result in unnecessary bank charges and adversely affect the Company's ability to maintain adequate cash flow and liquidity position to pay obligations.

Compensation and benefits - Failure to provide compensation, benefits, and performance incentives to employees consistent with their expectations, current job market standards, and actual performance due to ineffective guidelines and metrics, may result in employee demoralization, unwillingness to perform at an optimal level, and resignation leading to operational inefficiencies/disruptions and higher operating costs.

Competition - Failure to determine capability to compete, recognize, and/or respond timely to direct and indirect competitors to the market that affect the Company's competitive advantage (market share) and ability to survive may result in waning market share, declining sales volume, and missed opportunities to achieve performance goals.

Contract - Failure to secure signed contracts; and ensure compliance, fulfillment, and monitoring of contract terms may result in various financial, legal, and reputational exposures to the Company. This risk also includes failure to understand counterparty exposures that may lead to default from other parties involved.

Control environment - Failure to establish, sustain, and improve the set of standards, processes, and structures that align with stakeholders and regulatory expectations as well as provide the basis for carrying out internal control across the organization may lead to financial losses, negative public perception, erosion of shareholders' value, and even closure of business operations.

Controllable catastrophe - Failure to establish contingency plans and to respond to controllable events (e.g., sabotage, fire, high litigation costs, significant investment losses, business fraud, power failure, equipment breakdown, labor issues, IT breakdown, and epidemics) may impair the Company's ability to sustain critical operations and provide essential products and services leading to substantial losses that could adversely affect the Company's short-term and long-term profitability.

Corporate social responsibility - Failure to properly select, implement, and manage activities (e.g., initiatives that benefit society and environment, developing sustainable practices, and conducting social responsibility training for management) to address social issues may result in negative stakeholders’ perception and negative brand image.

Credit - Failure to develop and effectively manage a credit portfolio may cause the Company to default in payments resulting to negative credit standing and negative impact on future financing initiatives considering the Company's tarnished reputation.

Credit and collections - Failure to determine the appropriate credit terms of customers consistent with their actual risk profile and to manage credit and collections in accordance with the agreed terms and conditions may result in financial losses from bad debts that may undermine the Company's profitability.

Crisis communications - Failure to effectively and timely communicate the right message to the Company's stakeholders in the event of a crisis or disruption due to physical, natural, or controllable catastrophic events may lead to loss in stakeholder confidence and erosion of market share.

Culture - Failure to create, instill, and maintain a culture that drives ethical decisions may impede the development of and adherence to desired values in employees, as well as miscommunication and possible resignation of key employees.

Cybersecurity - Failure to protect and secure available computer data or system leading to crimes or acts that breach the Company’s confidential and valuable information may lead to disruption of business operation, illicit transferring of funds or data, and stealing of intellectual property, confidential employee/customer data, and other critical digital assets.

Data protection and privacy - Failure to identify and mitigate legal exposures to the Company due to noncompliance with data protection privacy rules and standards (e.g., Data Privacy Act of 2012) may result in litigations that may adversely affect the Company's reputation and market value.

Debt - Failure to cut back on debt to an acceptable level and inability to identify and manage the optimal debt structure for the Company may result in higher interest/financial costs and excessive borrowing of money to cover current operating obligations that may undermine the Company's profitability and liquidity.

Debt Servicing - Failure to meet loan (including both the interest and the principal amounts) obligations based on specified commitments or in accordance with terms of agreement may adversely impact the Company’s reputation and may result in higher cost of funds.

Diplomatic relations - Failure of the Company to have a harmonious relationship with other regions or countries in which it operates may result in loss of sales, unsuccessful market expansion/penetration, unnecessary disputes and expenses, and poor business performance.

Due diligence - Failure to perform thorough due diligence prior to executing strategic transaction activity (e.g., entering into contractual agreements with vendors/customers, and executing mergers, acquisitions, and divesture activity on tax, IT, human resources, and financial aspects) may result in erosion of financial position, misallocation of funds, and substantial loss from overpayment that may adversely affect the Company's reputation and market value.

Employee communications - Failure to communicate the roles, duties, and responsibilities of each employee at all levels of the organization may lead to possible conflict of duties, decreased employee productivity, and inefficiencies which undermine the achievement of the Company's goals and objectives.

Employee development and performance - Failure to develop skills and enhance employee performance through training and the use of tools that ensure the optimal achievement of organizational strategies, goals, and objectives may result in low employee morale, lack of personal development and growth, high employee turnover, and operational disruptions.

Equity - Failure to raise cash from investors and manage the return to investors through a number and type of share offerings, as well as dividends may lead to insufficient capitalization and erosion of the Company's market value.

Equity awards - Failure to properly initiate, evaluate, approve, distribute, modify, and monitor equity awards (e.g., employee stock option plan) for Company employees, resulting in an impairment of executive and personnel incentives to perform their role at an optimal level, which could result in noncompliance with regulations and lead to fines, prosecution, and reputational damage.

Ethics - Failure to create formal standards of employee behavior aligned with policies and procedures that are intended to direct and influence the way business is conducted, above and beyond the letter of the law, may result in employees’ lack of knowledge on and adherence to ethical behavior, employees' inability to report and address unethical behavior, and litigations that may adversely affect the Company's reputation.

Execution and integration - Failure to timely execute and integrate specific transaction activities to capitalize on merger, acquisition, and divesture opportunities to expand the product portfolio or initiate a change in strategic or operational direction may result in loss of opportunities and non-achievement of goals and objectives.

Financial reporting and disclosure - Failure to establish a financial reporting and disclosure process, leading to financial reports issued to existing and prospective investors, lenders, and regulatory bodies (e.g., Securities and Exchange Commission, DOI, and Department of Labor) being untimely, including material misstatements, omitting material facts, or being noncompliant with applicable accounting and reporting requirements (e.g., Sarbanes-Oxley Act and Philippine Financial Reporting Standards).

Forecasting and budgeting - Failure of management to forecast financial information which may lead to misallocation of resources to new and existing initiatives, as well as the inability to appropriately or sufficiently allocate capital to the areas required to fuel its growth, execute its strategies, or generate future financial returns, may result in the Company not achieving its targets. Also, failure to build a robust pipeline may impede the Company's ability to continuously develop new products at the right time.

Foreign exchange - Failure to manage foreign exchange exposures, such as contracts in which the initial and final settlements are in different currencies or the currency of another market needed to carry out international transactions is fluctuating, leading to financial loss.

Fraud - Failure to recognize potential unethical acts committed by the Company's employees or other stakeholders during local and international transactions with exposure to regulations/laws/standards may lead to substantial losses and litigations that may adversely affect the Company's reputation.

Funding (portfolio management) - Failure to meet the requirements of a portfolio of capital investments and obligations based on specified commitments or in accordance with terms of an agreement (i.e., retirement of capital bonds and capital accounts) and make optimal strategic investment decisions may result in financial losses.

Health and lifestyle - Failure to address the growing concerns among consumers, health professionals, and government agencies about the perceived negative health consequences (e.g., obesity and hypertension) and the increase in the level of public health consciousness may reduce product demand resulting in loss of sales and customers.

Health and safety - Failure to identify and mitigate legal exposures to the Company due to noncompliance with local and international rules and standards on health and welfare as well as safety in the design and structure of the workplace, production facilities, and retail locations (i.e., Occupational Safety and Health Standard, Fire Code of the Philippines, and National Building Code of the Philippines) may result in litigations that may adversely affect the Company's reputation and market value.

Hedging - Failure to purchase or undertake transactions that effectively maximize profits or minimize losses arising from price fluctuations may result in higher operating costs that may undermine the Company's profitability.

Insurance management - Failure of management to insure and protect assets from catastrophic events or unexpected circumstances arising from natural disasters or other unfortunate events, impacting its ability to replace it lost assets leading to disruption of its operations.

Intellectual property - Failure to define required parameters around the creation, capture, enhancement, leverage, and protection of the collective knowledge, expertise, and ideas of the Company in compliance with the Intellectual Property Code of the Philippines may result in litigations that may adversely affect the Company's reputation.

Interest rate - Failure to plan for or manage fluctuating interest or inflation rates, prices paid per unit of funds borrowed per year or other units of time, rate of return received on invested assets, and interest rates shifts beyond anticipated earnings rate may result in higher financing costs that may undermine the Company's profitability.

Internal control - Failure to identify significant or material weaknesses resulting from inadequate internal controls over financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations that may affect management's decision-making may result in inaccurate data or fraudulent transactions that undermine the reliability of the Company's financial statements, cause financial losses, operational inefficiencies, and non-achievement of Company goals.

International dealings - Failure to identify and mitigate exposures to the Company due to geopolitical and regulatory risks related to international business dealings may result in litigations leading to reputational damage, erosion of market value, and loss of business operations.

Inventory management - Failure to provide physical protection and stewardship over inventories that are designed to optimize utilization while minimizing obsolescence, contamination, etc., may result in higher inventory costs, significant quality and safety issues, reputational damage, and erosion of financial position.

Investor relations - Failure to accurately and timely communicate the pertinent information regarding Company affairs to its investors and stockholders may lead to a decline of investor confidence, shareholder lawsuits and activism, regulatory intervention and sanctions, prolonged negative publicity, and brand erosion.

IT infrastructure/architecture - Failure to have a scalable and flexible IT infrastructure to capture, retain, and transfer data in a secure and reliable environment with effective IT architecture in relation to implementation of new or changed systems, segregation of duties, and transport of system changes to the production environment may result in unmet end-user requirements and non-optimization of system capabilities undermining the Company's long-term competitiveness and profitability.

IT Management - Failure to prioritize technology initiatives and effectively allocate resources in order to achieve the Company’s strategic goals and objectives may result in loss of business opportunities that may adversely affect the Company’s profitability and competitiveness.

IT outsourcing - Failure to optimize the processes and benefits of moving IT function outside of the Company may result in higher operating costs that may undermine the Company’s profitability.

