

## RISK MANAGEMENT SYSTEM

### Overall Risk Management Philosophy

The Company adopts a risk philosophy of maximizing business opportunities while minimizing adverse outcomes to enhance shareholder value. This risk philosophy permeates the entire organization through:

**Culture.** We believe that a strong risk management and control culture starts at the top. To this end, senior management promotes awareness, ownership and proactive management of key risks.

**Structure.** We believe in an organizational structure that provides for proper segregation of duties, for definition of risk-taking responsibility and authority, and for promotion of ownership and accountability for risk-taking.

**Process.** We believe in putting in place robust processes and systems for effective identification, quantification, monitoring, mitigation and management of risk. Furthermore, internal control policies and procedures are reviewed and improved on an ongoing basis to ensure they remain sound and relevant.

### BOARD RISK OVERSIGHT COMMITTEE (BROC)

The Board Risk Oversight Committee is established for the purpose of assisting the Board in overseeing the Corporation's practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls.

The committee assists the Board in providing framework to identify, assess, monitor and manage the risks associated with the Corporation's business. It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with the Corporation's risk profile.

The committee has the following duties and responsibilities:

- Oversee the Corporations' risk management function.
- Develop a formal risk management policy that guides the Corporation's risk management and compliance processes and procedures.
- Annually review the Corporation's approaches to risk management and recommends to the Board changes or improvements to key elements of its processes and procedures.

RISK EXPOSURE	OBJECTIVE	RISK MANAGEMENT POLICY
<b><u>FINANCIAL RISK</u></b>		
Liquidity Risk	<p>To establish policies and principles anchored on accountability, fairness and transparency in the organization with the aim of balancing the interests of the many stakeholders and upholding shareholders' value.</p> <p>The Company has adopted practices designed to identify significant areas of financial risks and effectively manage those risks in accordance with the Company's risk profile.</p>	The Company shall closely monitor its cash flows and ensure that credit facilities with banks are available. It shall ensure that there is enough cash available to meet obligations as and when they fall due.
Credit Risk		The Company shall mitigate any credit risk by dealing only with recognized and credible institutions or third parties. Its receivable balances are to be strictly monitored to ensure that exposure to bad debt is not significant.
Foreign Currency Risk		The Company shall mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate.
Equity Price Risk		The Company shall conduct close monitoring of equity securities in the Company's investment portfolio with purchase and trading decisions approved by Management.
Capital Management		Project valuation and monitoring of projected and actual cash flows of the Company are to be regularly done.

RISK EXPOSURE	OBJECTIVE	RISK MANAGEMENT POLICY
<b><u>MARKET RISK</u></b>		
Competition	To be responsive to changes in market environment directly affecting the business.	The Board and Management shall regularly monitor all conditions that directly affects the business operations and quantifies threats in its day-to-day business and profitability. The Company shall employ operational risk measurements and conduct both strategic and tactical planning on a regular basis.
Economic Condition	The Company has adopted practices designed to identify significant areas of market risks and effectively manage those risks in accordance with the Company's risk profile.	
Political Condition		
<b><u>REPUTATIONAL RISK</u></b>		
	The Company envisions to become the gaming partner of choice - providing technical and market expertise for the distribution of lottery products in the Philippines.	The Company shall espouse the following core values needed to achieve its vision of becoming the gaming partner of choice: 1) <b>Learning</b> - an organization composed of diverse individuals with unity of purpose and a shared vision 2) <b>Excellence</b> - to provide a high standard of performance 3) <b>Accountability</b> for all actions, decisions and responsibilities 4) <b>Dynamism</b> - creating the Company's future driven by a dynamic team of professionals 5) <b>Efficiency</b> - in all aspects of work 6) <b>Respect</b> - accord everyone with due respect and carry ourselves in a professional manner 7) <b>Service</b> - nurture relationships by providing quality service to all stakeholders

RISK EXPOSURE	OBJECTIVE	RISK MANAGEMENT POLICY
<b><u>HAZARD RISK</u></b>		
Natural Disasters	The Company has adopted policies and set in place procedures to ensure the continuity of operations at all times.	The Company has implemented measures designed to avoid business interruptions arising from natural disasters. The Company has a Business Continuity Plan and a Disaster Recovery System in place, among others.
<b><u>IT RISK</u></b>		
Primary Data Center	The Company is committed to providing a secure and reliable IT infrastructure for the use of its external and internal customers that complies with the laws of the Philippines, international copyright laws, and adheres to ISO (ISO 9001:2015 & ISO 27001:2013) standards.	The Company shall employ redundancy from its two suppliers to mitigate risk of any business interruption.
Network Connectivity		Communication infrastructure shall be provided mainly by the two biggest telecommunications providers in the country.
Hacking		The Company shall avoid hacking through intrusion testing and implementation of firewalls.
<b><u>REGULATORY RISK</u></b>		
	The Company is committed to compliance with all licensing and regulatory requirements relative to its business operations.	
<b><u>DEPENDENCE ON SUPPLIERS</u></b>		
Lottery Operations	To ensure the efficient flow of operations at all times.	The Company's lottery operations shall be anchored on a two-network system that is provided by the two global leaders in the gaming industry.
Back-Office Operations		The Company shall accredit and regularly evaluate its existing critical external providers. It shall also employ a three-canvass policy on purchases.