

RISKS	STRATEGIES (Measures taken or being implemented to manage risks)
<p><i>PNOC's main sources of income are from dividends derived from income from its subsidiaries, rental income from its real estate properties and interest income from its money market investments</i></p> <ul style="list-style-type: none"> ✓ Dividends received from subsidiaries are dependent on the subsidiaries' operating performance; thus if the subsidiary does not perform well or incurs a net loss, no dividends may be derived from it. Moreover, there is no compulsion to declare dividends even if the subsidiaries are doing well. ✓ Rental income from its real estate properties is another source of income. ✓ Essentially no perceived risk on Interest income since most of the funds are invested in government securities (risk-free) while cash deposited in government financial institutions (GFIs) are for settlement and cash management purposes. 	<ul style="list-style-type: none"> ➤ PNOC will continue to closely oversee operations of its subsidiaries as an "early warning device". ➤ Leased properties are covered by long-term lease agreements with risk-mitigating provisions such as re-appraisals, lease rate escalation and pre-termination clauses. ➤ There is a case to diversify income apart from interest income by investing, partly or wholly, in viable energy projects.