



## **EMPIRE EAST LAND HOLDINGS, INC. ENTERPRISE RISK MANAGEMENT**

### **RISK MANAGEMENT PHILOSOPHY**

The Board, thru the Audit Committee, periodically reviews the effectiveness of the Company's risk management systems with emphasis on monitoring of existing and emerging risks as well as risk mitigation measures. Risk management review is conducted annually with the Internal Audit Department. Criteria used for review are compliance with controls and accuracy of identified risks and appropriateness of risk treatment plans.

### **RISK POLICY**

#### **COMPANY AND THE GROUP**

<b>RISK EXPOSURE</b>	<b>RISK MANAGEMENT POLICY</b>	<b>OBJECTIVE</b>
Country Risk relating to the continued performance of the Philippine economy and political stability.	Use of pre-selling as a project financing tool.  Entering into joint development agreements from the acquisition of land.	Minimize cash outlays for projects, control development costs and maintain a new cash position.  Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Establish linkages with a broad base of suppliers. Efficient project management and monitoring.	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Maintaining a diversified earnings base from a product mix of middle-income residential and commercial spaces. Constant product innovation.	Revenue and property diversification.

### **MINORITY SHAREHOLDERS**

Megaworld's voting power in the Company poses a risk to the ability of minority shareholders to influence corporate strategy.

## CONTROL SYSTEM SET UP

### COMPANY AND THE GROUP

RISK EXPOSURE	RISK ASSESSMENT (Monitoring and Measurement Process)	RISK MANAGEMENT AND CONTROL (Structures, Procedures, Actions Taken)
Country Risk relating to the continued performance of the Philippine economy and political stability.	Institutional reviews of the Philippine economy particularly the real property sector	Minimize each outlay for projects, control development costs and maintain a new each position.  Maximize cost efficiencies and resources.
Project Cost and Completion Risk	Project monitoring teams	On-time completion of projects, efficient sourcing of construction materials.
Customer Default Risk	Customer Satisfaction/ Default reports	Revenue and property diversification.

### COMMITTEE

Megaworld's voting power in the Company poses a risk to the ability of minority shareholders to influence corporate strategy.

COMMITTEE/UNIT	CONTROL MECHANISM	DETAILS OF ITS FUNCTIONS
Board Audit Committee	The mechanism established by the company to safeguard the independence of internal auditors is such that the auditors report directly to the Board of Directors through the President. It has a duly approved Audit Charter as well as a duly approved Audit Manual of Policies and Procedures. The department annually declares/undertake a non-conflict of interests by its auditors.	Provides oversight over Management's risk management process, financial reporting process and reviews internal audit plans.