



DMCI HOLDINGS
I N C O R P O R A T E D

ENTERPRISE RISK MANAGEMENT (ERM) POLICY

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I. INTRODUCTION

This Enterprise Risk Management Policy (“the ERM Policy”) provides the framework for managing risks across DMCI Holdings, Inc. (“DMCI HI” or “the Company”). It contains the fundamental policies to guide all DMCI HI personnel, including senior executive management and the Board of Directors, who are directly or indirectly involved in the strategic, operations, compliance and financial activities of the Company. This will serve as the guide to enable the concerned Company personnel to make appropriate actions and decisions pertaining to the management of the Company’s portfolio of risks.

A. Purpose

This ERM Policy forms part of DMCI HI’s Corporate Governance Manual and shall:

1. Establish the risk management vision, goals and objectives of the Company;
2. Provide an enterprise-wide risk management framework, structure, and organization that support the achievement of the Company’s risk management vision, goals, and objectives;
3. Define the roles and responsibilities of DMCI HI’s Board of Directors (“BOD” or “the Board”), senior management, officers, and all employees with regards to the Company’s risk management processes and activities;
4. Establish a common culture and language that promote consistent definition and understanding of risks and their related impact to the Company’s business; and
5. Establish a consistent and enterprise-wide approach in identifying and prioritizing risks, analyzing inter-relationship among risks, identifying the drivers and sources of risks, development of strategies and action plans in managing risks, monitoring and reporting on the implementation of risk management strategies and action plans, and evaluating the effectiveness of the overall risk management process for continuous improvement.

B. Scope

This ERM Policy applies only to DMCI HI and may be adopted by its subsidiaries, associates, and affiliates as required.

C. Enterprise Risk Management Vision

DMCI HI's enterprise risk management ("ERM") shall serve as one of the Company's key enablers for effective corporate governance and achievement of the Company's strategic objectives.

II. RISK MANAGEMENT FRAMEWORK

The "DMCI Culture" along with the Company's vision, mission and values and its Code of Business Conduct and Ethics, sets the tone and values of the organization. It serves as the guiding principle of our Board of Directors and key executives in setting strategic goals and objectives of the Company and its subsidiaries. It is through this perspective that the Company defines and addresses its risks.

The risk management framework is integrated within the strategic planning process, which will engage all of the subsidiaries to be able to align with the overarching objectives of the Company. The principal goal of the organization is to maximize the value of the firm by achieving superior risk-adjusted returns for its stakeholders over the long-term.

A. Risk Oversight Committee Structure

To ensure the successful implementation, support and sustainability of DMCI HI ERM, it is important that a risk management structure is in place to have an integrated and specialized view of the enterprise-wide risks across the different risk categories. This will allow the Company to reduce any gaps in risk coverage and risk management inefficiencies and overlaps, as well as provide optimal and systematic communication and reporting channels among concerned personnel.

The CEO meets regularly with the Executive and Management Committees of the operating subsidiaries to discuss strategies, key result areas and critical enterprise-level risks to ensure a decisive response to their respective opportunities, risks, and challenges.

Regular board meetings are conducted at DMCI HI together with the Presidents of each subsidiary to discuss the overall goals and objectives of the Group. DMCI HI CEO also meets regularly with the Executive and Management Committees of the operating subsidiaries to discuss strategies, key result areas and critical enterprise-level risks to ensure a decisive response to their respective opportunities and challenges.

Our subsidiaries, through their respective functional units and business segments, employ a pragmatic approach to risk management, seeking to deliver our trademark operating efficiency while ensuring adherence to regulatory, contractual, health, safety and quality standards, and managing risks from planning to day-to-day operations.

The following illustration depicts the Company’s ERM oversight structure:



The Chief Risk Officer leads the assessment, mitigation, and monitoring of the risk management function, along with the Business Unit Risk Managers

The Board is ultimately accountable for the Company’s risk management framework and is supported by business management functions and senior management of the subsidiaries. The Board approves the risk appetite of the Company and enterprise risk management policies.

The ROC provides a forum for senior management to review and discuss the Company’s strategic plans and risk factors. It reviews and recommends to senior management the levels of risk appetite, reviews the sufficiency of the Company’s policies for defining risk factors, assessment, and mitigation.

The senior management provides oversight of strategic and operational risks, including the review of the risk factors and progress of execution of mitigation plans that are being managed by the Business Unit Risk Manager (BURM).

Internal audit ensures that internal controls and risk management systems are operating effectively. It also provides an independent assessment of the ERM framework at the enterprise and business function levels.

The Chief Risk Officer (CRO) is responsible for enabling the facilitation and escalation of the strategy and risk management framework to the ROC which oversees the strategy and risk management of the Company and its subsidiaries. The CRO is also tasked to lead efforts that oversee the entire risk management framework. The CRO is responsible for implementing policies and procedures to manage risks and ensure risk management strategies are executed. The CRO also leads the assessment and monitoring of risks across the entire organization by engaging with the different subsidiaries through the BURMs, as well as corporate functions that include finance, strategy, investor relations, human resources, and legal.

