

STI Education Systems Holdings, Inc.

Risk Management Policy

Policy Statement

Risk management is the process of making and carrying out decisions that will minimize the adverse effect of probable losses upon the company. The Board of Directors should satisfy themselves that the risk management policies and procedures designed and implemented by the Company's senior executives are consistent with the Company's corporate strategy, and risk appetite are functioning as directed, and that necessary steps are taken to adopt a culture of risk-aware and risk-adjusted decision-making throughout the organization.

Organisation's Commitment to Risk Management

The Board is committed to accomplishing its objectives and will seek to adopt a cost effective, commercial and efficient approach; work in an open, productive and flexible manner.

Governance Framework

Relationship between plans and hierarchy of risk

Plans

Strategic Plan

The Strategic Plan describes the common purpose and direction of the corporation, and identifies key priorities and strategies to achieve objectives.

Hierarchy of Risk

Strategic Risks

Risks that may have a positive or negative effect on achieving the corporation's strategic purpose and objectives.

Risks at this level affect the decisions made around the organizational priorities, resource allocation, and tolerance and acceptance of risk.

Accountability

Directors

Executive Management

Strategic Business Units (SBU) Operational Plans

Annual plans that identify the Strategic Business Units' key accountabilities in implementing the business units' strategic plan, key strategies and targets. Plans are developed through a process of environmental scanning and reviewing past performance and risks to determine upcoming challenges and new priorities.

Corporate Risks

Risks or opportunities that may affect achieving the objectives of the planned outcomes of performance identified through divisional operational plans, specific purpose plans, portfolio plans or programs of change.

At the program level, risks may eventually transition into 'business as usual' upon program completion.

Strategic Business Unit Heads

Specific Purpose Plans

Plans that focus on an area of strategic importance to the

department to address a particular issue.

Other cascading plans

This can include planning conducted by branch and work units, regions, schools, and institutes (non-statutory bodies), and projects.

Operational Risks

Risks or opportunities that affect plans cascading from the SBU operational plan and achieving the deliverables of projects.

Directors

Strategic Business Unit Heads

Risks at this level relate to department's systems, resources and processes.

Staff Performance & Development Plans

Individual staff *Developing Performance* processes - enable staff to identify how their work contributes to achieving their work unit and departmental objectives.

When identifying their responsibilities or professional development requirements, staff also need to consider their responsibilities in relation to risk management.

Staff

Roles and Responsibilities

1. Board

The Board of Directors shall set business strategy, risk appetite, governance structure and risk management framework. It shall make business decisions; delegate actions; define the procedure by which risk management is reviewed; report to stockholders on risk management; and approve all public disclosures.

2. Committee

Audit Committee shall assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; review the reports submitted by the internal and external auditors; and check all financial reports against its compliance with pertinent accounting standards, including laws and regulatory requirements.

3. Strategic Business Units

The Strategic Business Units shall own business risks and controls; identify, assess and accept risks; design, operate and monitor internal controls; operate the business within set risk appetite & lenience.

4. Internal Audit

Internal Audit shall perform oversight functions over the corporation's internal auditors, that they act independently and that they should be given unrestricted access to all records, properties and personnel to enable them to perform their audit functions; and it shall review the audit plan to ensure its conformity with the objectives of the corporation.

5. External Audit

External Audit shall perform oversight functions over the corporations external auditors, ensure that they act independently and are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions; It shall pre-approval all audit plans, scope frequency at least one (1) month before the conduct of external audit.

Policy Requirements

Full access to management, personnel and records for the purpose of performance of its dues and responsibilities shall be given to the various people and group involved in the risk governance structure. They may also obtain external legal counsel or independent professional advice if it considers it necessary in the performance of its functions. The Company shall provide sufficient resources to discharge its duties.

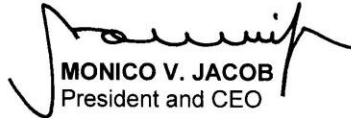
Review and approval

The Risk Management Policy shall reviewed by the Audit Committee annually. Any proposed changes shall be approved by the Audit Committee and Board of Directors


STI EDUCATION SYSTEMS HOLDINGS, INC.

Approved by:


EUSEBIO H. TANCO
Chairman of the Board


MONICO V. JACOB
President and CEO

Attested by:


JOHNIP G. CUA
Independent Director and
Chairman of the Audit Committee