
RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

The Del Monte Pacific Group (DMPL) has an established enterprise-wide risk management framework that sets out the governance structure to proactively manage risks, including financial, operational, information technology, compliance, and sustainability risks in all levels of the organization, and mitigate the potential impact on people, the environment, corporate governance, and corporate performance.

The framework provides the following considerations for the Board with respect to its risk oversight responsibilities: strategy and goal setting, performance and value creation, governance and policies, culture and practices, communication and reporting.

RISK MANAGEMENT APPROACH

The Board, with the assistance of the Audit and Risk Committee (ARC), is responsible for the risk governance of the Group. The Board reviews the adequacy and effectiveness of the Group's risk management and internal controls system to safeguard shareholders' interests and the Group's assets. Internal controls are discussed under Principle 9, while the terms of reference of the ARC are outlined under Principle 10 of the Corporate Governance section of the Annual Report.

The Board reviews the principal risks as well as emerging risks. Based on their potential impact and probability, the top risks are mapped and categorized as critical, urgent, or pre-emptive, and are reviewed accordingly. The assessment of risks includes actions taken to date and further steps to mitigate the risks based on objectives, goals, strategies and measures,

management concerned, timeline, an estimate of the potential impact, and an evaluation of whether the risks are rising or declining.

Risk assessment and mitigation are aligned with strategy and form an integral part of the annual planning and budgeting process. Risks are identified and managed to reduce the uncertainty associated with executing business strategies and to maximize opportunities that may arise. The Board believes that risk management provides the framework for management to assess risk and embrace a mindset of mitigation and resilience.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group maintains an effective system of risk management and internal controls addressing financial, operational, compliance, and information technology (IT) controls, and risk management policies and systems established by Management. These controls are designed to provide reasonable assurance as to the adequacy, effectiveness, and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The adequacy and effectiveness of these controls are subject to a periodic review by the Group's Internal Audit department and monitored by the ARC. In addition, the Group's external auditors also review the effectiveness of the Group's key internal controls as part of their audit for the year with respect to financial reporting. Significant non-compliance in internal controls, if any, together with recommendations for improvement, is reported to the ARC. A copy of this report is also issued to the relevant department for follow-up action.

FINANCIAL AUTHORITY LIMITS

The Board has adopted a set of internal guidelines specifying matters requiring Board approval. These include approval of annual budgets and major investment proposals. Management is also given clear directions on matters, including set thresholds for certain operational matters relating to subsidiaries, that require the Board's approval. Certain material corporate actions or material transactions that require the Board's approval include major transactions and investments exceeding certain thresholds and capital expenditure exceeding certain material limits, among others.

CODE OF BUSINESS ETHICS

Del Monte Pacific Limited has a Code of Business Ethics in place which sets out the principles and policies upon which businesses are conducted. It calls for the Group to conduct its businesses in a manner which, in all reasonable circumstances, is above reproach. In line with this, the Company expects from all officers and employees the highest standards of business and personal ethics. Company employees must act with the utmost fairness and according to the highest moral principles when dealing with the Company's stakeholders – co-employees, customers, suppliers, shareholders, the government, and surrounding communities. Employees are urged not to engage in activities that could bring on a conflict of interest. A Conflict of Interest questionnaire is sent to employees annually. The Company abhors any form of corruption and bribery by its employees and suppliers. The policy is available on DMPL's website. (<https://www.delmontepacific.com/corporate-governance/code-of-business-ethics>)

The Group has a Human Rights Policy which embodies the responsibility of business to respect human rights in all aspects of its operations. DMPL expects its employees, suppliers and contractors to adhere to the same human rights principles. The Group does not tolerate human rights abuses and violations and shall enforce this zero tolerance policy for any human rights violations that its operations might come across. Del Monte recognizes an opportunity to promote human rights in the various areas where it makes positive contributions to society. The Group respects the legitimate role of civil society organizations and human rights defenders in promoting rights, and in working with businesses to prevent and mitigate human rights abuses.

WHISTLEBLOWER POLICY

The Company has a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices without fear of retaliation or reprisal, and has designated the ARC to oversee whistleblowing reports that are investigated by Internal Audit and other relevant departments. A Whistleblower Policy has been in place since 2004 to promote the highest standards of business and personal ethics in the conduct of the Group's affairs. As representatives of the Group, officers and employees must uphold honesty and integrity, and strictly comply with all applicable laws, rules and regulations.