IT reliability and recovery - The risk that existing applications, systems, or data processing capabilities will not be available to end-users when needed. This also includes the risk that the Company does not have the capability to recover critical data, programs and applications, and data processing capabilities in a timely manner to minimize business disruptions.

IT security and privacy - Failure to protect the Company's data by securing access to IT systems and applications, or allowing unauthorized parties to obtain confidential employee, customer, or operations data. This risk includes inadequate identity and access management, and the failure to protect the Company from viruses or sabotage, due to lack of testing and monitoring for vulnerabilities.

JVs, alliances, and partnerships - Failure to identify potential alliance, recognize high-risk alliance, and manage existing alliances may lead to entry of competitors, lost time and investment, product failures, loss of confidence by various stakeholders, and erosion of the Company's market value. This also includes the risk that the Company is unable or unwilling to form advantageous partnerships.

Knowledge capital and workforce adaptability - Failure of Company resource to share and leverage business know-how gathered from learning, experience, and skills may result in constraints on growth and competency development of the organization, as well as disrupt business operations.

Labor - Failure to identify and mitigate legal exposures to the Company due to noncompliance with local and international labor rules and regulations (such as Labor Code of the Philippines) that include employee taxes, wages, benefits, and other employee rights may result in litigations that may adversely affect the Company's reputation and market value.

Labor relations - Failure to monitor and maintain cordial and strong relations with appropriate stakeholders (e.g., labor unions) and inability to address Collective Bargaining, demands, and agreements may result in labor unrest and employee resignation leading to operational inefficiencies, business disruptions, and higher operating costs.

Liability - Failure to fulfill responsibility, duty, or obligation may result in legal consideration to provide satisfaction, compensation, or other form of restitution.

Macroeconomic factors - Failure to recognize factors relating to macroeconomic conditions in a business environment (e.g., supply and demand imbalances) where the Company operates affecting its ability to maintain or increase revenue and profitability may lead to loss of business opportunities and non-achievement of the Company's revenue and expense targets.

Management reporting and communications - Unrealistic and immeasurable Company's strategic, operational, and financial performance metrics (e.g., KPIs) that support key decisions may threaten the management's ability to manage business performance and internal communication.

Market - Failure to manage exposures to movements in (1) prices of financial assets, such as currencies, equities, or other financial instruments, (2) rates of an indicator like interest rates, or (3) an index such as a stock market or other index, may result in losses from declines in the value of a portfolio if the portfolio is unhedged or imperfectly hedged.

Market expansion - Failure to identify new market, recognize opportunities, and establish strategies to successfully expand may adversely affect the Company's profitability and competitiveness.

Measurement and monitoring - Failure to identify appropriate key performance metrics and assess performance, quality, and adherence to the standards as set forth by the Company, resulting in an inability to measure the return on investment (ROI) and may affect the management's ability to make informed decisions on the Company's operations, which may lead to substantial losses and may undermine the Company's long-term profitability and competitiveness.

Misuse of Technology for Communication - Failure to properly identify and evaluate the technology to communicate internally externally and externally, directly, or indirectly information may contribute to, or fail to prevent, situations resulting in material damage to the Company's image or reputation.

Natural events - Failure to respond to threats of business disruption and contingencies due to natural events (e.g., fire, floods, earthquake, and typhoons) may impair the Company's capability to sustain critical operations and provide essential products and services due to factors such as power outages, fuel shortages, damage to facilities, or disruption of transportation channels leading to substantial losses that could adversely affect the Company's short-term and long-term profitability.

New Business Execution - Failure to execute new business opportunities that emerge in a manner that will meet financial, quality, and customer service targets may lead to unnecessary expenses and low bottom-line growth.

Organizational structure - Failure of the overall structure of the Company to support the achievement of strategic and business objectives in an efficient manner may result in failed or delayed execution of key projects leading to significant operating costs, financial losses to the Company, and a negative impact to people. This also includes enforcing clear responsibility for the execution of key strategies, processes, and enabling technologies.

Pension fund and retirement fund - Failure to identify, establish, maintain, and communicate the optimal structure for pension fund/retirement fund may lead to low employee morale, labor unrest, and employee demotivation as well as higher financial costs.

Planning and Execution - Failure to plan and execute major initiatives in a coordinated manner aligned with the strategic objectives of the Company may lead to misallocation of resources, operational inefficiencies, and non-achievement of goals and objectives.

Property, plant, and equipment - Failure to provide maintenance and physical protection over long-lived assets (e.g., buildings, furniture, fixtures, machinery, equipment, and other assets) that are designed to optimize utilization may lead to damages, equipment downtime and operational disruptions, property devaluation, unnecessary asset rehabilitation, and erosion of financial position.

Real estate - Failure to capitalize on growth opportunities, rationalize the real estate base, expand real estate portfolio (e.g., new buildings, operational sites, or renovations of existing facilities), or initiate a change in strategic or operational direction may affect Company's long-term and short-term objectives.

Recruitment - Failure to recruit key employees with the requisite knowledge and experience to execute the Company's business objectives, as well as meet the manpower requirements arising from the change in business model may result in inefficiencies and higher operating costs.

Regulatory reporting - Statutory or other regulatory reporting by the company includes errors or gaps, resulting in fines and reputational damage, as well as suboptimal business planning.

Regulatory response - The company’s response process to regulators (data requests, filings, and examinations) is inaccurate, inconsistent, or untimely, impacting its reputation, relational or financial risks.

Reputation - Failure to have a process in place to appropriately manage threats perceived by stakeholders to the name or standing of the Company may result in brand erosion, lost revenues, and loss of stakeholders' confidence.

Resource allocation - Management has not defined a human resource strategy that supports the business and strategic objectives; employee needs; and desired organizational mission, vision, and values, resulting in the inability to discover, evaluate and select among alternatives to provide direction and allocate resources for effective execution to achieve the strategic objectives of the company.

Retention - Failure to retain key employees with the requisite knowledge and experience to execute the Company's business objectives may result in operational disruptions and inefficiencies, higher operating costs, and exposure of trade secrets to competitors.

Securities - Failure to adhere to local and international regulatory requirements on securities (e.g., Republic Act no. 8799 - "The Securities Regulation Code") may lead to litigations/prosecutions, reputational damages, erosion of market value, payment of fines, and loss of business operations.

Social media - Failure to take advantage of the opportunities offered by social media platforms such as product promotions, market persuasion, and branding establishment guided by a formal social media policy may result to losses in potential customer sales and limit long-standing consumer recognition. This also includes creating and managing appropriate social media strategies.

Socio-political - Failure to handle adverse business conditions created by social and political factors within a market environment may create challenges in conducting business resulting to waning competitiveness, declining market share and volume, and deteriorating business performance.

Special purpose entities - Failure to align actual entity-level business activity performance with its stated business purpose may lead to misallocation of resources and loss of competitive advantage in the Company's core business.

Strategic planning - Failure to establish, evaluate, and select strategies in line with the Company's objectives and goals; and to provide direction and allocate resources for effective execution of such strategies may lead to inability to achieve quality outputs, a positive reputation, and future performance expectations.

Subsidiary Oversight - Failure of the Company to obtain accurate and timely financial and non-financial information from subsidiaries/associates/joint ventures (companies) that may significantly affect the Company's earnings or reputation may preclude the Company from providing the necessary assistance or support to avert potential losses or adverse impact on the Company's reputation.

Succession planning - Failure to create and implement a succession plan for identified key positions in the Company may result in inability to execute key roles within the Company leading to operational inefficiencies/disruptions.

Tax compliance and tax authority examination - Failure to identify and mitigate legal exposures to the Company due to noncompliance with local and international environmental laws and regulations (e.g., Republic Act 9003, also known as "Ecological and Solid Waste Management Program", local and national ordinances on solid waste avoidance and volume reduction) may lead to legal and regulatory consequences such as fines (as prescribed in RA 9003: Section 49 and other laws and regulations), litigations, and possible difficulties in obtaining permits for facility expansions.

Tax department operations - Failure of the tax organizational structure, competency, and resources to respond to the needs of stakeholders and business partners may result in higher tax expenses and potential tax exposures that may undermine the Company's financial position and profitability.

Tax strategy and planning - Failure to identify tax minimization strategies, anticipate or lobby on possible changes in tax laws, and optimize tax efficiency consistent with applicable tax laws and regulations may result in higher tax exposures that may undermine the Company's profitability.

Tax technology and data management - Failure to utilize technology to access necessary data in a timely manner or receive relevant information or data to support tax function requirements may result in higher tax expenses that may undermine the Company's profitability and result in fines and penalties.

Technology Enablement - Failure of IT to directly or indirectly optimize the growth or other strategic imperatives of the business that will capture and provide information supporting management's decision-making needs may undermine the long-term competitiveness of the Company.

Technology Implementation - Failure of a major technology implementation to support the strategic objectives of the organization may result in operational inefficiencies and loss of business opportunities that may undermine the Company's long-term profitability and completeness.

Terrors and malicious acts - Failure to respond to threats of business disruption due to terrorist activities or other malicious acts may result in operational disruptions and substantial losses that may adversely affect the Company's short-term and long-term profitability.

Third Party Service Providers - Failure of the Company's service providers to adhere to Company's policies, regulatory requirements and/or service agreements may lead to waning market share and deteriorating business performance.

Tone at the top - Failure of top management to establish and maintain an environment that encourages integrity, ethical values, and competence of the Company's people through management's philosophy and operating style, assignment of authority and responsibility, and the organization and development of its people may affect the behavioral expectation and morale of employees leading to unrest, high turnover of key employees, and confusion in the interpretation and implementation of policies within the Company.

Valuation, impairment, and depreciation - Failure to establish and manage valuation, impairment, and depreciation processes for intangibles and other long-lived assets resulting to inaccurate, untimely updating, and realization of corresponding values and financial information.

Vision and direction - Failure to establish and effectively communicate a vision and direction for major initiatives (including services, products, and programs) that will drive future growth to all levels of the organization may result to misaligned execution of business activities and issues on employee buy—ins that may adversely affect the Company's long-term profitability and competitiveness.



