

8990 Holdings Inc

RISK MANAGEMENT SYSTEM

As stated in the Annual Corporate Governance Report (ACGR) for year 2016

RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Risk management – considered a strategic competitive advantage by the Management -- is an integral part of the Corporation's operation. Likewise, risk management is an essential part of the Company's business strategy in order to meet effective corporate governance and achieve the set goals. Thus, instead of responding to crisis and to need for compliance, the Corporation is evaluating possible risks exposures proactively.

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

The Auditor (SGV & Co.) Report (as of 2011, 2012, 2013, 2014 and 2015) states that the Board of Directors reviews and approves the policies regarding risk management that include credit risk, market risk and liquidity risk. SGV & Co. stated that the Company has not identified any risk concentrations as of December 31, 2011 and 2012.

(c) Period covered by the review;

2015

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

Such review is done annually.

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

Again, annual review is conducted

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:

In general, the Corporation intends to implement the following:

1. Create a risk-aware culture throughout the Corporation;
2. Establish risk management objectives that are measurable and establish accountability;
3. Establish an infrastructure for risk management;
4. Empower business areas/departments to be responsible for managing risk;
5. Train management and staff in risk identification and avoidance techniques; and,
6. Continually identify and fill gaps in the risk management process.

Risk Exposure	Risk Management Policy	Objective
1. Economic Risk – Changes in the domestic and regional economic	<ul style="list-style-type: none">• Intensify advertising promotions• Develop sales strategies	<ul style="list-style-type: none">• Improve cash flow, income, and liquidity of the Corporation

Risk Exposure	Risk Management Policy	Objective
<p>conditions may have a material adverse effect on the Company's financial performance and operations</p>	<ul style="list-style-type: none"> Implement pricing strategy tool and offer competitive prices to customers 	<ul style="list-style-type: none"> Maintain existing market share and capture greater market share
<p>2. Financial Risk – Exposure to credit, market and liquidity risks that may arise in the normal course of the Company's business activities</p>	<ul style="list-style-type: none"> enhance revenue management strategies preserve profit margin limit expansion financed thru credit look for lowest interest rates, if debt is unavoidable * hire good finance manager 	<ul style="list-style-type: none"> Attain break-even income Enhance revenue Improve cash flow Identify and monitor such risks on an ongoing basis Minimize and mitigate such risks Provide a degree of certainty about the costs
<p>3. Liquidity risk – is the risks that the Corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments. It may result from either the inability to sell financial assets quickly at their fair values or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.</p>	<ul style="list-style-type: none"> The Company manages liquidity needs by carefully monitoring scheduled debt servicing payments as well as the cash flows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and a week-to-week basis, as well as on the basis of rolling 30-day projection. Long-term liquidity needs for six months and one-year period are identified monthly. 	<ul style="list-style-type: none"> To ensure that the Company's operating, investing and financing needs are met
<p>4. Credit Risk - is the risk of financial loss to the Corporation of the counterparty to a financial instrument fails to meet its contractual obligation.</p>	<ul style="list-style-type: none"> The management has established a credit policy under which each new customer is analyzed individually for its credit worthiness before the Corporation's standard payment terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases, bank and industry references. Also, trade receivable balances are being monitored on a regular basis. 	<ul style="list-style-type: none"> To avoid or limit financial loss in case the counterparty to a financial instrument fails to meet its contractual obligation
<p>5. Competitive Risk – The Company faces competitive risks in all markets they operate in the domestic and in the regions.</p>	<ul style="list-style-type: none"> implement pricing strategy tool and offer competitive prices for customers develop effective marketing plan understand strength and weaknesses of the possible 	<ul style="list-style-type: none"> Develop good brand image Maintain market shares and capture new market