The said policy, with respect to which the ARC is responsible for oversight and monitoring, aims to deter and uncover corrupt, illegal, unethical, fraudulent practices or other conduct detrimental to the interest of the Group committed by officers

and employees, as well as third parties, such as, but not limited to, suppliers and contractors. The Group encourages its officers, employees, suppliers and contractors to provide information about unsafe, unlawful, unethical, fraudulent or wasteful practices. The ARC and the officers who administer the policy do not disregard anonymous complaints.

This policy enables the Group to effectively deal with reports from whistleblowers in a manner that will protect the identity of the whistleblower and provide for the appropriate use of the information provided. It also establishes policies for protecting whistleblowers against reprisal by any person internal or external to the Company, and provides for the appropriate infrastructure, including the appointment of a Whistleblower Protection Officer and a Whistleblower Investigations Officer, as well as alternative means of reporting.

The Board, together with the ARC Chairman, has appointed the Group CFO as the Protection Officer and the Head of Internal Audit as the Investigations Officer to administer the Company's Whistleblower program.

For more information, please refer to the Corporate Governance section Principle 10 of this report.

RISK APPETITE

The risk appetite framework ensures that the Group's risk profile remains within tolerable boundaries as it maximizes opportunities. The risk appetite sets out the nature and extent of risks the Group is willing to take and capable to manage as it seeks to achieve its strategic and business objectives.

- Commitment to delivering value to our shareholders through sustainable growth
- Market expansion where it has brand ownership and a competitive advantage
- Innovation initiatives and new investments conform to the Group's vision and strategic objectives
- Due diligence for new investments to prevent potential losses that may have a significant impact
- Market, operational and technological risks are minimized
- Actions that may negatively affect reputation and brand image are avoided
- Compliance with laws and regulations, including those with respect to health and safety of people, the environment, and good corporate governance, is a core principle
- Shareholder value creation is pursued while financial prudence is exercised

The risk appetite framework recognizes the importance of balancing risks and rewards to achieve the optimal level of risk that the Group can tolerate in its pursuit of its strategic, business, and sustainability objectives.

The following are the principal risks and mitigation measures of the Group.

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Principal Risk	Specific Risk We Face	Mitigation
Leverage and Liquidity	<p>The Group has availed loan facilities, which has resulted in a leveraged balance sheet.</p> <p>Risks would arise if the Group is unable to service its interest and principal obligations on time and in full, given its liquidity. This may also impact the Group's performance, cash flow, and may breach the financial covenants set under the relevant loan facility.</p>	<ul style="list-style-type: none"> • Improve cash flows through the following: <ul style="list-style-type: none"> – Improve working capital by reducing inventory – Reduce the pack – Monitor production levels, productivity enhancements, operational efficiencies, and sales – Move out prior period overpacked and surplus items – Generate more cash flow – Regularly track working capital and forecast – Delever the balance sheet • Work with agent bank to increase the amount available to borrow under the Asset-Based Line of credit • Comply with bank covenants • Raise equity to pay down debt
Information Technology Strategy, Systems and Processes	<p>New systems and systems enhancements are complex and resource intensive. Inability to realize a positive return on investment upon implementation of these new systems and / or system enhancements, including security upgrades and change management processes may hamper the Group's digitization and transformation.</p> <p>Cybersecurity events, such as data breaches, outages and inability to access systems and data, can disrupt operations. Cyberattacks can exploit weaknesses in network devices and servers, corrupting information and stealing confidential data which can lead to financial losses, among others.</p>	<ul style="list-style-type: none"> • Enhance process improvements by "Fixing the Basics" across all functions, include functional goals of several departments and standardize systems • Put in place effective and energized leaders in Sales, Operations, IT, Finance and new Plant Managers in most locations to drive results and improvements • Build and stabilize a high-performance Information Technology organization and assess systems, processes, risks, and develop people resources • IT Steering Committee meets quarterly to provide oversight and input • Establish IT Governance to rationalize and prioritize systems enhancements and project demand funnel to focus on business value, protect the overall environment, and simplify and harmonize business processes • Maximize IT and SAP functionality to drive process improvements such as measuring and reporting of Procurement variances, line losses, configuring project accounting to automate tracking of marketing spend • Use Sophos Endpoint XDR across all DM regions and Sophos Firewalls with HA (High-Availability Always-On) at each site to protect network traffic and access to the network • Address and monitor malicious activities identified by tools and routines that have been deployed by a dedicated Security Incident Monitoring and Operations Group • Use of Security Information and Event to monitor alerts from applications and network hardware • Conduct regular security patching for Windows, Linux servers and computers, monthly Sophos Endpoint updates and use VPN for all remote secure connections • Create another layer of security for network traffic and network access • Complete staffing of open roles in IT • Conduct weekly working sessions with business partners to improve coordination • Implement a more rigorous performance review process and performance rating alignment to incentivize and reward results driven employees • Include process improvement and/or cost reduction ideas as part of employees' key objectives