RISK MANAGEMENT

SAN MIGUEL CORPORATION

Annex A: Initial Risk Universe

Operations

Physical Assets

- Insurance management
- Inventory management
- Property, plant, and equipment
- Real estate

Information Technology (IT)

- Cybersecurity
- IT Management
- IT infrastructure/architecture
- IT outsourcing
- IT reliability and recovery
- IT security and privacy

People and Human Resources

- Compensation and benefits
- Culture
- Employee Development and Performance
- Knowledge capital and workforce adaptability
- Labor relations
- Recruitment
- Retention
- Succession planning

Hazards

- Controllable catastrophe
- Business continuity planning
- Natural events
- Terrors and malicious acts

Business Portfolio Management

- Business Development
- Business Portfolio
- Business Model
- New Business Execution

Strategic

Mergers, Acquisitions, and Divestitures

- Due diligence
- Execution and integration
- JVs, alliances, and partnerships

Market Dynamics

- Competition
- Health and lifestyle
- Macroeconomic factors
- Sociopolitical factors

Communications and Investor Relations

- Board communications
- Crisis communications
- Diplomatic relations
- Employee communications
- Investor relations
- Management reporting and communications
- Social media
- Vendor relations
- Misuse of Technology for Communication

Governance

- Board performance
- Control environment
- Corporate social responsibility
- Reputation
- Tone at the top
- Subsidiary Oversight

Planning and Resource Allocation

- Forecasting and budgeting
- Market expansion
- Organizational structure
- Special purpose entities
- Strategic planning
- Annual Budgeting
- Resource allocation
- Technology Enablement
- Third-Party relationships

Major Initiatives

- Business valuation
- Business acceptance
- Measurement and monitoring
- Vision and direction
- Planning and execution
- Technology Implementation

Financial

Capital Structure

- Capital funding
- Debt
- Equity awards
- Equity
- Pension fund and retirement fund
- Debt Servicing

Liquidity and Credit Management

- Cash management
- Credit
- Credit and collections
- Funding (portfolio management)

Market Risk

- Market
- Foreign exchange
- Interest rate

Accounting and Reporting

- Accounting
- Accounting estimates
- Financial reporting and disclosure
- Internal control
- Valuation, impairment, and depreciation

Tax

- Tax department operations
- Tax strategy and planning
- Tax technology and data management

Compliance

Code of Conduct

- Ethics
- Fraud

Legal

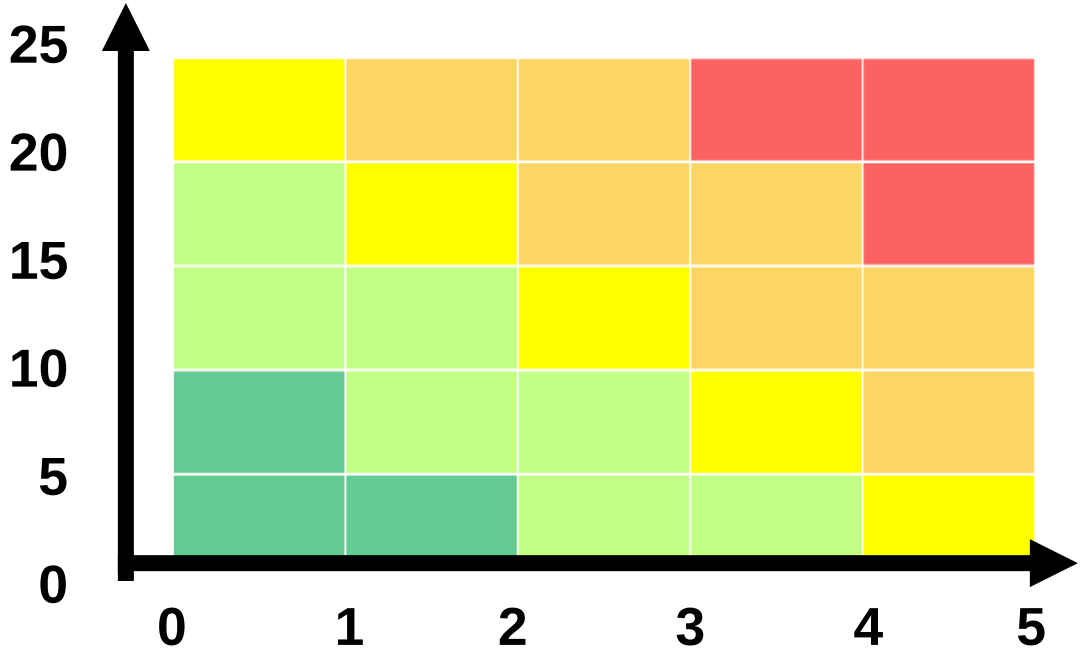
- Allegations and claims
- Anti-corruption
- Contract
- Intellectual property
- Liability

Regulatory

- Data protection and privacy
- Health and safety
- International dealings
- Labor
- Regulatory response
- Regulatory reporting
- Tax compliance and tax authority examination
- Securities

Annex B: Risk Criteria Matrix

Risk Profile Voting



Risk Level

(Impact x Likelihood)

This is the average based on the severity of consequence and the likelihood of occurrence and probability

- Limited
- Low
- Moderate
- High
- Significant

Opportunities for Risk Management Improvement (ORMI)

Is there a room for improvement on its existing risk management strategies/ controls?

Risk Assessment Criteria



Severity of Impact

If the risk happens, how much will it affect San Miguel Corporation?

SCORE	RATING	CRITERIA
5	Significant	If risk is not managed, will close the operations.
4	High	If risk is not managed, will significantly impact operations and will be difficult to recover.
3	Moderate	If risk is not managed, it will get us by but not as competitively.
2	Low	If risk is not managed, will impact operations but will be easier to recover.
1	Limited	If risk is not managed, no impact operations or very minimal impact on operations.



Likelihood of Occurrence and Frequency

How likely is the risk to happen?

SCORE	RATING	CRITERIA
5	Expected	Expected to occur in given circumstances; Systemic/Ongoing (>90%) and within an annual business cycle.
4	Highly Likely	Highly likely to occur in given circumstances (>50%); and would be expected to occur in 2 years but less than 3 years.
3	Likely	Likely to occur in given circumstances (>33%); and would be expected to occur in 3 years but less than 5 years.
2	Not Likely	Not likely to occur in given circumstances (>20%); and would be expected to occur in 5 years but less than 7 years.
1	Remote	Remote expectation of occurrence (<5%); and would be expected to occur in 7 years and beyond.

Voting Criteria



Opportunities for Risk Management Improvement (ORMI)

Is there a room for improvement on its existing risk management strategies/controls?

SCORE	RATING	DESCRIPTION	EXISTENCE OF CONTROLS
5	Significant	No strategies are in place	There are no controls in place.
4	High	Some strategies are in place but they do not seem to work as Intended	There are controls in place but are not designed effectively
3	Moderate	Some strategies are about right – it gets us by	Controls in place are designed effectively but may not be implemented/ followed continuously
2	Low	We are happy with what we are doing but we know we can still do better	Controls are established and working effectively but can still be optimized
1	Limited	Strategies employed are of leading practice.	Controls are optimized to provide full risk coverage

Annex C: Risk Sourcing Template – Bow Tie Analysis

RISK TITLE Risk Definition			
Causes	Current Preventive Controls	Improvement of Current Preventive Controls	Risk Owners
Causes	Current Preventive Controls	Improvement of Current Preventive Controls	Risk Owners

Annex D: Risk Strategies and Action Plans Template – Articulation Map

Business Risk:	
Key Performance Indicator / Risk Tolerance :	
Key Risk Indicator:	
Value Creation Opportunities:	
Cause or Consequence:	
Risk Management Option:	*<Select from the Dropdown>*

Strategies	Status (Current, Improve the Current, New)	Action Plans	Person Responsible	Timeline	Resources (e.g., Budget, People)
People, Process, Technology, Governance or Data					
1.				Within 1 year	
				Beyond 1 year	
2.				Within 1 year	
				Beyond 1 year	

Annex E: Risk Register and Monitoring Dashboard Template

Business Risk	Risk Level	Risk Tolerance / KPI	Target KRI	Actual KRI	Causes	Risk Mitigation Treatment	Risk Owners	Timetable	Status as of —
Highly Leveraged Risk	Risk Rating				Cause 1	Risk Mitigation Treatment 1	Risk Owner	Timetable	·
[redacted]	[redacted]					Risk Mitigation Treatment 2	Risk Owner	Timetable	
						Risk Mitigation Treatment 3	Risk Owner	Timetable	
					Cause 2	Risk Mitigation Treatment 1	Risk Owner	Timetable	
		KPI	Target KRI	Actual KRI		Risk Mitigation Treatment 2	Risk Owner	Timetable	
						Risk Mitigation Treatment 3	Risk Owner	Timetable	·
					Consequences	**Impact Mitigation Plan**			
					Consequence 1	Impact Mitigation Plan 1	Risk Owner	Timetable	
						Impact Mitigation Plan 2	Risk Owner	Timetable	
						Impact Mitigation Plan 3	Risk Owner	Timetable	
					Consequence 2	Impact Mitigation Plan 1	Risk Owner	Timetable	
						Impact Mitigation Plan 2	Risk Owner	Timetable	



ERM Outputs

SAN MIGUEL CORPORATION

Summary

The outputs on the succeeding pages were the results of the series of ERM sessions and workshops attended by members of SMC as listed below:

- Risk Awareness Session
- Risk Self-Assessment Workshop
- Risk Sourcing Workshop
- Risk Management Strategies and Action Plans Workshop
- Risk Monitoring and Reporting Session
- Role of Internal Audit Session

These are living documents that are subject to periodic update and review if there are changes to the business environment, emerging risks and others.

