

RISK MANAGEMENT

Del Monte Philippines, Inc. (DMPI or the Company) has an established enterprise-wide risk management program that aims to provide a structured basis for proactively managing financial, operational, compliance, information technology and sustainability risks in all levels of the organization.

Risk management will be a regular Audit and Risk Committee agenda item.

Principal risk	Specific risk we face	Mitigation
<p>Branded and Non-Branded Business</p>	<p>DMPI’s branded business in the Philippines through the Del Monte brand, and its branded and non-branded businesses in the international markets, are affected by a number of factors, including, but not limited to, competition, product innovation and product acceptance, industry trends, distribution expansion, penetration and business partners’ risks.</p>	<ul style="list-style-type: none"> • Strengthen the core business, expand the product portfolio and markets • Shift to branded value-added, packaged products with emphasis on innovation, health and wellness, convenience, quality, competitiveness and consumer appeal of the categories • Expand beverages and packaged fruits in alternative packaging formats • Market and customer diversification: increased penetration of high-growth channels, foodservice and e-commerce • Reinforce consumption-driven marketing strategies such as consumer advertising • Building on closer working relationships with trade partners

		<ul style="list-style-type: none"> • Improve talent management and enhance selling, marketing and operational processes to support business goals
Access to Land	<p>The Company's pineapple growing operations cover a total of approximately 25,000 hectares of land in Mindanao, the Philippines. Growership agreements typically provide for an initial 10-year period renewable at the Company's option on a cycle-to-cycle basis, up to five cycles, with each cycle averaging 40 months.</p> <p>Other agreements have been negotiated to provide for an extended period of 20 years. There is no assurance that these agreements will be continually renewed and on terms favorable to the Company.</p> <p>Any future changes in legislation relating to the coverage or implementation of the government's agrarian reform program and the disposition of public lands owned by government-owned and controlled corporations may affect existing contracts with land owners.</p>	<ul style="list-style-type: none"> • The Company concluded negotiations with the Del Monte Employee's Cooperative for the renewal of their agreement covering approximately 8,000 hectares for a term of 25 years effective from 11 January 1999 • This may be further renewed by agreement of the parties • Any future changes in legislation relating to the coverage or implementation of the government's agrarian reform program may affect the contract with the Del Monte Employees' Cooperative • In addition, the Company has under lease approximately 1,000 hectares from the National Development Corporation, a Philippine government-owned and controlled corporation for a term of 25 years on 1 March 2007
Foreign Currency and Inflation	<p>In the normal course of business, the Company enters into transactions denominated in various foreign currencies.</p> <p>As a result, the Company is subject to transactions and translation exposures resulting from currency exchange fluctuations,</p>	<ul style="list-style-type: none"> • To a certain extent, the Company has a natural hedge between the Philippine Peso and US Dollar due to its revenue and cost mix • It is the Company's policy to optimize its natural hedge • The Company has lessened the impact of cost increases by actively controlling its overall cost

	<p>especially between the Philippine Peso and US Dollar.</p> <p>The Company's costs are also affected by inflation.</p>	<p>structure and introducing productivity-enhancing and cost management measures</p> <ul style="list-style-type: none"> • The Company considers inflation in pricing adjustments with its market customers.
Credit Risk	<p>The Company's sells its products through major distributors and buyers in various geographical regions.</p> <p>The Company also has significant levels of receivables due from related parties.</p>	<ul style="list-style-type: none"> • Management has a credit risk policy which includes, among others, the requirement of certain securities to ensure prompt observance and performance of the obligations of its distributors and other buyers from time to time • The Company monitors its outstanding trade receivables on an ongoing basis • Collection of receivables from related parties
Cash and Interest Rate Management	<p>The Company's cash balances are placed with reputable global and major Philippine banks and financial institutions.</p> <p>The Company manages its interest income by placing the cash balances with varying maturities and interest rate terms. Thus includes investing the Company's temporary excess liquidity in short-term, low-risk securities from time-to-time.</p>	<ul style="list-style-type: none"> • The Company obtains financing through bank borrowings and leasing arrangements • Financing is obtained from bank credit facilities, for both short and long-term requirements and/or sale of assets, particularly receivables from its customers • The Company's policy is to obtain the most favorable interest rate available without increasing its foreign currency exposure
International Business	<p>The Company's international sales are also affected by movements in the worldwide supply, demand and prices of its products. In particular, prices for pineapple juice</p>	<ul style="list-style-type: none"> • The Company is shifting production towards more branded ready-to-drink beverage to decommo- ditize its concentrate product