Principal Risk	Specific Risk We Face	Mitigation
Supply Chain Management	The Group entered into supply agreements with third-party co-manufacturers which are subject to several regulations.	<ul style="list-style-type: none"> • Optimize transportation rates through third parties • Maximize rail transportation to realize savings • Improve transportation planning and cross functional interaction between departments to optimize ocean freight
	Unanticipated and unbudgeted cost increases on material, labor factory overheads, transportation, raw produce and tin plate cost exacerbate the risks.	<ul style="list-style-type: none"> • Establish inventory expectations, rotation and analytics to identify excesses, quality/hold issues, aging, slow moving and damaged inventory for timely decision making and action • Conduct monthly meetings with the Waste Task Force to monitor and address inventory issues • Monitor line losses, bill of material variances, and recovery yields
	Lower cost may not be realized due to organization culture, resources and capabilities of co-manufacturers.	<ul style="list-style-type: none"> • Conduct regular contract review to seek cost saving opportunities and assess creative ways to ensure labor availability during the pack season • Put in place a process with clear performance expectations and targets, and benchmarking per plant • Improve coordination and align deployment plans
Inventory and Sourcing Management	The Group's revenue and profitability may be affected by reduced customer inventory levels, private labels merchandising, lower category sales, service issues, and inaccurate forecasting may result in high inventory in the short-term.	<ul style="list-style-type: none"> • Implement the inventory management system to reduce weeks supply to target levels and monitor closely surplus inventory • Improve raw produce planning by sourcing and harvesting only the required tonnage to support the inventory management system • Improve long run demand and supply planning capability • Improve weeks of supply to target levels
	Permanent loss of shelf space and non-acceptance of new products are possible consequences.	<ul style="list-style-type: none"> • Develop alternate raw product sourcing and implement a global sourcing strategy to counter seasonal production • Extend the growing season to improve plant capacity and utilization • Ensure secondary or back-up suppliers are in place or pursued where business continuity or relationship risks have a material impact to the Group
	The Group has strategic relationships with several key third parties, including certain large suppliers and trade customers, among others. The frequency and scale of use and sale by the company raises regulatory expectations as to how organizations manage third-party risks.	<ul style="list-style-type: none"> • Negotiate a win-win approach for a long-term relationship • Conduct regular contract review for opportunities to save on cost • Perform a risk assessment of key strategic partners and communicate the risks and action plans
	The Group may not have the tools, guidance and time to effectively manage and monitor third-party risks. Ongoing monitoring, risk assessment and communication may not be effective to elevate third-party risks to the leadership.	<ul style="list-style-type: none"> • Implement a robust due diligence process for new or significant third parties • Consider a third-party due diligence vendor for broader and deeper due diligence process • Conduct regular benchmarking to measure competitiveness

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Commercial Execution	<p>The Group's results depend highly on the performance of our products in the categories where we compete. Inability to meet the plan may result in impairment of goodwill and the Group's ability to fund operations, manage obligations, and maintain its reputation.</p> <p>Volume loss, product mix variance due to pressures from competition, ineffective channel expansion and lack of promotional and marketing activities, customer service and project execution are market challenges the Group needs to hurdle to deliver the objectives.</p> <p>Consumer preferences and purchasing habits have evolved. Dining trends are shifting to fresh, convenient products away from the center of store. Consumers have strong preferences to healthy, nutritious and sustainably grown or produced products, especially the younger generation.</p> <p>E-commerce continues to grow even after the COVID-19 pandemic.</p>	<ul style="list-style-type: none"> • Monitor and manage price gaps by tracking competitive price points • Implement a monthly actual to plan and customer business review with executive management to address challenges • Address key variances with customers and reduce trade support where necessary • Enhance sales processes to improve forecasting and a new profit mindset to increase gross margin • Implement SKU rationalization through brand recognition and quality to improve profitability and increase market share • Analyze periodically and adjust, as needed, price brackets to cover increased transportation costs on smaller truckloads • Limit private labels to select strategic customers only in areas of excess capacity • Establish new capabilities to expand the Group's presence in growing channels such as e-commerce through online retail sites and convenience stores • Enhance relevance of existing portfolio and brands through consumer communication and marketing strategy • Increase trade funding to reinstate price gaps • Institute quarterly business reviews to address gaps against plan • Pursue profitable high-margin bids • Identify categories and products that perform well • Minimize customer service issues • Drive distribution in new channels
People and Talent Turnover	<p>The Group's capability to retain diverse talents has an impact on the execution of the strategic plan and is critical in enhancing organization success.</p> <p>The high turnover rate in the Company's plants in Mexico impacts the facility's ability to fully staff the operation especially during peak seasons.</p>	<ul style="list-style-type: none"> • Use of technology solution for a wider reach of candidates in addition to the in-house Talent Acquisition teams • Redesign the onboarding experience for seasonal employees • Explore housing options for seasonal employees instead of providing hotel rooms and monthly stipend • Put in place a retention strategy to address employee experience and create a Great Place to Work culture • Improve communication through Town Hall meetings • Conduct engagement activities and low-cost recognition programs • Implement an onboarding buddy program • Collaborate with Talent Acquisition in holding events through various job fairs • Provide a structured training program • Create a self-funded variable compensation program for rewarding performance achievement that exceeds the Annual Operating Plan volume

