

Name of Committee	Planned Programs	Issues to be Addressed
	compensation of directors and officers, particularly the effect of such changes with respect to the results of performance evaluations	assigned duties and responsibilities, current business environment and performance results of the Company
Others (specify)	None. Not applicable.	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

SMPHI is committed to protect and preserve its ability to achieve its vision and mission by ensuring that its assets, both tangible and intangible, are protected against damage and loss. As such, it has implemented a program of risk management through the identification, analysis and control of risks, which can most impact on the Company's ability to pursue its approved strategy.

SMPHI recognizes that risk taking is a necessary part of conducting business. In the context of realizing SMPHI's strategic growth objectives, failure is an accepted part of risk taking, as long as risks have been properly assessed and managed.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board of Directors, through the Audit and Risk Management Committee, reviewed the Company's risk management system and found the same to be effective and adequate.

(c) Period covered by the review;

Year 2015

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The risk management system is reviewed on an annual basis. Effectiveness of the system is evaluated based on number of risks identified, risks mitigated and risks monitored.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

SM Prime is covered by SM Group's Risk Management Policy set out in the next section.

Risk Exposure	Risk Management Policy	Objective
Safety and Security Risk	SM Prime shall prioritize safety and security in all its properties.	To protect the health, safety and welfare of its employees and the people it serves.
Property Damage and Business Disruption Risks	SM Prime shall ensure the disaster resiliency of its assets.	To protect its property, assets and other resources.

Risk Exposure	Risk Management Policy	Objective
Information Security Risks	SM Prime shall ensure the confidentiality, integrity and availability of its information systems and infrastructure.	To protect its property, assets and other resources.
Process Risks	SM Prime will seek to reduce or control risks that affect the quality of service delivery or delivery of its priorities.	To maintain the quality of its services, which affect its reputation and good standing in the wider community.
Financial Risks	SM Prime will seek to reduce or controls risks that would have significant financial consequences or affect shareholder confidence.	To protect its ability and capability to deliver sustainable growth and increase shareholder value.
Regulatory Compliance Risk	SM Prime shall comply with all applicable laws in the countries, districts, and communities in which it operates.	To comply with applicable laws, rules and regulations.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<p>The following mother risk management policy applies to all the subsidiaries of the Group:</p> <p>(i) Establish a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving goals and objectives.</p> <p>(ii) To protect and preserve:</p> <ul style="list-style-type: none"> • our employees' and clients' safety and welfare • the value and condition of properties and assets • our local and global reputation <p>(iii) To align risk appetite and strategy.</p> <p>The Enterprise Risk Management Committee (ERM) has been set up to execute the risk mitigation strategies and programs that have been approved at the Audit and Risk Management Committee of the Board. The ERM has been established in each of the subsidiaries including the holding company. The Risk Management Department at the holding company coordinates the launch and roll-out program of the ERM and in standardizing the program across companies.</p>		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p>Listed are the generally accepted risk to minority shareholders of family-owned corporations in the Philippines:</p> <ul style="list-style-type: none"> • Majority shareholders may dominate major Company decisions • Lack of transparency on the actions and decisions of majority shareholders • Abusive and inequitable conduct on the part of majority shareholders • Rights of minority shareholders may not be upheld and protected <p>The Company adopts certain measures that ensure that the aforementioned risks are mitigated, such as cumulative voting.</p>

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Safety and Security	Annual audit by third parties (one for safety and another for security)	The Customer Relations Service Department is responsible for maintaining the safety and security of all SM Malls through implementation of access control system. Department personnel are also trained to respond to safety and security incidents.
Property Damage and Business Disruption	Annual review of insurance claims, business impact assessment	Business Continuity Management System, disaster-resilient buildings, data back-up procedures, implementation of redundancy/reserves for critical resources
Information Security	Vulnerability assessment and penetration testing, incident monitoring	The Information Security Department monitors compliance with Information Security Policy and incidents of information security breaches.
Process Risks	Business process reviews	The Business Process Management Department reviews existing processes and initiates the creation of tools that enhance efficiency.
Financial Risks	Regular monitoring of interest and forex rates, financial ratios and aging of accounts receivables.	Interest rate risks: Use of both fixed and floating rate debts; interest rate swaps; NDFs, refinancing or prepayment of high-interest loans Foreign currency risk: Cross-currency swaps; foreign currency call options Credit Risk: Tenant Screening, AR Management (collection agency) Capital Management Risk: Maintain approved debt to equity ratio.
Regulatory Compliance Risk	Compliance monitoring and reporting	Operations Planning and Control is responsible for monitoring compliance with mall permits and licenses, and environmental regulations.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
The holding company provides down-line policy support and coordination to the subsidiaries and affiliates with regard to Corporate Governance, Risk Management, Finance, Internal Audit, Investor Relations, Human Resources, Compliance, Legal matters in the previous item.		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit and Risk Management Committee	The following functionally reports to the ARMC: <ul style="list-style-type: none"> Chief Audit Executive Chief Risk Officer Compliance Officer 	The Committee directly interfaces with the internal and external auditors in the conduct of their duties and responsibilities. Its mandate includes the review of the Company's financial reports and subsequent recommendation to the Board for approval. The

Committee/Unit	Control Mechanism	Details of its Functions
	<ul style="list-style-type: none"> Head of Corporate Governance and Risk Management 	Committee also reviews the Company's internal control systems, its audit plans, auditing processes, related party transactions, and assesses the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks.
Executive Committee	Has all the power and authority of the Board in the governance, management and direction of the business and affairs of the Company.	The Committee provides oversight in the assessment of impact of risks on the strategic and long-term goals of the Company.
Management Committee	Has overall management control over departments and instrumentalities of the Company.	The Committee ensures the achievement of goals and strategies set by the Board.
PAIV Committee	A management committee that handles whistleblower cases.	Upon receipt of an Incident Report, the Committee conducts an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. A compilation of concluded reports is periodically presented to the Audit and Risk Management Committee.
Enterprise Risk Management Committee	Composed of all the Risk Owners (Department Heads) and chaired by the Chief Risk Officer.	Updates the Risk Registers and monitors execution of action plans to mitigate exposures.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The internal control system of the company is defined as the set of processes implemented by the Board of Directors, Management and all employees to provide reasonable assurance that the company's objectives will be achieved.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board of Directors, through the Audit and Risk Management Committee, has reviewed the internal control system of the Company based upon the assessments completed and reported by the internal and external auditors. The Board found the internal control system to be effective.

(c) Period covered by the review;

Year 2015

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Internal controls are reviewed on annual basis for high risk processes of key business units based on the Internal Audit Plan submitted by the Chief Audit Executive to senior management and the Board for review and approval. The Board, through the Audit and Risk Management Committee, relies upon the assurances provided by the Internal Audit Department, through the latter's conduct of audit engagements to evaluate, among other things, the following:

- Reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Design of established systems to ensure compliance with policies, plans, procedures, laws, and