	concentrate are largely affected by the supply situation in Thailand and the demand situation in the international markets. Given this is an industrial commodity product, prices are quite volatile.	
Tax	The Company may lose certain tax incentives should it fail to comply with the conditions for the tax incentive.	<ul style="list-style-type: none"> • Implement measures to comply with conditions related to the tax incentive • Ensure the Company's compliance with rules and regulations
Operations	As an integrated producer of packaged and fresh fruit products for the world market, the Company's earnings are inevitably subject to certain other risk factors, which include general economic and business conditions, change in business strategy or development plans, international business operations, production efficiencies, input costs and availability, disruption of logistics and transportation facilities, litigious counterparties, insurgent activities and changes in government regulations, including, without limitation, environmental regulations.	<ul style="list-style-type: none"> • The Company develops and executes a long-term strategic plan and annual operating plan, supported by a business continuity plan, risk management and a corporate sustainability program • It also pursues productivity-enhancing and efficiency-generating work practices and capital projects • To manage security risks in its operating units in the Philippines, the Company has strengthened security measures and improved its stakeholder relations in the communities where it operates
Environmental Risks	The output of the plantation is subject to certain risk factors relating to weather conditions, catastrophes, crop yields, contract growers and service providers' performance, and leasehold arrangements.	<ul style="list-style-type: none"> • The Company develops and executes a long-term strategic plan and annual operating plan, supported by a contingency plan and risk management measures

	<p>There is no assurance that natural catastrophes or climate change will not materially disrupt the Company’s business operations in the future, or that the Company is fully capable to deal with these situations with respect to all the damages and economic losses resulting from these risks.</p> <p>In its 2018 fiscal year, the Company experienced the end of El Niño and the start of La Niña weather phenomenon in certain areas of its operation. This affected crop yield.</p> <p>The drought in southern Philippines impacted the pineapple supply in the first semester of FY2018.</p>	<ul style="list-style-type: none"> • The Company also has in place disaster recovery plans and business continuity plans to mitigate these incidents, and has implemented programs and initiatives to mitigate the effects of El Niño and La Niña • The Company has Global Good Agricultural Practices (GAP) certification, and complies with proven agricultural practices • To manage any impact from heavy rainfall and floods, plantings are done in various locations to minimize tonnage loss, and towing units have been augmented to ensure continuity of harvest during wet conditions • The Company also works with insurance brokers to assess the risk exposure and secure adequate insurance coverage, if cost effective
<p>Cyber Security</p>	<p>The increasing global incidence of cyber-attacks on Company servers and websites demonstrates the need to strengthen and improve security of the Company’s systems.</p> <p>Cyber-attacks can disrupt operations such as exploiting weaknesses in network devices and servers, corrupting information and stealing confidential data which can lead to financial losses.</p>	<ul style="list-style-type: none"> • The Company develops and implements measures to counter and eliminate cyber-attacks from outside sources: <ul style="list-style-type: none"> – Adopt industry best practice to strengthen network security such as updating security patches to the system and encrypting workstations – Design and implement security control at each local site

		<ul style="list-style-type: none"> • The Company has engaged a third party to audit its systems and mitigate such risks
Company Assets	The Company assets are exposed to various risks relating to the assets of, and the possible liabilities from, its operations.	<ul style="list-style-type: none"> • To safeguard its assets, the Company assesses its risk exposure annually with its insurance brokers and insurance companies • Assets are generally insured at current replacement values • Additions during the current year are automatically included with provision for inflation protection • During the financial year in review, all major risks were adequately covered, except where the premium costs were considered excessive in relation to the probability and extent of a loss
Compliance	Changes in legislation and government regulations affecting the business may affect the operations, strategies and profitability of the Company.	<ul style="list-style-type: none"> • The Company closely monitors changes in legislation and government regulations affecting the Company's business including environmental matters. • The Company has a compliance program that aims to monitor and ensure the Company's compliance with laws and regulations • Compliance is a regular board agenda