

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Safety and Security Risk	Annual audit by third parties (one for safety and another for security)	<p>The Customer Relations Service Department is responsible for maintaining the safety and security of all SM Malls through implementation of access control system. Department personnel are also trained to respond to safety and security incidents.</p> <p>Further, the Company ensures proper maintenance of facilities to minimize impact of physical security risks which may affect its operations.</p> <p>Other than this, regular conduct of Mall risk review, being performed by third party, aims to assess the malls' risk and hazard potentials particularly in terms of safety and security. This involves review on procedures management, physical management and claims management.</p> <p>On the other hand, malls also undergo the Annual Security Audit which is also being performed by an independent party. This audit aims to (1) assess the effectiveness and efficiency of the security measures of the facility, (2) measure security compliance and recommend solutions to compliance deficiencies, and (3) identify improvements in security. The security audit covers assessment of physical security, communication, document and information security, emergency response capability, vital installations, security equipment and night inspection reviews.</p>
Property Damage and Business Disruption Risk	Business process reviews, business impact assessment	<p>SM Prime continues to improve its Business Continuity Management System (BCMS) through implementation of data back-up procedures to ensure availability of critical resources.</p> <p>The Company continues to roll-out its BCMS program for all its Malls. Malls are subjected to BCMS internal audit to ensure that the program is adequate to prevent a business failure and to ensure continuity of mall operations during a disruption.</p>

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		<p>Apart from the implementation of BCMS, disaster recovery programs are also in place. This includes, among others, the establishment of recovery sites and the conduct of internal audit to ascertain the availability and resiliency of hosted systems and applications.</p> <p>SM Prime has also taken measures to optimize operations and to include disaster resilience in the design of its buildings to minimize vulnerability, better safeguard physical assets, and reduce recovery expense.</p> <p>Further, the Company promotes proactive risk reduction/risk management measures such as, but not limited to, conduct of periodic engineering equipment maintenance, system redundancies, etc.</p>
Information Security and Information Technology Risks	Vulnerability assessment and penetration testing, incident monitoring	<p>The Information Security Department monitors compliance of the Company with its Information Security Policy and is responsible in responding to various incidents of information security.</p> <p>The Company annually conducts Information Security Awareness and Cyber Security Risk Management trainings across the Group to address human factor in cyber security management.</p> <p>In terms of Cybersecurity Risks, SM Prime has also implemented SIEM – a tool which collects logs from various network component into a central log management system. This enables the Company to respond to cyber security threats in a faster turnaround time.</p> <p>Further, the Company has implemented Endpoint Detection and Response (EDR) that allows detecting, investigating, monitoring and responding to advanced issues/security threats.</p> <p>In relation to data privacy, SM Prime</p>

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		<p>ensures that adequate control measures are in place to protect the confidentiality, integrity, and availability of all physical and electronic information assets of the Company to make certain that regulatory and operational requirements are satisfied.</p> <p>For the Company's websites, these are protected by public SSL certificate for encryption and servers are protected by a next gen firewall and web application firewall. Further, website vulnerability scanning is regularly performed.</p>
Environmental Risk	Regular reporting of the group's sustainability road map and progress	<p>SM Prime is committed to protect the environment where it operates by implementing effective and efficient resource utilization measures in its daily operations.</p> <p>SM reduces its consumption, recycles its water and wastes and harnesses renewable sources of energy.</p> <p>SM Prime's energy saving initiatives include the conversion from Compact Fluorescent Lamp (CFL) to Light Emitting Diode (LED) while installing alternating lighting fixtures in hallways.</p> <p>SM Prime also implements daily water recycling through the Sewage Treatment Plants (STPs). The system recycles used potable water to become non-potable source of water for the business units cooling towers, comfort room flushing, grounds keeping and even irrigation.</p> <p>Further, in terms of solid waste management, there are various programs being implemented by the business units such as tenant solid waste management programs and the Trash to Cash. The Trash to Cash is a monthly recycling market in SM Supermalls held every first Friday and Saturday participated in by customers and the rest of the community.</p>

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Economic Risk	Financial reporting analysis, industries and market research	<p>The Company strives to maintain competitive in the industry by focusing on innovative developments and expanding market share while maintaining a customer-centric approach.</p> <p>Diversification of target markets to minimize exposure and building of rapport and relationship with local and national bodies are also undertaken to address market instability and uncertainty of local and national policies.</p> <p>In addressing inflation, the Company's internal engineering group performs weekly construction review meeting, ensures continuous research for new materials, technologies and methodologies, implements owner-supplied materials, continuous strong partnership with suppliers, phasing of project developments to manage the cash flow etc.</p>
Social Risk	Customer satisfaction surveys, social media communications, demographic analysis	<p>The Company promotes equal opportunities for persons with special needs, senior citizens, women and indigenous people.</p> <p>Further, the Company is committed to providing quality real estate and services. All business partners (suppliers, contractors, service providers, etc.) are screened based on criteria that emphasizes quality of service, cost efficiency, moral standing and compliance with related laws. SM Prime engages the services of local suppliers for each mall in both the Philippines and China.</p>
Operational / Process Risk	Business process reviews	<p>The Business Process Management Team reviews business processes and initiates the creation of tools that enhance operational efficiency.</p> <p>SM Prime adopts globally recognized quality and standards, which drive operational excellence through revenue</p>

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		<p>and expense management.</p> <p>The Company continues to improve on its business processes to ensure operational efficiency of all Business Units.</p>
Financial Risk	Regular monitoring of interest and forex rates, financial ratios and aging of accounts receivables.	<p>Interest rate risk: The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount.</p> <p>Foreign currency risk: The Company enters into foreign currency swap contracts, cross-currency swaps, foreign currency call options, non-deliverable forwards and foreign currency range options aimed at reducing and/ or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.</p> <p>Liquidity Risk: To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues. The Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.</p> <p>Credit risk: The Company trades only with recognized, creditworthy related and third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a regular basis which aims</p>

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		<p>to reduce the Company's exposure to bad debts at a minimum level. Given the Company's diverse base of customers, it is not exposed to large concentrations of credit risk.</p> <p>Equity Price risk: Management monitors the equity securities in its investment portfolio based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.</p> <p>Capital Management risk: The Company manages its capital structure and may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares. Also, the Company monitors capital through the use of gearing ratio.</p>
Regulatory Compliance Risk	Compliance monitoring and reporting	<p>Corporate Compliance Group is responsible for monitoring compliance with mall permits and licenses, environmental, and other external regulations.</p> <p>The Company has developed a permits handbook for malls and automated one-time and yearly government permits monitoring system.</p> <p>Further, the Company conducts regular employee awareness and mandatory compliance to Code of Ethics, Data Privacy Act and other external regulations through e-Learning modules.</p>