

## **MATERIAL RISK FACTORS AND MEASURES TAKEN TO MANAGE RISKS**

Sugarcane is one of the most important industries in the Philippines. It is also one of the main sources of dollar for the country.

The current profile of the sugar industry includes sugarcane farming (sugar production), sugar processing, bio-ethanol production and power generation.

To support the Philippine Sugar Industry, Philsucor provides financing assistance to sugar mills/refineries for the rehabilitation and/or improvement of its facilities as well as to sugarcane planters through their respective cooperatives, federations and associations for their requirements related to sugarcane production, viz:

- Bulk purchases of fertilizers;
- Crop loans to aid in farm rehabilitation in the aftermath of natural disasters; and
- Procurement of machineries to reduce labor cost and to increase production.

Accordingly, the major risk that Philsucor faces is credit risk or the failure of the borrower to perform in accordance to the terms and conditions indicated in the contract/agreement.

To manage credit risk, the Philsucor Board of Directors and management ensures that credit evaluation are accurate and objective by requiring sufficient, proper and updated documents/information from the borrowers. Credit-granting standards are also carefully matched to the borrower's credit worthiness and continuous monitoring of the borrower's ability to pay off the loan.

Philsucor, likewise, requires surety and collaterals as additional protection against a borrower's default.

Philsucor also acknowledges the risk arising from operations and internal control. Thus, it sees to it:

- transactions are conducted in accordance with its Charter, Service Standard and other policies and strategies established/approved by the Board of Directors;
- the company's assets are properly managed and protected, and liabilities are controlled;
- the organizational structure clearly indicates the duties and responsibilities of each personnel as well as the official lines of authority; and
- that the accounting and other records are accurate and comprehensive.

Further, the accounts and operations of the company are audited yearly by the Commission on Audit. Philsucor dutifully complies with the reportorial requirements of various government agencies such as the Department of Budget and Management, the Bureau of Internal Revenue, the Commission on Audit, Civil Service Commission and Governance Commission for GOCCs.