Risk Exposure	Risk Management Policy	Objective
	<ul style="list-style-type: none"> competitors provide high quality standard service to the customer 	
6. Operation Risk – arises out of daily operations of the Corporation	<ul style="list-style-type: none"> improve technology system provide training to all employees comply with rules, regulations and laws 	<ul style="list-style-type: none"> Improve operational cost efficiency
7. Hazard risks	<ul style="list-style-type: none"> implement policies/procedures to minimize possible harm to visitors and employees draft procedures for evacuation and safety assembly post * insure company properties against all types of risk 	<ul style="list-style-type: none"> Limit amount of liability

(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
1. Economic Risk – Changes in the domestic and regional economic conditions may have a material adverse effect on the demand for Group's products, and hence, the Company's financial performance and operations.	<ul style="list-style-type: none"> Intensify advertising promotions Develop sales strategies Implement pricing strategy tool and offer competitive prices to customers 	<ul style="list-style-type: none"> Improve cash flow, income, and liquidity of the Group Maintain existing market share and capture greater market share
2. Financial Risk – Exposure to credit, market and liquidity risks that may arise in the normal course of the Group's business activities.	<ul style="list-style-type: none"> enhance revenue management strategies preserve profit margin limit expansion financed thru credit look for lowest interest rates, if debt is unavoidable hire good finance manager 	<ul style="list-style-type: none"> Attain break-even income Enhance revenue Improve cash flow Invest in balanced portfolio
3. Competitive Risk – The Group may face competitive risks in all	<ul style="list-style-type: none"> implement pricing strategy tool and offer competitive prices for 	<ul style="list-style-type: none"> Develop good brand image Maintain market shares

markets they operate in the domestic and in the regions.	<p>customers</p> <ul style="list-style-type: none"> • develop effective marketing plan • understand strength and weaknesses of the possible competitors • provide high quality standard service to the customer 	and capture new market
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(c) Minority Shareholders

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

Risk to Minority Shareholders
<p>Admittedly, the interests of minority shareholders may be made virtually worthless by the machinations of those in control of the Corporation in the event that the latter exercise their voting power. Minority shareholders may also be deprived of any income from the corporation either in the form of dividends or salary. There is also a possibility that they are not allowed any effective voice in the business decisions and they are denied any information about corporate affairs. Often, they are eventually eliminated from the corporation at a fraction of the real value of their interests.</p> <p>However, the Board, in its commitment to practice good governance, is committed to respect the rights of the shareholders as provided in the Corporation Code. A minority stockholder has the right to vote on all matters that require their consent or approval. Further, a director shall not be removed without cause if such removal will deny minority shareholders representation in the Board. The Board also gives minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that directly affect their interest in the Corporation.</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)
<p>1. Economic Risk – Changes in the domestic and regional economic conditions may have a material adverse effect on the Company's financial performance and operations.</p>	<ul style="list-style-type: none"> • regularly review and evaluate company's financial capacity, payment history and other customer-related information • *review market financial capacity 	<p>* The risk management system is regularly monitored.</p>
<p>2. Financial Risk – Exposure to credit, market and liquidity risks that may arise in the normal course of the Company's business activities.</p>	<ul style="list-style-type: none"> • hire good finance people to oversee financial performance of the Corporation • prepare an annual budget • all capital expenditures and loans shall be approved by the Board 	<ul style="list-style-type: none"> • render report on the following: <ol style="list-style-type: none"> 1. actual results vs. budgeted figures 2. monitoring of cash flow 3. maintain credit limits

3. Competitive Risk – The Company faces competitive risks in all markets they operate in the domestic and in the regions.	<ul style="list-style-type: none"> • *review revenues and sales of the Corporation • check industry standards • * compare present market share with that of previous year 	* Regular monitoring/review is conducted.
4. Operation Risk – arises out of daily operations of the Corporation.	<ul style="list-style-type: none"> • strictly implement existing company rules and regulations • * conduct regular trainings and seminars 	* review operational expenses
5. Hazard risk	<ul style="list-style-type: none"> • implement policies/procedures to minimize possible harm to visitors and employees • draft procedures for evacuation and safety assembly post • insure the premises (Hotel) 	<ul style="list-style-type: none"> • Regular monitoring of insurance coverage is conducted. • Regular monitoring of the policies aimed to minimize possible harm is conducted.