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Cost Increases and Inflationary Pressures	<p>Del Monte Pacific Group's subsidiaries have experienced cost increases in raw materials, packaging and other inputs, including tin plate, raw produce, fuel and labor. Geo-political conflict, inflation, and supply chain challenges put pressure on the company's margins and working capital.</p>	<ul style="list-style-type: none"> • Socialize inflationary cost increases with customers and private labels to mitigate the risk on price actions to address inflation • Expand plant direct shipment to minimize freight cost and explore giving incentives for customers who can pick up their orders • Explore Customer Pickup allowance increase to incentivize customers and transfer freight increase risks • Expand the global sourcing strategy especially for fruits due to cost and supply issues • Collaborate value engineering initiatives with cross-functional teams • Conduct Risk and Opportunity Analysis to determine the impact of known inflationary price increases and offset with cost reduction initiatives, productivity improvements and price adjustment • Renegotiate supplier contracts, vendor bidding and contracts by collaborating with a cross-functional team and prioritize strategic sourcing • Rationalize trade spending where gross margins are not in accordance with strategy • Reduce conversion cost year-on-year • Optimize packaging base weight • Minimize increases in overhead spending
Climate Change	<p>The agriculture sector is very sensitive to weather and climate. It also relies heavily on land, water, and other natural resources.</p> <p>The effects of climate change on agriculture will depend on the rate and severity of the change, and how the Company adapts.</p> <p>Adverse weather conditions and competing crops could affect food supply and increase prices.</p> <p>Produce tonnage brought about by climate change, pests, and plant disease may affect our ability to meet targets.</p> <p>Water is a key resource in agriculture. Declining water tables due to changes in weather patterns and increasing weather disturbances, such as extreme heat waves, may affect the quality of produce grown and production yield which may affect the Group's supply.</p>	<ul style="list-style-type: none"> • Identify climate risks by location and determine the effects of increasing global temperature • Implement plans to mitigate climate change risks and weather disturbances such as El Niño and La Niña • Work with growers and to implement sustainable farming practices and ensure stable crop yields • Improve plantation yield through ecologically friendly land preparation, use of sustainable planting materials, plant nutrient application, water source and plant disease management • Improve agricultural practices by expanding capabilities in imaging, satellite data integration, and digital mapping solutions • Use high-resolution weather data to measure the weekly location-specific rainfall events • Implement cover cropping • Identify alert produce fields • Intensify soil conservation measures • Sustain better root health thru Integrated Pest Management (IPM) Program • Install grub traps and fast-track alternative safe chemicals to control pest and disease • Identify and implement ways to reduce water use at high water-risk areas