Risk Self-Assessment Survey Results

Tier 1

No.	Risk	Category
1	Business continuity planning	Operational
2	Internal control	Financial
3	Crisis communications	Strategic
4	Employee communications	Strategic
5	Debt	Financial
6	Investor relations	Strategic
7	Tone at the top	Strategic
8	Subsidiary Oversight	Strategic
9	Competition	Strategic
10	Strategic planning	Strategic
11	IT Management	Operational
12	Funding (portfolio management)	Financial

Additional Tier 1

No.	Risk	Category
*	Business portfolio	Operational
*	JVs alliances and partnerships	Strategic
*	Succession planning	Operational
*	Tax strategy and planning	Finance
*	Financial reporting and disclosure	Finance
*	Market	Finance

Tier 2

No.	Risk	Category
13	Corporate Social Responsibility	Strategic
14	Vision and direction	Strategic
15	Planning and Execution	Strategic
16	Technology Implementation	Strategic
17	Due diligence	Strategic
18	Culture	Operational
19	Controllable catastrophe	Operational
20	Cybersecurity	Operational
21	Compensation and benefits	Operational
22	Ethics	Compliance
23	Tax compliance and tax authority examination	Compliance

Risk Prioritization Results

#	Risk Title	Impact	Likelihood	Level of Risk*	ORMI
1	IT Management	3.67	3.73	3.70	3.07
2	Debt	4.20	3.00	3.60	2.33
3	Crisis communications	3.87	3.27	3.57	2.67
4	Tone at the top	3.87	3.27	3.57	2.87
5	Market	3.47	3.60	3.53	2.53
6	Business continuity planning	3.87	3.20	3.53	2.73
7	Succession planning	3.53	3.53	3.53	3.33
8	Funding (portfolio management)	4.07	2.87	3.47	2.40
9	Strategic planning	4.00	2.93	3.47	2.60
10	Subsidiary Oversight	3.73	3.00	3.37	2.47
11	Business portfolio	3.73	2.93	3.33	2.60
12	Competition	3.53	3.13	3.33	2.67
13	JVs alliances and partnerships	3.53	3.07	3.30	2.33
14	Tax strategy and planning	3.33	3.27	3.30	2.40
15	Financial reporting and disclosure	3.60	2.93	3.27	2.27
16	Internal control	3.40	3.00	3.20	2.60
17	Investor relations	3.27	3.00	3.13	2.40
18	Employee communications	3.00	3.00	3.00	2.93

Where:

* Level of Risk = (Impact + Likelihood) / 2

Risk Sourcing, Management Strategies and Action Plans

Business Continuity Planning

Key Performance Indicator:	• Annual review and updating of Business Continuity Plan (BCP) and ITSC policies and plans • Annual tabletop exercises • Semi-annual Business Continuity Awareness (BCA) Seminars for coordinators
Key Risk Indicator:	• Missed review of BCP and ITSC policies and plans • Missed tabletop exercise for the year • Missed conducting the BCA Seminar • Inactive Business Continuity coordinators based on attendance for the year
Value Creation Opportunities:	• To prevent significant losses due to business interruption • Can be used as a reference/baseline for the BCP initiatives of the other Business Units (BU)

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	No dedicated org structure to support BCP				
Risk Management Option	Accept-Reduce				
Risk Owner	TBD				
People					
Ad-hoc personnel assigned to double-hat in BCP for each corporate unit	Current	N/A	None identified yet	N/A	N/A
Designation of dedicated unit/team for a BCP org structure	Improve the Current	Ongoing implementation of BCMS Project: 1. Identify designated unit/team 2. Formalize designation through BCM Policy which would include the org structure, roles, and responsibilities 3. Policy approval by SMC Management	*Policy:* BCMS Project Team *Approval:* SMC Management	by Q4 2022	1. Budget 2. External Consultants

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Lack of dedication and focus of team members on implementation for BCP planning				
Risk Management Option	Accept-Reduce				
Risk Owner	Corporate Affairs Office (CAO)				
Governance and Processes					
Existing BCP plans are focused on IT systems for critical functions only (ITSC)	Current	Ongoing implementation of IT Service Continuity Plans (ITSC) policy	Corporate Information Technology Management (CITM), CAO	by Q4 2022	External consultant
Develop a holistic Business Continuity Management System (BCMS)	Improve the Current	Ongoing implementation of BCMS Project: 1. Conduct Business Impact Analysis on all Holding Company 2. Develop Business Continuity Strategy for Holding Company 3. Formalize Business Continuity Plan 4. Conduct Tabletop Exercises	CAO	by Q4 2022	• Budget • External consultants
Consequence	Prolonged disruption of productivity and business operations during incidents				
Risk Management Option	Accept-Reduce				
Risk Owner	CAO				
Technology and Processes					
ITSC plans and procedures mitigate disruption of critical IT systems	Current	N/A	CITM	N/A	N/A
Develop a comprehensive Disaster Recovery Plan (DRP) for all corporate functions	Improve the Current	Ongoing implementation of BCMS Project: 1. Identify critical functions in Holding Company Units that require a Disaster Recovery Plan (DRP) 2. Integrate existing ITSC to the ongoing DRP implementation	CITM, CAO	by Q4 2022	• Budget • External consultants

IT Management

Key Performance Indicator:	• Technology Champions assigned for all CSU departments • Technology Awareness Sessions endorsed/organized by CITM twice a year • Business cases for IT projects are presented with complete data • Presence of CITM during all relevant department planning sessions as a recommendatory party and to discuss the product/system roadmap
Key Risk Indicator:	• One or more departments do not have Technology Champions • Missed Technology Awareness Session during budget season or end-of-year without good reason • One or more business case for IT Projects rejected primarily due to insufficient data • One or more IT planning sessions conducted without CITM involvement
Value Creation Opportunities:	To prioritize technology initiatives and allocate resources well to meet business goals

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Lack of information of the departments regarding what relevant technologies are there in the market				
Risk Management Option	Accept-Reduce				
Risk Owner	TBD (per department)				
People					
Participation by the department in roadshows and product presentations for relevant technologies	Current	N/A	Ad hoc (per department)	Ongoing	• Manpower • External providers
Assign Technology Champions per department to initiate technology improvements and consolidate IT requirements	Improve the Current	• Identify and formally assign Technology Champions per CSU department • CITM to conduct on-boarding for the Tech Champions to understand their roles and responsibilities	• Department Heads • CITM	Q3 2022	• Department Heads • CITM • Manpower for Tech Champions

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Lack of inputs from CITM to the departments regarding what relevant technologies can be applied to their business processes				
Risk Management Option	Accept-Reduce				
Risk Owner	CITM				
People					
Participation in roadshows and product presentations endorsed by CITM	Current	N/A	CITM	Ongoing	• CITM manpower • External providers
Expand CITM's role to include awareness of department needs and relay relevant technologies in their area	Improve the Current	• Define and communicate new responsibilities to CITM to relay relevant technologies to the CSU departments • CITM to conduct regular sessions with the CSU departments to identify business IT-related needs • CITM to conduct regular research and discussions to help identify relevant technologies to share with the CSU departments • CITM to set up regular technology awareness sessions with CSU departments (twice a year during budget season and end-of-year)	CITM	Q3 2022	• CITM Manpower • External providers • CSU audience

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Budget constraints and insufficient data for business justification of cost				
Risk Management Option	Accept-Reduce				
Risk Owner	TBD (per department)				
Process					
Business case creation to justify costs for relevant projects	Current	N/A	Ad-hoc (per department)	N/A	N/A
Ensure complete/sufficient business case is available during budget planning (LRP)	Improve the Current	• System Owner to gather relevant data from the tech presentations organized by CITM for the business case • Establish a process (or checklist) to ensure that the System Owner is able to gather all relevant information for their business case from the providers and relevant parties	System Owners (per department)	Q3 2022	• System Owners • CITM • External providers • Corporate Procurement Group (CPG)
Cause	Lack of organization structure dedicated to develop and explore new technologies and IT innovations				
Risk Management Option	Accept-Reduce				
Risk Owner	TBD (per department)				
People and Technology					
Exploration of new technologies is ad-hoc and localized to certain solution needs only (reactionary)	Current	N/A	Ad-hoc (per department)	N/A	Per department
Establishment of dedicated personnel for proactively exploring new technologies and coordinating with existing groups	Improve the Current	Recommend to management to establish a dedicated IT Innovation group to focus on the exploration or development of new technologies for business use		Q3/Q4 2022	

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequence	Loss of opportunities for business process optimization to optimize productivity and costs				
Risk Management Option	Accept-Reduce				
Risk Owner	CITM				
Governance and People					
CITM involvement in department planning sessions	Current	N/A	CITM	Ongoing	• CITM Manpower • CSU Departments
Expand CITM's role in the department's IT planning to a recommendatory function	Improve the Current	Discuss and align with Department Heads on the new responsibility of the CITM during the department's planning to recommend and support the business cases of relevant technologies and improvements	CITM	Q3 2022	• CITM • Department Heads • System Owners
Consequence	Outdated Systems and processes leading to inefficiency				
Risk Management Option	Accept-Reduce				
Risk Owner	TBD				
Process and Technology					
Regular evaluation of key systems for upgrade needs	Current	N/A	CITM	Ongoing	• CITM Manpower • CSU Departments • SMITS
Long-term roadmap for product/system improvements based on projected improvement needs	Improve the Current	• Align with Department Heads to include the product/system improvements roadmap during the department's IT planning sessions • CITM to conduct internal discussions with the key system providers to understand their product/system roadmaps • CITM to make the necessary product/system improvement roadmap recommendations during the department's IT planning sessions	CITM	Q3 2022	• CITM • Department Heads • SMITS • External providers

Employee Communication

Key Performance Indicator:	• Establishment of a structured orientation program for newly appointed employees to discuss their roles and responsibilities • Updated org charts and job descriptions (JD) for all CSU departments • Managers to attend the people management or supervisory skills training
Key Risk Indicator:	• HR monitoring shows one or more cases of immediate superiors not following the established orientation program • Missed org review with the CSU department or having incomplete JDs for the established org structure • One or more active managers failed to attend the training for people management/supervisory skills on their assigned dates/schedule
Value Creation Opportunities:	Employee productivity and achievement of company's goals and objectives