BURM has overall accountability and responsibility for the execution of the risk management activities for each of the respective subsidiaries. Each BURM shall assign risk owners in each of the subsidiaries. The BURM of the Company shall work with the CRO in formulating an annual risk management plan, as well as determining, evaluating, and measuring the businesses' risk exposures and thresholds.

The CRO may assign the BURM of the Company to monitor key risk factors of the subsidiaries and report status of implementation of strategies and action plans to the ROC.

All risk owners are ultimately responsible for risks in their functional areas of responsibility. The person shall gather and assess risk data to provide strategy and risk insights to the ROC and across the entire organization. Hence, risk owners shall coordinate with the BURM, who shall be the key contact point for the CRO.

B. Risk Management Process

The risk management process is an essential part of business operations and entrenched in the organization's culture and practices. The Company's risk management framework consists of the following:

I. Ascertain the background and situation of the business



At the onset of the ERM process, the Company shall establish the background and context in which risk management will be conducted.

This requires an understanding of both external and internal background that are relevant for the realization of objectives of the Company and its subsidiaries.

External background shall include macroeconomic, political, capital markets, regulatory, technological, social, environmental and sustainability. Internal background includes business operations, organization, company values, structure, strategic and sustainability objectives, and risk appetite.

The CRO and ROC, senior management, BURM, and different risk owners have a collaborative effort in discussing the Company's risk management objectives, defining external and internal considerations and setting the scope for the entire process.

II. Define the risk factors

Internal and external events that impact the ability of the Company to achieve its goals and objectives are being identified at the various points of the business by each of the business unit. These are also reported and discussed during Board and executive meetings at DMCI HI and the subsidiary level.

III. Identification of risks and evaluation of controls

DMCI HI ERM is designed to help identify and assess these risks. This also covers the estimation of the risks happening and the assessment of the implication of the risks in the business. A formal risk assessment is conducted on an annual basis.

The BURM ascertains that regular business risk assessment is part of the annual strategic planning process of the company to guarantee that all significant risks are identified and evaluated properly.

The different risk factors include but are not limited to the following:

- **Business risk** – pertains to risk of loss due to changes in industry and competitive environment, as well as shifts in customer preferences
- **Regulatory risk** – includes risk due to changes in regulatory environment (e.g., changes in regulatory policies such as taxes)
- **Technical risk** – pertains to risk due to major risks in technology, including other engineering and technical matters
- **Integrity risk** – revolves around the organization, particularly refers to risk of failures due to business processes, talent, succession planning, and operations or people's behavior, either intentional (e.g., fraud) or unintentional (e.g., human errors)

- **Macro-economic risk** - refers to risk of loss due to changes in the political, social, or economic environments

After identifying, assessing and evaluating risks, the risk owners in coordination with the BURM shall develop mitigation strategies to manage risks consistent with the Company's strategic goals and objectives and risk appetite and tolerance levels.

The risk owners shall develop specific action plans to support the implementation of the selected risk management strategies that can eliminate and/or transfer risks. The risk owners shall ensure that appropriate communication protocols and channels exist to support the execution of action plans that require coordinated effort across business functions.

When analyzing risks, it is important also to understand the effectiveness of the existing controls that are aimed at bringing these risks to an acceptable level. The risk owners together with the BURM identify and evaluate the effectiveness of existing controls for each risk.

IV. Mitigation of risk factors

The BURM, in collaboration with the CRO and approval of the ROC, establishes the company's strategies, design, and required structure to ensure risk management capabilities of the Company are sufficient.

Rigorous and sustainable risk management system is likewise integrated into the strategic planning, budgeting, and decision-making process across the organization. The BURM also sees that risk management is embedded into the awareness and day-to-day activities of each DMCI HI officer and employee.

V. Risks reporting and monitoring

The results of the definition of risk factors, identification of risks and evaluation of controls, probability estimation of risk, and assessment of the implications of risk shall be reviewed regularly by the BURM, communicated to the CRO, and reported to the ROC.

BURM shall continuously monitor the risks and effectiveness of the implementation of the strategies/action plans through close coordination with the risk owners. The BURM also ensures that risk management is a regular agenda item in the BOD, executive, and functional level meetings.

The CRO of DMCI HI shall report to ROC twice a year regarding the status of the company's top risks and action plans taken, as well as new and emerging risks.

DMCI HI also monitors the top risks at each subsidiary level to ensure that critical risks affecting the subsidiaries are properly addressed. This is done through annual reporting by each subsidiary's BURM to DMCI HI ROC and CRO.

C. Continuously Improve the ERM Process

DMCI HI's risk management is a continuous process that supports the achievement of its strategic goals and objectives. It is embedded in the decision-making process and day-to-day management of the Company.

