

SOURCE OF RISK	RISK EXPOSURE	MEASURES TO MANAGE RISK
<b>STRATEGIC RISK</b>	Another Concession Fee prepayment may compromise TransCo's operations and financial position. This could also hinder the Corporation's ability to meet its financial obligations.	<ul style="list-style-type: none"> <li>• Active involvement by TransCo in any future negotiation involving the Concession Fee</li> </ul>
<b>FINANCIAL RISK</b>	Right-of-way and tax claims which could possibly expose TransCo to suits, garnishments and executions and thus pose additional financial burden on the corporation.	<ul style="list-style-type: none"> <li>• Fund management strategies have been employed</li> <li>• Timely intervention in terms of validation of right-of-way claims, initiation of expropriation actions, validation of ownership of property and identification of assessed real assets, initiation of tax protests and appeals, and handling and litigation of court and administrative cases</li> </ul>
<b>CREDIT RISK</b>	Uncollected receivables from former power customers and the transmission concessionaire	<ul style="list-style-type: none"> <li>• Delivery &amp; follow up of collection letters to former power customers &amp; power transmission concessionaire.</li> </ul>

SOURCE OF RISK	RISK EXPOSURE	MEASURES TO MANAGE RISK
<b>ASSET CONDITION RISK</b>	<p>Exposure of Transmission Assets to operational and maintenance deviations, including man-made and natural calamities</p>	<ul style="list-style-type: none"> <li>• Close monitoring of asset condition and of the procurement of industrial all risk insurance</li> </ul>
<b>REGULATORY RISK</b>	<ul style="list-style-type: none"> <li>• In the divestment of sub-transmission assets, sale contracts are filed with the ERC for approval. If the sale price approved by ERC is lower than the contract price or if the sale contracts are disapproved, TransCo suffers from unrealized proceeds.</li> <li>• TransCo, through NGCP, applies with the Energy Regulatory Commission (ERC), recovery of certain capital and operating expenditures corresponding to its retained obligations in the transmission business under the Concession Agreement. The ERC may or may not allow the same at the level applied for.</li> </ul>	<ul style="list-style-type: none"> <li>• Due diligence in negotiations to lessen risk of ERC disapproval</li> <li>• Observance of existing laws and jurisprudence, TransCo policies &amp; government accounting &amp; auditing rules in the management and/or settlement of retained obligations</li> <li>• Adherence to appropriate processes including the submission of evidentiary documents in preparation for regulatory applications up to implementation of decisions</li> </ul>

SOURCE OF RISK	RISK EXPOSURE	MEASURES TO MANAGE RISK
<b>COMPLIANCE RISK</b>	Incomplete submission by Distribution Utilities (DUs) of documentary requirements which will delay TransCo's compliance with regulatory / legal requirements in applications for divestment of subtransmission assets	<ul style="list-style-type: none"> <li>• Regulatory and legal compliance requirements closely monitored</li> </ul>
<b>OCCUPATIONAL RISK</b>	Exposure of TransCo personnel conducting field activities to hazardous conditions.	<ul style="list-style-type: none"> <li>• Strict implementation of safety policies</li> <li>• Conduct of tool box meetings before starting work in electrical systems</li> <li>• Conduct of safety seminars</li> </ul>
<b>INFORMATION SYSTEM RISK</b>	Corporate information system could be attacked by hackers and viruses	<ul style="list-style-type: none"> <li>• Installation/upgrading of network protection system</li> </ul>