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Urgency of job requirements causing work to begin before duties are clearly communicated, or without exact duties officially being communicated (learning on the job)				
Risk Management Option	Accept-Reduce				
Risk Owner	Responsible - Immediate Superior Accountable (Governance) - CHR				
Process					
Employees are provided job descriptions	Current	N/A	• Responsible - Immediate Superior • Accountable (Governance) – CHR (CHR)	Ongoing	• Immediate Superior • CHR
Structured Orientation (on the specific role) before actual work	Improve the Current	• CHR to develop a structured orientation program to be followed each time that an employee is given a new role • CHR to train immediate superiors on how to conduct the orientation • Immediate superior to follow the orientation program (checklist) when new employees come in	• Responsible - Immediate Superior • Accountable (Governance) - CHR Oversees	Q4 2022	• CHR • Immediate superiors

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Unclear role delineation within a group or within the company due to lack of organizational planning or updating of roles				
Risk Management Option	Accept-Reduce				
Risk Owner	Inputs - Department Heads Facilitates - CHR				
Process					
Provision of organizational chart and JD during the request for Manpower	Current	N/A	• Input - Department Heads • Facilitate - CHR	Ongoing	• Immediate superior • HR
Ensuring organizational charts are updated, and regular review and cascade of roles and responsibilities within the org structure	Improve the Current	• Establish a semi-annual schedule of org review by the department head and HR • Department Heads to cascade any changes in the roles and responsibilities within the org structure	• Input - Department Heads • Facilitate - CHR	Q1 2023	• HR • Department Heads
Encouraging employee feedback in order to ensure that roles and responsibilities are clear to the employees	New	Establish an Employee Feedback System/Program in which employee can freely express his concerns regarding his role in his unit/department.	Responsible - CHR	Q2 2023	• CHR • Immediate superiors
Consequence	Overlap or duplication of duties from different roles/employees				
Risk Management Option	Accept-Reduce				
Risk Owner	Inputs - Department Heads Facilitates - CHR				
Process					
Internal adjustment of workloads between employees or teams without formalizing changes	Current	N/A	• Input - Department Heads • Facilitate - HR	Ongoing as needed (Current)	• Immediate superior • Internal Team
Documenting and officializing changes to roles and org structures when caused by overlaps and duplication	Improve the Current	• CHR to review and update the existing process related to documenting changes in roles • CHR to cascade and ensure compliance of departments to the new process	CHR	Q4 2022	• CHR • Department Heads • Immediate superiors

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequence	Failure to achieve expected outputs and deliverables at expected times				
Risk Management Option	Accept-Reduce				
Risk Owner	Immediate Superior				
People and Process					
Delegation/reassignment of tasks or micro-management (guiding output instead of role)	Current	N/A	Immediate Superior	Ongoing	• Immediate superior • Internal Team
Managers to provide more guidance and reiteration of expectations in the event of employee confusion regarding the role	Improve the Current	• CHR to provide training for managers on how they can ensure that work assigned is in line with the employees' communicated roles and responsibilities • CHR to provide managers with people management and supervisory skills trainings	HR	Q1 2023	• CHR • Immediate superiors • Training providers



Succession Planning

Key Performance Indicator:	• Establishment of a succession planning process for key roles • Establishment of criteria in identifying successors for key roles • Maintained pool of qualified candidates for key roles • Updated career development map per manager/immediate superior for his/her team
Key Risk Indicator:	• CHR Monitoring shows one or more cases of immediate superiors not following the established succession planning process • Insufficient pool of qualified candidates for one or more key roles • CHR Monitoring shows one or more cases of development maps/plans not being accomplished
Value Creation Opportunities:	Prompt replacement of key roles with qualified personnel leading to operational continuity

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Low priority given to succession planning on the grassroots level which may be due to having competent incumbents				
Risk Management Option	Accept-Reduce				
Risk Owner	CHR				
Process and People					
Incumbents are coached to identify potential successors for the long-term during retirement or promotion talks	Current	N/A	CHR	Ongoing	• Immediate superior • CHR
Establishing a structured program for formalized succession planning for key roles based on a defined schedule instead of just triggers	Improve the Current	• CHR to establish and cascade the succession planning process for key roles • CHR to train the managers on how to conduct the succession planning process	CHR	Q2 2023	• Immediate superior • CHR OD team

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Low priority given to having a merit-based succession plan due to having people in mind for the role (personal biases)				
Risk Management Option	Accept-Reduce				
Risk Owner	CHR with inputs from Department Heads				
Process and People					
Focused training and development of potential successors among people in mind	Current	N/A	CHR with inputs from Department Heads	Ongoing	• Immediate superior • CHR
Establishing a structured merit-based program for formalized succession planning for key roles	Improve the Current	• CHR to establish and cascade the criteria in identifying successors for key roles • CHR to facilitate Talent Assessment sessions with the immediate superiors/ managers	CHR with inputs from Department Heads	Q2 2023	• Immediate superior • CHR OD team
Cause	Low supply of talents that meet the criteria for the succession plan (both internally and externally)				
Risk Management Option	Accept-Reduce				
Risk Owner	CHR recruiters with inputs from hiring managers				
Process					
Leveraging head-hunters for key roles for greater reach and referral system to expand the hiring pool	Current	N/A	CHR recruiters with inputs from hiring managers	Ongoing	• CHR • External headhunters • Hiring manager
Purposeful hiring based on clearer definition of requirements to find the right fit	Improve the Current	• Hiring managers to define the requirements and desired candidate qualifications for each position in their department (on top of the JD R&R) • CHR recruiters to actively search for qualified candidates and maintain a pool of candidates that meet the criteria	CHR recruiters with inputs from hiring managers	Q2 2023	• CHR • External headhunters • Hiring manager

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequence	Personality-based appointments (instead of merit-based) due to a lack of a succession plan				
Risk Management Option	Accept-Reduce				
Risk Owner	Immediate superior				
People					
Focused guidance on the appointed employee to be able to fulfil his/her duties and responsibilities	Current	N/A	Immediate superior	Ongoing	• Immediate superior • Employee

Consequence	Employee resignations due to lack of career growth				
Risk Management Option	Accept-Retain/Tolerate				
Risk Owner	Immediate superior				
People and Process					
Career counseling and opportunities for inter-company movement	Current	N/A	Immediate superior	Ongoing	• Immediate superior • Employee
Follow through on the career development plans defined during the employee's performance evaluations	Improve the Current	• CHR to map the development plan for the immediate superior's reference • Immediate superior to ensure that the development plans for the year are accomplished • Immediate superior to conduct a mid-year review of development plans to check if still applicable	• CHR • Immediate superior	Q1 2023	• Immediate superior • Employee

Crisis Communication

Key Performance Indicator:	Annual review and updating of Crisis Management Plans and Playbooks Annual tabletop exercises
Key Risk Indicator:	Missed updating of vulnerability assessment Missed tabletop exercises for the year (playbooks and plans)
Value Creation Opportunities:	To prevent significant reputational damage due to failure of timely communications

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Unavailability of relevant information and alignment of messages				
Risk Management Option	Accept-Reduce				
Risk Owner	CAO				
Process					
Availability of Crisis Management Plan (CMP) create by the Crisis Management Team (CMT)	Current	N/A	CMT	Ongoing	CMT
Development of the CMP to cover more scenarios with limited information	Improve the Current	• CMT to develop the CMP based on the Crisis Management System Handbook • Align CMP with BCP and Emergency Response Plan • Conduct a tabletop exercise at least once a year	CMT	by Q3 2023	CMT

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequence	Spread of wrong information to stakeholders leading to loss of stakeholder confidence				
Risk Management Option	Accept-Reduce				
Risk Owner	CAO				
Process					
Activation of CMT for damage control/ reputation protection	Current	N/A	CMT	Ongoing	CMT
Development of playbooks with roles defined for faster response	Improve the Current	• CMT to identify top potential crisis scenarios as part of the vulnerability assessment • CMT to develop templates for use as playbooks • Align playbooks with BCP and Emergency Response Plan playbooks • Conduct a tabletop exercise at least once a year	CMT	by Q3 2023	CMT

Funding (Portfolio Management)

Key Performance Indicator:	Punctual payment of principal, interest and/or distributions/dividends
Key Risk Indicator:	Pecuniary penalties due to late payment of principal, interest and/or distributions/dividends, if any; default/cross-default
Value Creation Opportunities:	Increase in credit lines with financial institutions and satisfied investors may lead to greater access to needed funds

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Maturity profile not monitored				
Risk Management Option	Accept				
Risk Owner	Corporate and Business Treasury				
Technology					
Systems monitoring (via Quantum)	Current	N/A	Corporate and Business Treasury	Ongoing	Quantum
Continual updating of computer system	Improve the Current	Upgrades need to be installed to capture new market standards	Corporate and Business Treasury	Ongoing	IT Group
Cause	Stated distribution dates not being monitored				
Risk Management Option	Accept				
Risk Owner	Corporate and Business Treasury				
Technology					
Systems monitoring (via Quantum)	Current	N/A	Corporate and Business Treasury	Ongoing	Quantum
Continual updating of computer system	Improve the Current	Upgrades need to be installed to capture new market standards	Corporate and Business Treasury	Ongoing	IT Group
Consequence	Appropriate cash not allocated for redemption				
Risk Owner	Corporate and Business Treasury				
Process					
Pay ASAP	Current	N/A	Corporate and Business Treasury	Ongoing	Cash on hand

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequence	Appropriate cash not allocated for distribution / dividends				
Risk Owner	Corporate and Business Treasury				
Process					
Pay ASAP	Current	N/A	Corporate and Business Treasury	Ongoing	Cash on hand

Market

Key Performance Indicator:	Timely strategies implemented in line with market movement based on prevalent market conditions
Key Risk Indicator:	Percentage of increased costs
Value Creation Opportunities:	Mitigate (potential) higher costs and may provide pockets of savings