(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)
	Not Applicable – No identified group	

(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	<p>Assist the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process and the Corporation's process for monitoring compliance with the laws and regulations.</p> <p>Oversees the implementation of risk management program of the Company.</p> <p>Oversees the internal audit function</p>	<p>The Committee monitors the system of internal controls and corporate compliances with laws and regulations.</p> <p>It also guides the management in the development, implementation and maintenance of the risk management program.</p> <p>It also provides guidance in the establishment of system internal controls and procedures; compliance with the laws and regulations; compliance with the corporate good governance procedures; management reporting process; selection of external</p>

		auditors.
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B. 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;

Based on the Corporate Governance Manual, the control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.'

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

The internal auditor issues a report that the Corporation's key organizational and operational controls are faithfully complied with. The foregoing report is presented to the Board, who in turn reviews and analyzes the same. The board constantly revisits and evaluates the existing organizational and procedural controls and the risk management system of the Corporation. Adjustments are made when necessary to ensure effectiveness, relevance and adequacy of the control system.

(c) Period covered by the review;

For the period covered December 31, 2015

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

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a **quarterly basis**, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

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

Not Applicable

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
1. Evaluate the adequacy and compliance with the established control policies and procedure	All departments - compliance with the established control policies and procedures	In-house	Juliet Valerio	Annual

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
2. Evaluate the reliability of financial and management reports	All reports to the Board, management, Audit Committee and other stakeholders - accurate, complete and timely reports	In_house	Juliet Valerio	Annual
3. Evaluate the effective and efficient use of resources	All company resources	In-house	Juliet Valerio	As necessary
4. Ensure that company assets are safeguarded and protected from all types of risks	All company assets	In-house	Juliet Valerio	Monthly
5. Conduct special audit	All fraud and other risk exposures	In-house	Juliet Valerio	Upon the request of the Board, Audit Committee or Management
6. Determine compliance with laws, government rules and regulations	All departments – strict compliance	In-house	Juliet Valerio	Quarterly or as needed
7. Evaluate compliance with the set corporate governance procedures	Entire organization – compliance with procedures as set in the corporate governance manual	In-house	Juliet Valerio	Annual
8. Evaluate the quality of performance of external auditors	Audit performance in accordance with the acceptable audit standards	In-house	Juliet Valerio	Annual

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit

committee?

Yes, all matters involving auditors are handled by the Audit Committee. Specifically, the appointment and removal of the internal auditor are within the scope of Audit Committee's responsibility.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Auditor reports directly to the Audit Committee of the Board. She has free access to all the records and resources of the company.

Further, the Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report includes significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
	None

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Comparison of progress against plans, etc. cannot be made as Internal Audit was just formed in June 2013.
Issues¹	
Findings²	
Examination Trends	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Governance frameworks must be established to define the scope of work policies that will	Implemented

¹ "Issues" are compliance matters that arise from adopting different interpretations.

² "Findings" are those with concrete basis under the company's policies and rules.

regulate and control the unit's activities.	
Unit must effectively communicate the results of its works.	Implemented

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>The External Auditor of the Corporation does not at the same time provide the services of an internal auditor. The handling audit partner or auditing firm is rotated every 5 years</p> <p>The External Auditor does not render management or legal services, nor prepare accounting records for the company.</p>	<p>There are no independence concerns involving financial analysts, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators.</p>		
<p>The Internal Auditor is independent of the company's management and has no approving authority over the operations of the Corporation.</p> <p>The Internal Auditor reports only to the Audit Committee of the Board.</p>	<p>There are no independence concerns involving financial analysts, investment banks and rating agencies.</p>		

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

On 17 January 2013, the Compliance Officer issued a certification on the Corporation's compliance with the Manual on Corporate Governance.