

RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company's overall risk management program focuses on the unpredictability of the markets and seeks to minimize potential adverse effects on the Company's performance.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Audit Committee regularly reviews the Company's internal control and risk management arrangement, systems and procedures, and management degree of compliance.

(c) Period covered by the review; Year 2016

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The risk management system is being reviewed 3 times a year during the Management Trimester Review and Planning for the rest of the year. The actual performances are being monitored versus budget.

(e) Where no review was conducted during the year, an explanation why not.

N/A

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<u>Liquidity Risk</u>	<p>The Company manages its liquidity profile to be able to service its long-term debt as they will fall due in the near future by maintaining sufficient cash from operations.</p> <p>The Company maintains cash to meet its liquidity requirements for up to 30-day periods.</p>	To maintain a balance between a continuity of funding the operations and at the same time paying the obligations.
<u>Credit Risk</u>	<p>The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.</p> <p>The trade and other receivables are actively monitored and assessed, and where necessary an adequate level of provision is maintained. In addition, to minimize credit risk, the Company requires collateral, generally land and real estate, from its customers.</p>	To minimize bad debts provisioning.
<u>Price Risk</u>	The Company is exposed to commodity price risk as the raw materials of its main products are subject to price swings. The Company's management actively seeks means to minimize exposure to such risk.	To ensure adequate supply of raw materials and support sales requirement.
<u>Foreign Currency Sensitivity</u>	To a certain extent, the Company has an exposure to foreign currency risks as some of its raw materials purchases are sourced outside the Philippines and are therefore denominated in foreign currencies. However, the Company has not yet experienced significant losses due to the effect of foreign currency fluctuations since purchases denominated in foreign currency are kept at a minimum.	To ensure adequate supply of raw materials and support sales requirement.
<u>Interest Rate Sensitivity</u>	<p>The Company has no significant floating rate financial assets or liabilities. The Company's operating cash flows are substantially independent of changes in market interest rates.</p> <p>The Plan allowed the Company to defer the payment of its loans and their related interest charges and certain trade payables for a period of three years from the date of approval of the Plan</p> <p>The Company has no borrowings that carry variable interest rate which released the Group from any cash flow interest rate risk.</p>	Avoid exposures from interest rates changes

(b) Group

Give a general description of the Group’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
The Group’s control system set up generally follows the Company’s control system set up as stated above.		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders’ voting power.

Risk to Minority Shareholders
Controlling shareholders’ voting power may restrict in their favor, however, the Board is committed to practice good governance and shall always respect the rights of the shareholders as provided in the Manual on Corporate Governance, that is, “A director shall not be removed without cause if it will deny minority shareholders representation in the Board”.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as above		

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Same as above		

(c) Committee

Identify the committee or any other body of corporate governance in charge of lying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors	Identify key risk areas and key performance indicators and monitor these factors with due diligence.	
Audit Committee	Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.	