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Movements in the financial market not anticipated				
Risk Management Option	Accept				
Risk Owner	Corporate Treasury and Planning & Research				
People and Data					
Continual monitoring of the market (via Bloomberg)	Current	N/A	Corporate Treasury and Planning & Research	Ongoing	• Bloomberg • Reports from financial institutions
Cause	Inadequate communication with relationship banks who may provide additional flavor in the market				
Risk Management Option	Accept				
Risk Owner	Corporate Treasury				
People and Data					
Market forecasting in coordination with banks	Current	N/A	Corporate Treasury	Ongoing	• Bloomberg • Reports from financial institutions
Cause	Failure to promptly act/react on the given market information				
Risk Management Option	Accept				
Risk Owner	Corporate and Business Treasury				
People and Process					
Hedging	Current	N/A	Corporate and Business Treasury	Ongoing	Banks
Creation of a more robust hedging policy	Improve the Current	Continue to update the hedging policy in place	Corporate and Business Treasury	Ongoing	Banks

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequence	Increased interest expense.				
Risk Owner	Corporate and Business Treasury				
People and Data					
Continual monitoring of the market (via Bloomberg)	Current	N/A	Corporate and Business Treasury	Ongoing	• Bloomberg • Reports from financial institutions
Continually exploring IFRS 9 compliant structures	Improve the Current	Continue to request from our counterparties structures that would help mitigate our currency/interest risk that are IFRS9 compliant	Corporate and Business Treasury	Ongoing	Banks

Consequence	Higher translation of foreign currency denominated liabilities				
Risk Owner	Corporate and Business Treasury				
People					
Another round of coordination with the banks	Current	N/A	Corporate and Business Treasury	Ongoing	Banks
Additional hedging	Current	N/A	Corporate and Business Treasury	Ongoing	Banks

Debt

Key Performance Indicator:	Compliance to financial ratio covenants as stated on loan agreements
Key Risk Indicator:	Level of breach on agreed financial ratio covenants; default/cross-default
Value Creation Opportunities:	Maintain good credit standing with creditors and keep financial costs at manageable levels

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Failure of financial planning to monitor financial ratio covenants and advise Corporate Treasury promptly about any red flags				
Risk Management Option	Accept				
Risk Owner	Financial Planning & Analysis				
People, Process					
Run updated consolidated projections prior to any new fund raising	Current	N/A	Financial Planning & Analysis	Ongoing	• Data from businesses • Economic forecasts
Run consolidated projections and conduct discussions with Corporate Treasury on a regular basis	Improve the Current	Projections need to be routinely run to make sure no red flags on (any potential breach of) covenants	Financial Planning & Analysis	Ongoing	• Data from businesses • Economic forecasts
Consequence	Too close to the threshold of breaching the financial ratio covenant level.				
Risk Owner	Financial Planning & Analysis and SMC BUs				
People, Process, Governance					
Prioritization of projects for funding	Current	N/A	• Financial Planning & Analysis • SMC BUs	Ongoing	AACE*
Enhance prioritization criteria of projects for funding	Improve the Current	Well-timed discussion with senior management to agree on prioritization	• Financial Planning & Analysis • SMC BU	Ongoing	• Executive Assistant to the Office of the President (OTP) • Chief Finance Officer (CFO)

** Application for Authority for Capital Expenditure*

Internal Control

Key Performance Indicator:	Periodic assessment of controls
Key Risk Indicator:	Total number of fraudulent transactions
Value Creation Opportunities:	• Satisfied shareholders and investors • Brand Equity becomes stronger

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Prioritization of the expansion projects				
Risk Management Option	Accept				
Risk Owner	SMC BUs				
Process and Governance					
AACE process is in place	Current	Ensure completeness of scope of works and timely onboarding of Capital Expenditure Procurement Group (CEPG) on planned projects	SMC BUs	Ongoing	Archen and/or CEPG
Shorten the approval process	Improve the Current	Evaluation of technical and commercial bids and review of contract to be performed simultaneously / concurrently	CEPG	Ongoing	Archen and/or CEPG
		Streamlining and alignment among BUs of the awarding process	CEPG / SMC BUs	Ongoing	

Cause	Changes of the Prioritization Projects				
Risk Management Option	Accept				
Risk Owner	SMC BUs				
Process and Governance					
AACE process is in place	Current	Ensure completeness of scope of works and timely onboarding of CEPG on planned projects	SMC BUs	Ongoing	Archen and/or CEPG
Shorten the approval process	Improve the Current	Evaluation of technical and commercial bids and review of contract to be performed simultaneously / concurrently	CEPG	Ongoing	Archen and/or CEPG
		Streamlining and alignment among BUs of the awarding process	CEPG / SMC BUs	Ongoing	Archen and/or CEPG

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Supplier capability to meet the requirements				
Risk Management Option	Accept				
Risk Owner	CPG				
Process and Governance					
Required registration and accreditation of the suppliers	Current	• Require all suppliers that will be engaged by BUs to be registered with Supplier Lifecycle Program (SLP) • If the supplier cannot provide the documents needed to register and the BU already needs to engage the supplier, the BU must provide a waiver, approved by their BU head	CPG / Business Procurement Groups (BPG)	Ongoing	SLP
	Improve the Current	• Ensure constant monitoring and possible increase in frequency of reports to BPG • Conduct of regular refresher training for buyers	CPG	Ongoing	SLP
Development of alternatives to contractors and suppliers	Current	Enhance synergy / expand list of contractors through pooling of suppliers among SMC BUs	CEPG / SMC BUs	Ongoing	CPG and BPG
	Improve the Current	• KPIs in in finding alternative suppliers need to be more defined • Develop local suppliers	CPG / SMC BUs	Ongoing	CPG and BPG
Establish KPI's on project implementation	Current	• All buyers are required to find suppliers for their assigned items/commodity • There should be a PO for the alternative supplier	SMC BUs	Ongoing	CPG and BPG
Enhance the criteria of the prioritization of the expansion projects	Improve the Current	Well-timed discussions with senior management to agree on prioritization	• SMC BUs • Financial Planning and Analysis	Ongoing	• Executive Assistant to the OTP • CFO

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Inadequate coordination on disclosure of financial information among functions				
Risk Management Option	Accept				
Risk Owner	Office of General Counsel (OGC), Corporate Finance, Corporate Treasury, BUs				
Process and Governance					
Close alignment and coordination among functions	Current	Advise and coordinate with OGC, Corporate Finance, Corporate Treasury, and/or BU concerned upon receipt of demand letter, complaint, summons, order, or any document involving a claim against the company and determine how to address the same	OGC, Corporate Finance, Corporate Treasury, BUs	Ongoing	Financial and legal information
Consequence	Actual cost exceeding budget				
Risk Owner	SMC BUs				
Process and Governance					
Monitoring and control of budget	Current	N/A	SMC BUs	Ongoing	• Economic forecasts • Budget reports from BUs
Shorten the approval process	Improve the Current	Streamlining and alignment among BUs	SMC BUs	Ongoing	• Archen • CEPG • Financial Planning and Analysis
Consequence	Delay in projects implementation				
Risk Owner	SMC BUs				
Process					
Supplemental budget and reporting of variance	Current	N/A	SMC BUs	Ongoing	• Economic forecasts • Budget reports from BUs

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequence	Undermine reliability of financial statements				
Risk Owner	Investor Relations				
Process and Data					
• Properly disclose and resubmit financial statement • Regular and quick engagement with investors.	Current	N/A	Investor Relations	Ongoing	Relevant regulation
Consequence	Regulatory penalty				
Risk Owner	OGC, Corporate and BU Finance				
Process					
Pay promptly	Current	Monitor deadlines of accrued penalty obligations	OGC, Corporate and BU Finance	Ongoing	Cash on Hand
Consequence	Misrepresentation on financial statements resulting in technical default under loan covenants				
Risk Owner	OGC, Corporate and BU Treasury				
Process and Governance					
Disclose and explain appropriately	Current	Inform Corporate Finance, Corporate Treasury, and/or BU concerned of any claim made against the company, promptly upon receipt of any order, summons, complaint, demand letter	OGC, Corporate Finance, Corporate and BU Treasury	Ongoing	Relevant regulation

Subsidiary Oversight

Key Performance Indicator:	Timely submission of financial and non-financial information by subsidiaries/associates/joint ventures
Key Risk Indicator:	Number of delayed submissions by the subsidiaries/associates/joint ventures and number of days delay
Value Creation Opportunities:	Setting a standard and achievable deadline

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Untimely reporting to Parent				
Risk Management Option	Accept				
Risk Owner	CFO of BU				
People and Data					
Monthly operations reporting/meeting	Current	N/A	CFO of BU	Ongoing	Business information
Cause	Volume of information (financial and non-financial)				
Risk Management Option	Accept				
Risk Owner	BU Heads				
People and Technology					
Regular reporting/meetings with Parent (at least weekly)	Current	N/A	BU Heads	Ongoing	Business information
Cause	Lack of technology support				
Risk Management Option	Accept				
Risk Owner	IT and Comptroller of the BUs				
Technology					
SAP system for financial reporting	Current	N/A	IT, Comptroller of the BUs	Ongoing	System updates

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Outdated processes				
Risk Management Option	Accept				
Risk Owner	Comptroller of the BUs				
People and Process					
Cascading any new process, accounting rules to be implemented to the businesses	Current	N/A	Comptroller of the BUs	Ongoing	New processes and new accounting rules/standards

Cause	Availability and competence of personnel				
Risk Management Option	Accept				
Risk Owner	HR of the BUs				
People					
Training of personnel	Current	N/A	HR of the BUs	Ongoing	Training programs
Regular training of personnel; Define trainings to be completed at each job grade	Improve the Current	• Develop procedures and training programs for personnel • Identify proper training programs for the skills required each job grade	HR of the BUs	HR to determine	Training programs

