



ENTERPRISE-WIDE RISK MANAGEMENT POLICY

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I. Overview

Macay Holdings, Inc. ("Macay" or "the Company") is a listed holding company that, through its subsidiaries, offers a portfolio of fast-moving-consumer goods ("FMCG") to the general domestic market. Macay recognizes that uncertainties are embedded in its environment, target markets, transactions, relationships, processes, structures, tangible and intangible assets, human resources and financial obligations. These uncertainties, standing alone or together with other factors, pose negative risks (threats) or positive risks (opportunities) to the achievement of Macay's corporate objectives. These risks may take the form of country, political, regulatory/legal/compliance, reputational, operational, market, liquidity, credit, interest rate, foreign exchange and/or strategic risks.

Macay believes that integral to the effective corporate governance of the company and increasing shareholder value is the comprehensive, systematic, effective and coherent process of identifying, analyzing, evaluating and treating risks. Through this Enterprise-Wide Risk Management (ERM) Policy ("the Policy"), Macay endeavors to set forth the guiding principles, framework and processes of its ERM based on globally-accepted standards on risk management (i.e. ISO 31000:2009).

II. ERM Policy Statement and ERM Principles

Recognizing the potential benefits of an effective ERM, the Company is committed to designing and implementing an ERM that exhibits characteristics which are based on risk management principles set forth in ISO 31000:2009.

III. ERM Framework

The Company shall develop an ERM Framework ("the Framework") that will ensure consistent implementation, continuous improvement and firm support for ERM throughout Macay and its component companies ("the Group"). The Framework shall provide the necessary foundations and structures that will integrate ERM into the Group's governance, planning, operating and reporting processes, structures, policies, values and culture. The Framework shall have the following general components as recommended by ISO 31000:2009:

- Mandate and Commitment from the Board of Directors
- Design of Framework of Managing Risk
- Implementing Risk Management
- Monitoring and Review of the Framework
- Continual Improvement of the Framework

IV. ERM Process

The Company shall manage risk at the enterprise level through the systematic and dynamic conduct of the following activities ("ERM Process"):

- **Establishing the context.** By consciously assessing its external and internal environments, the Company shall develop its own parameters and criteria against which risks will be evaluated.
- **Risk Assessment**
 - **Risk identification.** The Company shall systematically identify all the risks it is exposed to including their nature, sources or causes and possible consequences.
 - **Risk Analysis.** Through available information and tools, the Company shall assess and estimate the likelihood and the consequence of risks.
 - **Risk Evaluation.** The Company shall compare the results of the Risk Analysis exercise with the Company's parameters to determine if the risks are within tolerable limits.
- **Risk Treatment.** The Company shall determine the appropriate stance or treatment for the risks after taking into account the results of Risk Evaluation. Risk Treatment may take the form of risk avoidance, risk elimination, risk mitigation or reduction, and risk acceptance, among others.
- **Monitoring and review.** The Company shall set up mechanisms for the constant monitoring and review of the ERM Process, together with relevant controls, structures and policies, to ascertain effectiveness, efficiency and compliance.
- **Communication and consultation.** In all activities and phases of the ERM Process, the Company shall conduct a constant consultation or dialogue with its stakeholders. This will ensure that the ERM Process is dynamic, transparent and participative. This will allow the Company to secure valuable insights and cooperation from the affected stakeholders.

V. Role of the Board of Directors

The Board shall exercise overall supervision over the management of risks by the Company including the review/updating of the ERM Policy, ERM Framework, and other relevant documents; and receiving management reports on the Company's risk-related exposures and actions.

VI. Process and Policy Review

The Audit Committee shall perform a regular review of the implementation of this Policy to assess the adequacy and effectiveness of relevant internal controls.

The Audit Committee shall assess and approve all proposals to amend the Policy to reflect the evolving requirements of ERM-related laws, regulations, conventions and standards. Any approved amendment shall be endorsed to the Board for ratification.