

BENGUET CORPORATION RISK MANAGEMENT CHARTER

APPROVED 6-24-2011 BOD meeting

Rationale:

There is a need for an integrated, enterprise-wide risk management system which provides for the effective management of legal, financial, operational, political and traditional risk, including the identification, evaluation, and measurement of the impact to the Company, as well as the selection and maintenance of various solutions to mitigate risk that threatens the Company's ability to continue as a going concern.

To this end, a **Risk Management Office (RMO)** has been formed to oversee the risks that affect the welfare of the Company. In particular, the RMO shall adopt measures to protect the Company's human, physical and financial assets through:

- the prevention of adverse incidents through training, education, and inspection;
- the procurement of insurance products;
- fair and responsible claims administration;
- the advising of senior management on how to best provide future protection against key risks given the Company's plans.

Should the risk be of such magnitude and significance as to become a major threat to the interest of the Company, the Risk Management Office should elevate the subject to the Board's Risk Management Committee for appropriate action.

Primary goal:

The primary goal of the RMO is to integrate the work of designated risk management office of the Company's different business units who shall systematically identify, evaluate, analyze and document their unit's exposure to the risk and thereafter undertake corrective/remedial measures to mitigate, if not altogether eliminate, their exposure and liability associated with the risk.

Key Functions:

- 1) Creates and maintains business units' trend analysis based on frequency and severity

- projections of anticipated losses.
- 2) Addresses or manages threats and risks concerning legal, permitting and political, as well as legislations, which will severely impact the Company.
 - 3) Formulates plans, procedures, policies and/or strategies regarding maintenance of corporate image, particularly on dealing with media and other relevant issues.
 - 4) Conduct worksite safety assessments, inspections and audits to identify risks, actions necessary to abate hazards or to fully implement measures to control the risks involve with the hazards, as identified.
 - 5) Aid in the development of policies to foster, promote, and develop a safe work environment for all employees.
 - 6) Receive reports from, and if necessary meets with, risk management staffs of business units, on risks encountered and/or resolved, categorize and analyze them, and help develop policies, guidelines and procedures towards coordinated solutions for the approval of the Board's Risk Management Committee.
 - 7) Provides technical expertise on risk management to business units thru relevant training programs, especially for risk management staffs.
 - 8) Review and guide risk assessment and control committee activities relative to risk management plans.
 - 9) Design and implement safety orientation & training programs for the different business units.
 - 10) Provide Environmental, Safety and Risk Management Technical Assistance to business units, including those risks that are economic in nature.
 - 11) Provide Accident/Incident Reporting Procedures and Forms*
 - 12) Remain vigilant on political developments, particularly on legislations, executive orders, LGU resolutions and NGO activities, that may be prejudicial to the interest of the Company.

The RMO oversees and monitors a variety of the Company's potential risks such as but not limited to legal, commercial, political, operational and financial risks and in particular insurance programs, including equipment, automobile, general and professional liability, property, workers' compensation, employee hospitalization, employee safety and loss prevention, visitors' health, short and long term employee disability and special events.

Through the Risk Management Committee, the Risk Management Officer shall:

- 1) Meet with, receive reports from, and generally oversee the function of risk management representatives;
- 2) Coordinate, integrate, and guide the work of risk management representatives to identify, measure (into low, medium and high risk categories), analyze, and document business unit's risk exposure;
- 3) Facilitate topical interaction among the different business unit's risk management representatives to foster the development and effective implementation of comprehensive, integrated risk management program for the Company;
- 4) Cultivate awareness, understanding and support for risk, safety and security management initiatives as part of the Company's strategic, integrated risk management program; and
- 5) Monitor the effectiveness of agency Risk Assessment and Control Committees (RACCs).
- 6) In coordination with the department's risk management representative/s, bring to the attention of the Risk Management Committee of the Board those extraordinary, life-threatening, corporate-wide risks that the Company faces.

Main Functions of the Risk Management Committee (RMC) of the Board:

- 1) Exchange risk management ideas and best practices;
- 2) Identify and share available risk management resources;
- 3) Provide input to the development of Company-wide risk management practice standards and risk and safety administrative regulation review;
- 4) Establish the risk management culture of the Company in support of institutionalizing and systematizing the risk management program of the company; and
- 5) Recommend risk mitigating measures to the Board for appropriate action.

Streamlining of Procedures:

The concerned Departments and Offices shall at the first instance identify and classify the risks and propose solutions to address the same. All documents and instruments from the Company's Departments and Offices pertaining to risks shall be submitted to the CEO and copy furnished the Risk Management Officer.

The Risk Management Officer shall assist the CEO in terms of collating, organizing and preparing a consolidated report on Company-wide risks.

The Risk Management Officer shall be directly accountable and answerable to the RMO which in turn will be under the direct control and supervision of the CEO. All documents and instruments emanating from the RMO shall be coursed through the CEO who in turn will submit a consolidated report to the RMC.

The RMC shall prepare a risk assessment report and propose solutions to the Board. The Board shall take the necessary and appropriate actions to address the risks and adopt policies to govern risk management.

Meetings of the RMC:

The RMC will meet after every Management Committee meetings, or at least every quarter. An initial evaluation of their work will be done by the RMC in their first regular meeting in July 2011.