Risk	Risk Management Programs

Reputational Risk

SM Prime has employed a multi-faceted approach to managing reputational risk which includes proactive media relations, comprehensive crisis management plan, regular stakeholder engagement, and a robust compliance system to ensure adherence to laws, regulations and internal policies.

Information Security and Technology Risk

The Company has established a sound Information Technology (IT) risk management system, incorporating appropriate controls and best practices in key areas such as IT governance, access management, IT security, backup procedures, continuity planning, and incident management, among others.

Periodic risk assessments are performed to identify potential threats to assets, evaluate vulnerabilities, and assess risks across key domains such as networks, operating systems, applications and databases. To further strengthen its security posture, the Company regularly performs system vulnerability assessments and penetration testing (VAPT) and security controls assessment by third party.

In terms of cybersecurity, SM Prime has adopted globally recognized standards to implement cybersecurity strategies within the organization. A Security Operations Center (SOC) is in place to monitor, prevent, detect, investigate and respond to cyber threats that could potentially impact the organization.

The Company also places significant emphasis on managing third-party and outsourcing risks associated with externally sourced systems and applications. Third-party vendors undergo a rigorous selection and evaluation process to ensure that only reliable and reputable partners are engaged. Stringent security requirements are enforced to guarantee the protection of Company assets.

Furthermore, the Company actively promotes information security awareness through organization-wide campaigns across various communication channels to educate employees on how to safeguard information and assets effectively.

Risk	Risk Management Programs
Financial Risk	Credit risk is managed by evaluating the financial health of customers and setting credit limits to minimize defaults and delayed payments. To mitigate interest rate and foreign exchange risks, SM Prime maintains a mix of fixed and floating rate loans and utilizes derivative financial instruments such as cross-currency swaps, principal-only swaps, non-deliverable forwards (NDFs) and interest rate swaps to minimize the risks associated with currency and interest rate volatility. In managing liquidity risk, the Company consistently monitors both its actual and projected cash flows and continuously evaluates financial market conditions to identify opportunities for securing funds through various means, including bank loans, debt capital and equity market offerings. To address market risks, SM Prime diversifies its target markets, reducing reliance on a single segment, and fostering strong relationships with local and national bodies to navigate policy changes. Inflationary pressures are mitigated through proactive cost management strategies, including weekly construction reviews, exploring new materials and technologies, physical hedging for key materials, and maintaining contingency allowances.
Legal and Compliance Risk	Legal and Compliance teams collaborate closely with Business Units to ensure strict adherence to regulatory requirements and legal standards. The Legal team safeguards the Company's interests by thoroughly reviewing contracts, ensuring compliance with zoning laws, land use policies and environmental regulations, and managing dispute resolution and litigation risks. Recognizing the complexity of regulatory environments, a dedicated Compliance Program has been established to actively monitor, assess, and mitigate regulatory and compliance risks. The Compliance Function is primarily managed by the Compliance Office, with oversight provided by the Chief Compliance Officer (CCO). The Company enforces compliance through self-regulation within Business Units, complemented with regular independent reviews conducted by the Compliance Office and Internal Audit. This ensures that compliance is embedded into daily operations and aligns with industry best practices.

Risk	Risk Management Programs

Legal and Compliance Risk, *continued*

The Corporate Compliance Group (CCG) facilitates compliance awareness and ensures updated legal and regulatory information is readily accessible. Regular meetings are held to assess the impact of new regulations, determine the necessary compliance measures, and ensure prompt action. Additionally, CCG maintains a monitoring database to track compliance activities and fosters strong relationships with regulators. This continuous engagement ensures that the Company remains responsive to regulatory changes and new compliance requirements.

As a covered entity under the Anti-Money Laundering Act (AMLA), SM Prime has a Board-approved Money Laundering and Terrorist Financing Prevention Program (MTPP) in place. In 2024, SM Property Group conducted a comprehensive 3-day refresher training on Anti-Money Laundering (AML) and Counter-Terrorism Proliferation Financing (CTPF). The training aimed to reinforce the importance of AML and CTPF measures, ensuring that all participants are well-equipped to conduct customer due diligence, identify and report suspicious activities, and adhere to compliance procedures.

In addition to AMLA compliance, SM Prime is equally committed to protecting personal data and ensuring compliance with data privacy laws. The Company has established a comprehensive Data Privacy Program that includes policies, organizational structures, access controls, and technologies designed to mitigate data privacy risks. As part of this program, Privacy Impact Assessments (PIAs) are conducted to identify potential risks in personal data processing and implement appropriate controls.

The Board-appointed Data Protection Officer (DPO) oversees the program to ensure compliance with the Data Privacy Act, National Privacy Commission (NPC) guidelines ,and other relevant legislations. Furthermore, the Company runs an ongoing Data Privacy Awareness campaign through various communication channels, equipping employees with best practices to safeguard data and uphold privacy standards.