Cause	Information not reported as considered insignificant				
Risk Management Option	Accept				
Risk Owner	BU Heads / CAO / Technical group				
People and Data					
Immediate reporting to SMC by the business in relation to unexpected events	Current	N/A	BU Heads / CAO / Technical group	Ongoing	Facts about the unexpected events
Well-laid out protocols in dissemination of information	Improve the Current	Define clear and specific procedures on dissemination of information	BU Heads / CAO / Technical group	By end of the year	Policies and guidelines

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequences	Delay in submission of reports to SMC will be reflected in the KPI on the person who caused the delay				
Risk Owner					
People and Data					
KPI includes submission of reports in a timely fashion	Current	N/A	Finance Head/Comptroller of the BUs	Ongoing	Policies and guidelines
Consequence	Delay in compliance to regulators, lenders, and other stakeholders				
Risk Owner	Investors Relations, OGC, CAO, CFO, Treasury, OTP				
People and Governance					
Provide explanations for the delay	Current	N/A	IR, OGC, CAO, CFO, Treasury, OTP	Ongoing	Source of information
Consequence	Payment of penalties				
Risk Owner	BU Finance				
Process					
Swift payment of penalties	Current	N/A	Accounting	Ongoing	Available Funds
Consequence	Negative public perception				
Risk Management Option	Accept				
Risk Owner	CAO				
People					
Issuance of company statement	Current	N/A	Accounting, OGC	Ongoing	Information/Report

Competition

Key Performance Indicator:	Continuing market review and monitoring of peer company market share
Key Risk Indicator:	Percentage decline in volume and market share
Value Creation Opportunities:	Market share improvement and volume growth which could lead to increased profitability

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Failure to understand and project the economic needs of the country				
Risk Management Option	Accept				
Risk Owner	Management				
People, Technology and Data					
Engage consultants who provides expert advice on the market and subscribe to independent market research service providers	Current	N/A	Management	Ongoing	• Consultants • Service providers
Cause	Failure to monitor performance of peers				
Risk Management Option	Accept				
Risk Owner	Investors Relations (IR)				
Data					
Yearly peer comparison submitted to management	Current	N/A	IR	Ongoing	Reference data of competitors
Consequence	Limited growth of the company				
Risk Owner	Management				
Process and Data					
Reassess measures to catch up with peers	Current	N/A	Management	Ongoing	Reference data of competitors

JVs, Alliances and Partnership

Key Performance Indicator:	Resolution of any potential disagreement/deadlock. Dispute with the partner
Key Risk Indicator:	Occurrences of disagreements/deadlocks/disputes at Board level
Value Creation Opportunities:	Harmonious relationship with the Joint Venture (JV) partner

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	BUs unable to determine appropriate partner/s (lack of info, conflict with candidate/s)				
Risk Management Option	Accept				
Risk Owner	Business Planning of the BUs				
People, Process and Data					
The strategic planning by the BU's propose alliances/ partnerships that are deemed part of their company's group plan	Current	N/A	Business Planning of the unit	Ongoing	Investment proposals
Cause	No extensive evaluation or background check on the potential partner.				
Risk Management Option	Accept				
Risk Owner	Management Committee of the BUs				
People, Process and Data					
Due diligence on the potential partners is conducted to determine alignment of objectives and potential issues	Current	N/A	Management Committee of the unit	Ongoing	Information on the potential partners
Cause	Unawareness of process in forming alliances				
Risk Management Option	Accept				
Risk Owner	Business Planning and Legal Departments of the BUs				
Process					
Hierarchy of internal approvals for proposed alliances	Current	N/A	Business Planning and Legal Departments of the BUs	Ongoing	Guidelines on approval process

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Consequence	Business growth hampered as maximum potential not achieved				
Risk Owner	Management Committee of the BUs				
People					
Participate in business expo's to widen exposure to relevant opportunities	Current	N/A	Management Committee of the BUs	Ongoing	Events
Consequence	End of alliance as wrong choice of partner				
Risk Owner	Management Committee of the BUs				
People and Data					
Continue to actively explore for other opportunities	Current	N/A	Management Committee of the BUs	Ongoing	Investment proposals
Consequence	Change in management of the partner may result in new directions and objectives not aligned to the partnership				
Risk Owner	Business Planning and Legal Departments of the BUs				
Process					
Defined procedure to follow in the event of deadlocks	Current	N/A	Management Committee of the BUs	N/A - Ongoing	Reference contracts/ agreements

Strategic Planning

Key Performance Indicator:	Measurable goals and objectives
Key Risk Indicator:	Percentage of achievements of goals monitored quarterly
Value Creation Opportunities:	Company growth and increase in stakeholder value

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Mission and vision not clearly disseminated to all employees				
Risk Management Option	Accept				
Risk Owner	CAO, CHR				
People					
Cascading to employees via various media	Current	N/A	CAO, CHR	Ongoing	Company news, programs, developments; various media platforms
Cause	No formal dedicated group at Parent level				
Risk Management Option	Accept				
Risk Owner	Management				
Process					
Proposals are subject to board approval	Current	N/A	Management	Ongoing	Pitchbooks from advisers
Consequence	Missed opportunities limiting growth of the company				
Risk Owner	Management				
Process					
Continue to be guided by the company's overall strategy	Current	N/A	Management	Ongoing	Management direction

Investor Relations

Key Performance Indicator:	Timely engagement and communication of accurate information to investors and stakeholders, and assistance/support to company internal requirements such as fund-raising activities
Key Risk Indicator:	Delay in preparation and providing information to the investors and lack of engagement
Value Creation Opportunities:	Positive investors' feedback and coverage

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Lack of interaction with investing community				
Risk Management Option	Accept				
Risk Owner	IR				
People					
• Constant communication with investors via e-mails, video call, face-to-face meetings, etc. • Regular participation in investor conferences	Current	N/A	Investors Relations	Ongoing	Company performance and financial statement reports/ disclosures
Increase engagement thru "analyst" day	Improve the Current	Being more active and organize analyst day at least once or twice a year	Investors Relations	Nov / Dec 2022	Existing finance personnel

Cause	Delay in updating company results to investors
Risk Management Option	Accept
Risk Owner	IR
People and Governance	
• Immediate disclosures of results relevant to the company • Quarterly/annual briefings and regular uploading of disclosures in the company's website and submission to the regulators	Current N/A Investors Relations Ongoing Company performance and financial statement reports/news

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Limited and untimely information				
Risk Management Option	Accept				
Risk Owner	IR and BUs				
People and Technology					
• Regular coordination with the businesses • Maintenance of database which is regularly updated	Current	N/A	Investors Relations and BUs	Ongoing	Business reports/ developments/ projects

Cause	Untimely updating of information and hard to navigate contents in the website				
Risk Management Option	Accept				
Risk Owner	IR and CAO				
People and Technology					
• Quarterly review of the website • Yearly improvement of the design and navigation friendly by the CAO	Current	N/A	• Investors Relations • CAO	Ongoing	Company performance and financial statement reports/ governance requirements

Cause	Lack of knowledge and understanding about the company				
Risk Management Option	Accept				
Risk Owner	IR				
People					
• Taking note events and building a 'fact book' or database • Constant communication with the businesses for updates on projects/plans	Current	N/A	Investors Relations	Ongoing	• Business monthly operations reports/ developments/ projects • Budgets • LRP

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Succession planning				
Risk Management Option	Accept				
Risk Owner	IR				
People					
• Continuous learning by an associate • Availability of database	Current	N/A	Investors Relations	N/A - Ongoing	• IR responsibility guidelines • Database file
Increase the manpower	Improve the Current	Hire additional manpower	• Investors Relations • CHR	Starting October 2022	Manpower
Consequence	Loss of trust and credibility in the company by the investors				
Risk Owner	IR				
People					
• Regular and quick engagement with investors • Reply to an investor within two (2) business days	Current	N/A	Investors Relations	Ongoing	• Business monthly operations reports/ developments/ projects • Budgets • LRP
Consequence	Decline in share price				
Risk Owner	IR				
People					

• Communicating and being transparent in the development of the activities in the company
• Provide analysis reports to management
  ○ Daily analyst report
  ○ Weekly stock price movement report
  ○ Yearly peer analysis report
	Current	N/A	Investors Relations	Ongoing	• Business monthly operations reports
					• Research analysts reports
					• Bloomberg
					• PSE data
					• Peer company FS reports

Financial Reporting and Disclosure

Key Performance Indicator:	Timely filing and submission (management, PSE, SEC and BIR) of accurate and complete financial information
Key Risk Indicator:	Delay in preparation of financial information from the scheduled deadline • 2 business days (for monthly and quarterly SMC parent and consolidation requirements) from respective due dates of information from quantum, subsidiaries, etc. • 5 business days (for annual SMC parent requirements) from respective due dates of information from quantum, etc. • 3 business days (for annual SMC consolidation requirements) from respective due dates of information from subsidiaries
Value Creation Opportunities:	Accurate management decision, compliance with regulatory requirements and positive investors' feedback

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	People constraint: headcount, skills, motivation, teamwork, effectiveness, and retention				
Risk Management Option	Accept and reduce				
Risk Owner	Group Financial Services (GFS), Research and Systems (RS), CHR				
People and Process					
• Training to ensure that personnel are abreast of current regulatory and accounting requirements • Stringent hiring process, mentoring, rewards • Informal career paths	Current	N/A	• GFS • RS • CHR	Ongoing	N/A
To formalize career paths	Improve the Current	• Coordinate with HR to determine the required format of the Staff's Career Path • Document the Career Path of the employee in a Career Continuum Format • Identify the necessary training and competency to get to the next level	• GFS • CHR	December 2022	• Finance • CHR

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Cause	Volume of transactions				
Risk Management Option	Accept				
Risk Owner	GFS				
People and Process					
• Disbursement processing is outsourced to Prosync • Monthly review by process owners using sampling • Training of Prosync personnel	Current	N/A	• GFS • Group Tax Services (GTS)	Ongoing	N/A
To follow through the resolution and action taken by Prosync.	Improve the Current	• Upon receipt of the report, Prosync resolves the issues noted by Finance Personnel • Prosync provides written feedback to Finance Personnel on the action taken within 3 business days from the receipt of the report • To review manual processes and identify those that can be automated.	GFS	Starting August 2022	Finance

