LBC EXPRESS HOLDINGS, INC.
ENTERPRISE RISK MANAGEMENT

RESPONSIBILITES

The Board of Directors of the Company, through the Risk Oversight Committee (ROC), oversees and monitors management's adoption of a risk management system. Management is primarily responsible for the design, implementation, and maintenance of risk management procedures and their continuous improvement.

Management is adopting a pragmatic approach to Enterprise Risk Management (ERM) seeking to ensure genuine value added, beyond compliance, given the nature of the business.

The Chief Risk Officer (CRO) leads the implementation of the ERM Policy, as approved by the RMC of the holding company and advocates adoption of the same by the investee companies. Regular reviews of the ERM Policies and risk management practices of the Company are conducted by the CRO to ensure consistency of the salient provisions of the holding Company's ERM Policy and to assess and if possible, align certain risk management practices across the Group.

The Company's ERM system aims to identify, analyze, evaluate and manage risks that may affect the achievement of the Company's business objectives, through a practical approach.

KEY BUSINESS

As an investment and management company, the Company undertakes risk management at a number of distinct levels:

1. ON ENTERING NEW INVESTMENTS

The Company's geographic focus is still predominantly the Philippines within which its management team has extensive experience.

Prior to making a new investment, any business to be acquired is subject to an extensive due diligence including financial, operational, regulatory and risk management as well as dispute resolution mechanisms. Risks to investment returns are then calibrated and specific measures to manage these risks are determined. The Company is highly selective in the investment opportunities it examines. Due diligence is conducted on a phased basis to minimize costs of evaluating opportunities that may ultimately not be pursued.

2. ONGOING MANAGEMENT OF THE FINANCIAL STABILITY OF THE HOLDING COMPANY

Financial stability of the holding company, including its dividend commitment to shareholders, is managed by reference to the ability of the investee companies to remit dividends to the Company to cover operating costs and service borrowings. The Company sets the level of debt on its own balance sheet so as to withstand variability of dividend receipts from its operating companies associated with regulatory and other risks described below.

3. RISK MANAGEMENT WITHIN THE OPERATING COMPANIES

Operational Risks

Each of the operating companies has a full management team which is responsible for having their own plan to manage risk which is reviewed annually by the Company's Risk Oversight Committee, together with the Company's Chief Risk Officer, and each of the respective operating companies' board of directors. The said plans to manage risk shall take into consideration the needs and operations of the relevant businesses of each of the operating companies and the relevant laws of their place of incorporation.

4. FINANCIAL RISK MANAGEMENT

The Company's investee companies' financial risks are primarily: interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Board of Directors of each investee company reviews and approves policies for managing each of these risks as follows:

Interest Rate Risk. Interest rate exposure is managed by using a mix of fixed and variable rate debt. Foreign Currency Risk. In general, the investee companies will place some degree of reliance on their regulated return mechanisms to pass through foreign currency risk. The current liquidity and depth of the Philippine credit market is such that there should be little need for raising new borrowings in foreign currency.

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Liquidity Risk. Each business monitors its cash position using a cash forecasting system wherein all expected collections, disbursements and other payments are determined in detail.

Credit Risk. Credit risk is managed by setting limits on the amount of risk a business is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

Equity Price Risk. The Company's investee companies are generally not faced with equity price risk beyond that normal for any listed company, where relevant.

Approved by:

MIGUEL A. CAMAHORT
President & CEO