

|                                                                                   |                                            |                                          |             |
|-----------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------|-------------|
|  | <b>BOARD CHARTER</b><br><br><b>MERALCO</b> | Rev. Code . 0                            | Page 1 of 3 |
| Section: Board of Directors                                                       |                                            | Effectivity Date: March 1, 2018          |             |
| Subject: Risk Management Committee                                                |                                            | Sensitivity Classification: Confidential |             |

#### **A. Purpose**

The Risk Management Committee (the “Committee”) is responsible for the oversight of the company’s Enterprise-Wide Risk Management (EWRM) system to ensure its functionality and effectiveness. The Committee has the responsibility to assist the Board of Directors (Board) in ensuring that there is an effective risk management process in place to ensure that well-informed decisions are made after taking into consideration the risks involved.

#### **B. Duties and Responsibilities**

The Committee shall:

1. Develop a formal EWRM plan containing the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
2. Oversee the implementation of the EWRM plan through the Management Risk Oversight Committee. The Risk Management Committee conducts regular discussions on the company’s prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
3. Review the appointment or replacement of the Chief Risk Officer (CRO) who shall functionally report to the Committee and ensure effectiveness of the Company’s risk management framework. The CFO shall oversee risk management activities and shall report and discuss with the Committee about the Company’s significant or major risk exposures, if any, and the steps taken by Management to manage and monitor such risks.
4. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
5. Advise the Board on its risk appetite levels and risk tolerance limits;

|                                                                                   |                                                                                                           |                                                 |                    |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------|
|  | <p style="text-align: center;"><b>BOARD CHARTER</b></p> <p style="text-align: center;"><b>MERALCO</b></p> | <p>Rev. Code . 0</p>                            | <p>Page 2 of 3</p> |
| <p>Section: Board of Directors</p>                                                |                                                                                                           | <p>Effectivity Date: March 1, 2018</p>          |                    |
| <p>Subject: Risk Management Committee</p>                                         |                                                                                                           | <p>Sensitivity Classification: Confidential</p> |                    |

6. Review at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
7. Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
8. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
9. Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

#### **C. Members**

1. The Members, including the Chairman thereof, shall be appointed by the Board annually.
2. The Committee shall compose of at least three (3) directors, majority of whom shall be Independent Directors. The Chairman shall, as much as practicable, be an Independent Director.
3. The Chairman of the Committee should not be the Chairman of the Board or of any other committee.
4. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.
5. The Committee shall plan for succession for due consideration of the Nomination and Governance Committee. Such plan may consider among other things the continuity of the Committee's work and the orderly transfer of accumulated knowledge.
6. Any member of the Committee may be removed from office only by majority vote of the Board of Directors.

|                                                                                   |                                                                                                           |                                                 |                    |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------|
|  | <p style="text-align: center;"><b>BOARD CHARTER</b></p> <p style="text-align: center;"><b>MERALCO</b></p> | <p>Rev. Code . 0</p>                            | <p>Page 3 of 3</p> |
| <p>Section: Board of Directors</p>                                                |                                                                                                           | <p>Effectivity Date: March 1, 2018</p>          |                    |
| <p>Subject: Risk Management Committee</p>                                         |                                                                                                           | <p>Sensitivity Classification: Confidential</p> |                    |

#### **D. Meetings**

1. The Committee shall hold meetings at such times and places as it considers appropriate provided that not less than two (2) meetings shall be held each year. These meetings shall be convened by the Chairman of the Committee as and when he considers appropriate or upon the request of majority of the Members. Such meetings shall be convened by not less than three (3) business days' notice in writing, specifying the place, date, time and agenda.
2. The Committee shall appoint a Secretary who shall prepare minutes of meetings of the Committee and keep books and records of the Committee.
3. Notwithstanding that a meeting shall be called by shorter notice, it shall be deemed duly convened if so agreed by the majority of the Members present in the meeting at which there is a quorum.
4. Members may participate in a meeting of the Committee through teleconference or video conference by means of which all persons participating in the meeting can hear each other.
5. Resolutions at a Committee meeting at which there is a quorum shall be passed by a majority vote of the Members present at such meeting. In case of equality of votes, the Chairman of the Committee shall not have a casting vote.

#### **E. Amendment of this Charter**

This Charter shall not be amended unless such amendment shall have been duly approved by a resolution of the Board of Directors.

Reviewed by:  
Sgd.

Jose Ma K. Lim  
Chairman, Risk Management Committee

Endorsed by:  
Sgd.

Pedro E. Roxas  
Chairman, Nomination and Governance Committee

Approved by:  
Sgd.

Manuel V. Pangilinan  
Chairman of the Board