Cause	Diverse and complex industries				
Risk Management Option	Accept				
Risk Owner	GFS, RS				
People and Data					
• Account management set-up • Knowledge of the business • Rotation of assignment • Participation in the regular compliance funds review conducted by BUs	Current	N/A	• GFS • RS	Ongoing	N/A
• To be well versed with the industry such as participation in funds review, quarterly review of the trial balance, etc. • Sharing of significant information about the business among peers within the team thru an annual informal discussion	Improve the Current	• To participate in the tax review conducted annually • To attend available industry briefings • Create Annual Finance Knowledge Sharing Sessions with Major BUs • To read available internal and external literature on the industry / business such as offering circular / prospectus	• GFS • RS • GTS	Starting September 2022	Finance personnel

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Cause	Information system and infrastructure				
Risk Management Option	Accept				
Risk Owner	GFS, RS, GTS				
People, Process and Technology					
• System integration to the transactional/source system • Continuous improvement of the source and consolidation system	Current	N/A	• GFS • RS • GTS	Ongoing	N/A
• To conduct regular training of users to be familiarized and fully utilized the system • Timely implementation of the new system together with the IT Group • Sufficient time for planning to migrate into the new system • Timely replacement and/or upgrade of hardware	Improve the Current	• To prepare training materials to update users of SAP ECC and BPC of any system changes and/or enhancements • To have semi-annual update and planning with CITM and SMITS • To migrate all manual companies (small subsidiaries) to SAP	• GFS • RS • GTS	December 2022	• Budget • Finance personnel



Strategies	Status	Action Plans	Responsible	Timeline	Resources
Cause	Evolving accounting and financial reporting requirements				
Risk Management Option	Accept				
Risk Owner	GFS, RS				
People					
• Regular trainings and updates conducted by external service providers • Documentation of policies and procedures (accounting manual)	Current	N/A	• GFS • RS	Ongoing	N/A
• To anticipate changes/updates/amendments by reviewing exposure drafts and discussion, and assessing possible impact • To continuously update policies and procedure on financial reporting • To conduct combined town halls for accounting and tax to discuss major changes affecting the businesses	Improve the Current	• To check IASB website for new issuances • To annually update the accounting manual • To plan the topics and prepare the materials for the combined accounting and tax town hall	• GFS • RS • GTS	IASB issuances - ongoing Accounting manual - June 2023 Combined town hall - Starting November 2022	Finance Personnel
Cause	Tight deadlines				
Risk Management Option	Accept				
Risk Owner	GFS				
Process and Data					
• Planning of the deliverables • Timely submission of reports from the BUs	Current	N/A	GFS	Ongoing	N/A
• Regular monthly reporting • Regular review of the closing activities • To improve control on strict compliance with the reporting process and established deadlines	Improve the Current	• To discuss with BUs the schedule and any issues encountered during the closing activities • To document issues raised and the resolution • To plan and schedule the deliverables for monthly consolidation closing activities	GFS	August 2022	Finance personnel

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Consequence	Loss of investor confidence				
Risk Management Option	Accept				
Risk Owner	GFS, RS				
Process, Governance and Data					
• Immediate submission of reports to regulatory agency • Coordination with OGC and Investor Relations to provide assurance that the reports will be submitted on a certain date • Quick engagement with the investors	Current	N/A	• GFS • OGC • IR	Ongoing	N/A
Consequence	Noncompliance to regulatory requirements				
Risk Management Option	Accept				
Risk Owner	GFS, RS, OGC				
Process and Governance					
• Close monitoring of deadlines and reporting requirements • Discussion with the regulatory agency	Current	N/A	• GFS • RS • OGC	Ongoing	N/A
Consequence	Ineffective business decisions				
Risk Management Option	Accept				
Risk Owner	GFS				
Process and Data					
Immediately provide accurate and complete reports to management	Current	N/A	GFS	Ongoing	N/A

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Consequence	Inaccurate tax payments				
Risk Management Option	Accept				
Risk Owner	GFS and GTS				
Process and Data					
• Established review process • Conduct a detailed review of major transactions for the period • Communication to all concerned parties	Current	N/A	• GFS • GTS	Ongoing	N/A

Tax Strategy and Planning

Key Performance Indicator:	Identification of tax minimization strategies and optimization of tax efficiencies
Key Risk Indicator:	Inability to identify and correct tax exposures within 5 days before the deadline
Value Creation Opportunities:	Tax savings and immediate identification of tax exposures

Strategies	Status	Action Plans	Person Responsible	Timeline	Resources
Cause	Volume of transactions				
Risk Management Option	Accept				
Risk Owner	Lead: GFS Members: GTS				
People and Process					
• Outsourced to Prosync • Monthly review by process owners using sampling • Training of Prosync personnel	Current	N/A	• Lead: GFS • Members: GTS	Ongoing	N/A
To follow through the resolution and action taken by Prosync.	Improve the Current	• Upon receipt of the report, Prosync resolves the issues noted by Finance personnel • Prosync provides feedback to Finance personnel on the action taken within 3 business days from the receipt of the report • Formalize/document the disbursement process and guidelines	GFS	Starting July 2022 for the documented feedback from Prosync October 2022 for the written process and guidelines	Finance personnel

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Cause	Complexity of transactions				
Risk Management Option	Accept				
Risk Owner	Project proponents that consulted the GFS, Comptrollership				
People and Data					
• Review of previous tax cases • Refer to OGC for tax matters with legal implications • Refer to GFS/RSG for finance related concerns • Maintenance of database • Consult BIR and other tax professionals	Current	N/A	• Project proponents that consulted the GTS • Comptrollership	Ongoing	N/A
Compilation of tax strategies for pioneer projects done by SMC	Improve the Current	Create a database of all pioneer projects	• GTS • OGC	December 2022	Tax Personnel

Cause	No clear tax laws or guidelines				
Risk Management Option	Accept				
Risk Owner	GTS				
People					
• Seek ruling from BIR • Clarifications sent to CAO	Current	N/A	GTS	Ongoing	N/A
Consider rejoining TMAP (association of tax practitioners)	Improve the Current	• Have one personnel of GTS rejoin the TMAP • Attend regular assemblies to get updated	GTS	July 2022	N/A

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Cause	No precedent cases				
Risk Management Option	Accept				
Risk Owner	GTS				
People and Data					
• Review related tax cases from previous laws • Arrive at a position to be discussed with other department-related personnel • Consult with third-party experts (BIR, Audit Firms, Law Firms, etc.)	Current	N/A	GTS	Ongoing	N/A
Consider rejoining TMAP	Improve the Current	• Have one personnel of GTS rejoin the TMAP • Attend regular assemblies to get updated	GTS	July 2022	None
Compilation of tax strategies for pioneer projects done by SMC	Improve the Current	Create a database of all pioneer projects	GTS, Office of the General Counsel	December 2022	Tax Personnel

Cause	Political risks				
Risk Management Option	Accept				
Risk Owner	Corporate Affairs Office				
People					
Consult with CAO from time to time if there are potential political risks	Current	N/A	CAO	Ongoing	N/A
Adopt a regular consultation with CAO on any possible political risk	Improve the Current	Have a quarterly session with CAO on new tax laws being proposed	CAO	September 2022	None

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Cause	Information system				
Risk Management Option	Accept				
Risk Owner	GFS				
Technology					
• Regular updating of Computerized Accounting Systems • Discussion with Finance and IT whenever Tax Laws prescribe new requirements for IT systems • Coordinating meetings with BIR and Company IT team	Current	N/A	GFS	Ongoing	N/A
• Improve on the time of applying new software • Integration of Computer accounting systems across BUs	Improve the Current	To have semi-annual update and planning with CITM and SMITS	• GFS • RS • GTS	Starting December 2022	• Budget • Finance personnel
Cause	Talent				
Risk Management Option	Accept				
Risk Owner	CHR, GTS				
People					
• Attendance in tax update trainings • Conducting of tax trainings to all finance and tax personnel • Stringent hiring process	Current	N/A	GTS	Ongoing	N/A
Quarterly tax townhall sessions to cascade updates and special topics	Improve the Current	Tax and Accounting Townhall sessions will be conducted quarterly (February, May, August, November)	GTS	Starting August 2022	Tax and Finance Personnel

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Cause	No formal tax planning				
Risk Management Option	Accept				
Risk Owner	GTS				
Process					
Informal tax planning done on a per project basis (usually at least weekly consultations)	Current	N/A	GTS	Ongoing	N/A
Adopt a formal tax planning	Improve the Current	Have a quarterly tax planning session for SMC-Parent (February, May, August, November)	GTS	Starting August 2022	Tax and Finance Personnel

Cause	Absence of company guidelines				
Risk Management Option	Accept				
Risk Owner	GTS				
Process and Data					
There are existing company guidelines cascaded through email, viber or plenary sessions	Current	N/A	GTS	Ongoing	N/A
Guidelines can be in a recorded tax video library for reference of finance and tax personnel	Improve the Current	Upload recorded videos in sharepoint for SMG every quarter	GTS	Starting September 2022	Tax Personnel

Consequence	Significant tax exposure				
Risk Management Option	Accept				
Risk Owner	GTS				
People and Process					
• Prepare protest letter supported by all documents • Dialogue with the BIR • Corrective Actions are performed to prevent future occurrence	Current	N/A	• Process Owner • GTS	Ongoing	N/A

Strategies	Status	Action Plans	Responsible	Timeline	Resources
Consequence	Impact on Profitability Measures due to Impending Tax Laws				
Risk Management Option	Accept				
Risk Owner	GTS				
People					
• When proposed tax laws are still a bill, a memo is prepared and submitted to CAO to convey to clarify the language and provisions laid down in the bill • Before the laws are enacted, there are plenary sessions with the Group to consolidate the concerns raised and plan out its impact to the different industries	Current	N/A	GTS	Ongoing	N/A