Risk	Risk Management Programs
ESG and Climate Risk	With an increasing focus on sustainability, SM Prime is steadfast in its commitment to managing its environmental footprint, ensuring compliance with social responsibilities, and upholding the highest standards of corporate governance.

To reduce its environmental impact, SM Prime focuses on managing resource consumption, waste generation and emissions. The Company has set clear goals for energy efficiency, waste reduction and the adoption of sustainable technologies. This includes optimizing energy use across its facilities, shifting electricity demand to renewable sources, and implementing initiatives to minimize waste and carbon emissions.

In 2024, SM Prime was recognized by the Department of Energy (DOE) for its resource conservation and renewable energy initiatives, including the use of energy-efficient fixtures and equipment such as the Light-Emitting Diode (LED) lighting, building insulations, and installation of solar photovoltaic system capable of generating 44-megawats (MW) of combined peak energy.

In the social realm, SM Prime prioritizes the well-being of its employees, customers and communities. The Company supports diversity, inclusion and community development programs, ensuring that its operations contribute positively to society. It also strives to improve stakeholder relations through transparency, ethical business practices, and a strong focus on customer satisfaction and engagement.

In terms of governance, SM Prime upholds the highest standards of corporate ethics, compliance and accountability. The Company regularly reviews its governance policies to align with evolving regulatory requirements and best practices.

SM Prime is also firm in joining the fight against climate change. It integrates climate risk into its strategies and operations through investing in disaster-resilient and green infrastructures, allocating capital for sustainable design, and supporting disaster risk reduction initiatives. It also assesses vulnerabilities related to extreme weather events, resource scarcity and regulatory changes. |

| Risk	Risk Management Programs

Safety and Security Risk

SM Prime places utmost priority on the safety and security of its employees and stakeholders. All Business Units have established Emergency Response Procedures and conduct regular training to ensure staff emergency preparedness.

Aside from regular internal audits conducted by the Customer Relations Services (CRS) team, the Company engages security consultancy providers to assess the effectiveness and efficiency of security measures implemented in critical areas like malls. The audit covers various aspects, including physical security, communication systems, documentation, personnel safety, security equipment adequacy, and emergency response capabilities. This provides assurance that security weaknesses or gaps are identified and addressed accordingly.

The Company has also instituted several programs in support of its workplace health and safety advocacy. Employees undergo annual physical exams and are encouraged to participate in health and wellness activities. In addition to inhouse medical staff, SM Emergency Response Team (SMERT), a group of trained first-aiders, is available to assist employees and the public during emergencies. Furthermore, SM Prime regularly participates in fire safety and earthquake drills organized by government agencies.
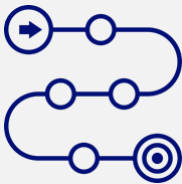
Process Execution Risk

Operational efficiency is vital to maintaining business continuity. The Business Process Management Team continuously reviews and enhances business processes and drives the creation of value-adding tools to further improve operational performance.

The Company ensures that clear policies are established and institutionalized to guide best practices across all units. Regular memoranda are issued to communicate policy updates, reinforce expectations, and address any ambiguities. Additionally, process improvements are implemented by the Business Units through automation systems and centralized portals aimed to streamline workflows, and improve efficiency and quality of outputs.

Risk	Risk Management Programs

Property Damage and Business Disruption Risk

The Company has developed a comprehensive Business Continuity Plan (BCP), which includes regular drills and process optimization initiatives designed to minimize disruptions. This plan ensures that the Company is well-prepared to continue operations during unexpected incidents to protect both the Company's assets and the interests of its stakeholders.

To manage risks related to property damage and business interruptions, SM Prime maintains various insurance coverages for its properties and operations. The coverages include protection against natural disasters and manmade events. The Company partners with reputable insurance brokers and accredited insurance companies to ensure adequate coverage that aligns with industry standards and regulatory requirements.

A key component of SM Prime's operational resilience is its Business Continuity Management System (BCMS). The BCMS focuses on two critical areas: (1) preventing property damage that could lead to business disruptions; and (2) ensuring the Company's operations team is equipped to manage and recover from any disruption to maintain continuity of critical functions.

The Company has been systematically rolling out the BCMS across its malls to ensure it meets the highest standards of business continuity. In 2024, seventy-nine (79) malls were BCMS-certified, and the Company expects to certify a total of eighty-three (83) malls by the end of 2025. The ISO 22301:2019 (BCMS) certification, which the malls undergo annually, ensures compliance with internationally recognized standards for business continuity, assessed by the third-party auditor, TÜV SÜD PSB Philippines.