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Operations	<p>As an integrated producer of packaged, frozen and fresh fruit products for the world market, the Group's earnings are inevitably subject to certain other risk factors, which include general economic, market and business conditions, change in business strategy or development plans, international business operations, production efficiencies, input costs and availability, logistics and transportation facilities, obsolescence, litigious counterparties, insurgent activities, virulent disease, and changes in government regulations, including environmental regulations.</p>	<ul style="list-style-type: none"> • Execute a long-term strategic plan and Annual Operating Plan with clear targets and accountabilities, supported by a BCP, risk management, and a corporate sustainability program • Enhance relevance of existing products across key brands and segments through marketing strategy and consumer communication • Implement price adjustments to cover cost inflation • Rationalize low-margin products • Optimize packing operations, procurement, logistics and transportation cost • Pursue productivity-enhancing and efficiency-generating work practices and capital projects • Continue to comply with new legislations on the environment, taxation and labor that affect operations and proactively develop strategies to reduce the impact of these regulations • Manage security risks in operating units by improving stakeholder relations in local communities and strengthening security measures, as needed
Environmental Risks	<p>Production output is subject to certain risk factors relating to weather conditions, calamities, crop yields, crop diseases, contract growers and service providers' performance, leasehold arrangements, and changes in regulations.</p> <p>There is no assurance that climate change and/or weather disturbances will not materially affect or disrupt the Group's business operations in the future or that the Group is fully capable to deal with these situations with respect to all the damages and economic losses resulting from these risks.</p> <p>New regulations in packaging format, recyclability of materials, or packaging taxes may increase product cost.</p>	<ul style="list-style-type: none"> • The Group develops and executes an Annual Operating Plan and a long-term strategic plan, supported by risk mitigation measures • The Group also has disaster recovery plans and a Business Continuity Plan in place • Develop initiatives to mitigate climate change, weather disturbances and changing weather patterns • Implement carbon emissions reduction strategies and projects <ul style="list-style-type: none"> – Increase renewable energy projects by implementing solar power – Conduct soil conservation initiatives – Adopt regenerative, and sustainable farming and manufacturing practices – Harness technology to increase farm yields, productivity and safety – Reduce practices that could adversely affect the environment and biodiversity • The Group has Good Agricultural Practices and Rainforest Alliance certification, and complies with agricultural standards • Develop a strategic plan to address possible changes in regulations on sustainable packaging • Implement phase-out program for hazardous materials through alternative sustainable materials • Conduct safety training drills and chemical handling training which covers earthquake, firefighting, evacuation, medical response and chemical response drills • Work with insurance brokers to assess the risk exposure and secure adequate insurance coverage, if cost effective

Principal Risk	Specific Risk We Face	Mitigation
Innovation Challenges	<p>The Group's branded business in the U.S., the Philippines and the Indian subcontinent through Del Monte and other brands, and in Asia and the Middle East through the S&W brand, is affected by evolving consumer preferences and trends.</p> <p>Product innovation is one of the Group's strategic pillars. The success of new product launches is a driver to achieve the Group's long-range plan.</p>	<ul style="list-style-type: none"> • Develop new products that capitalize on category trends, especially health and wellness, and generate sales • Ensure new product launches and platform criteria are met to improve likelihood of new product success and breakthrough by implementing the following measures: <ul style="list-style-type: none"> – Shift to branded, value-added and packaged products, and limit private label business – Leverage brand heritage for growth and position new products that address consumer needs and preferences – Fast track innovation projects that have oversight from the Executive Leadership Team – Prioritize effective execution and project management to improve margins, profitability and cash flow
Occupational Health and Safety	<p>Lost workdays due to accidents in the workplace can have a huge impact on the business. DMPL may experience loss of productivity, reduction of sales, low staff morale and loss of reputation.</p> <p>The effects of medical outbreaks of infectious diseases, such as the coronavirus, could affect business and results of operations. The Group may experience volatility in demand for and supply of our products due to supply chain challenges, lockdown restrictions, closing of businesses and unemployment, among others.</p> <p>Accidents and infectious diseases pose a risk to our employees' health and well-being and may reduce employee productivity due to lost workdays, illness and government restrictions.</p>	<ul style="list-style-type: none"> • Comply with the Department of Labor and Employment regulation on Occupational Health and Safety of employees by promoting health and safety programs to prevent accidents in the workplace <ul style="list-style-type: none"> – Monitor recordable injuries, work-related illnesses, high-consequence injuries, and fatalities especially those who are considered as high risks – Conduct safety training to all workers and ensure safety officers are on site to monitor any incidence of unsafe acts or conditions in the workplace – Comply with government regulation in setting-up a properly equipped medical clinic based on the number of employees in a facility – Procure the services of a third-party nurse and/or doctor who can provide first-aid and attend to employees' medical emergencies and condition – Provide first aid training to key personnel • Implement safeguards and protocols to minimize operational disruption due to infectious diseases while adhering to government regulations on health and safety: <ul style="list-style-type: none"> – Implement guidelines of global and national health agencies, including the Department of Health (DOH) and Department of Labor and Employment (DOLE) to protect employees – Mandate annual physical examination for all employees – Partner with third-party medical providers to conduct health examinations and monitor employee health – Monitor new and emerging infectious disease and its health risks – In case of medical outbreaks, implement various health and safety protocols as required by the DOH and/or the DOLE – Provide hybrid work arrangement and technology support for employees to have continuous access to the ERP network, videoconferencing facilities, online applications, emails and files • Promote health, wellness, and nutrition to employees to provide added health protection, increase resistance and immunity when medical outbreaks occur <ul style="list-style-type: none"> – Conduct learning sessions and training programs for employees to attain a healthy lifestyle – Encourage consumption of a healthy and nutritious diet