Monitoring and review of the risk management framework shall be conducted at regular periods by the BURM. It shall encompass all aspects of the risk management process and the results of which should be reported back to the ROC through the CRO.

The Company shall evaluate and implement any improvements to policies, processes, people, management reports, methodologies, and systems and data that are identified through monitoring consistent with the Company's continual improvement philosophy. DMCI HI shall ensure that appropriate coordination is in place among ERM stakeholders to identify and evaluate these improvement opportunities through the regular monitoring of action plans and assessment of risk management strategies being implemented. Identified action plans should be monitored and assessed on a semi-annual basis.

The entire risk management process should have open communication and dynamic discussions between senior management and CRO. BURM shall be accountable for implementing the risk management process and ensuring compliance.

Finally, the Company shall assess the effectiveness of the ERM process through regular feedback and assessment with risk owners and other risk management stakeholders. DMCI HI shall also evaluate the Company's risk management function through benchmarking with prescribed standards and global best practices.

III. RISK APPETITE AND RISK TOLERANCE

A. Risk Appetite

Risk appetite is the level of risk a corporate entity is willing to accept in pursuit of enhancing shareholder value. DHI maintains a moderately conservative enterprise-wide risk appetite, focused on preserving long-term shareholder value, ensuring financial resilience, and upholding the highest standards of governance and integrity.

DHI is prepared to take measured financial and strategic risks to enable sustainable growth, expand into attractive sectors, and support transformative investments provided that capital protection, liquidity strength, and disciplined execution remain intact.

We maintain low to zero appetite for risks that threaten the Company's reputation, regulatory compliance, operational continuity, or ethical standing. Across the portfolio, we expect all management teams and partners to demonstrate strong risk culture, transparent reporting, and timely escalation of issues.

There are key elements for the qualitative risk appetite, which include the following relevant risk factors.

Business and Operations

- Accepts moderate exposure to macroeconomic volatility for long-term value creation
- Maintain low risk appetite for debt capital through prudent conservative management and solvency headroom remains robust

Integrity and Organization

- Accepts zero tolerance for fraud and corruption
- Low risk appetite for weaknesses in corporate governance, culture, leadership succession, or internal controls that undermine operational integrity, and partners should meet the same integrity standards

Economics

- Accepts moderate risk when expanding into adjacent industries, new business models, or scaling emerging platforms
- Does not consider early-stage or high-uncertainty investments, subject to proper financing structure and enhanced governance

Regulatory

- Maintains low risk appetite for regulatory risk and deliberate non-compliance with laws and governance policies
- Selectively engage in emerging or evolving regulatory environments only with legal oversight and risk mitigation plans

Technology

- Maintain low risk appetite for disruptions to critical systems, cybersecurity vulnerabilities, or data privacy breaches
- May pursue technology innovation, digitalization, and Artificial Intelligence using controlled environments and unwinding plans

These are used to guide the strategic decision-making of senior management in order to ensure that there are no unwanted risks that will be undertaken by the Company through the development of strategies and goals.

B. Risk Tolerance

Risk tolerance describes the range of acceptable outcomes with respect to attaining the strategic objectives within the risk appetite parameters. It also provides an approach for measuring whether risk factors on the achievement of strategy and objectives are acceptable or not. Operating within defined tolerances provides management with greater confidence that the company remains within its risk appetite and provides a higher degree of comfort that it will achieve its goals.

Management has set the risk tolerance for the key elements.

Business and Operations

- Consolidated NAV decline year-on-year: $\leq 25\%$
- Net debt-to-EBITDA: $\leq 5.0x$ at the consolidated level

Integrity and Organization

- Zero tolerance for fraud, bribery, and major misconduct
- Succession coverage for 1-down of C-level executive ≥ 1.0 ready-now candidate

Economics

- Positive economic value: Internal Rate of Return \geq Weighted Average Cost of Capital relevant to the industry risk

Regulatory

- Response time to material capital market regulator queries: ≤ 30 business days

Technology

- Critical system uptime: $\geq 95\%$

As the organization pursues its business objectives, senior management may allow some level of flexibility in risk acceptance. Anything beyond what is tolerable would have to be addressed by additional controls in order to bring the level of risk exposure within the risk tolerance threshold.

Risk appetite and risk tolerance are reviewed regularly every 3 years, or upon any material shift in strategy or macroeconomic conditions to ensure alignment with corporate strategy. The Chief Risk Officer leads the review of the Risk Appetite and Risk Tolerance on a regular basis.

SUMMARY TABLE: RISK APPETITE AND TOLERANCE

	Risk appetite	Risk tolerance
Macroeconomic Risk	<ul style="list-style-type: none"> • Asset volatility: moderate risk • Debt capital: low risk 	<ul style="list-style-type: none"> • NAV decline: ≤ 25% • Net debt-to-EBITDA: ≤ 5.0x
Integrity Risk	<ul style="list-style-type: none"> • Corruption: zero tolerance • Organization: low risk 	<ul style="list-style-type: none"> • Fraud: no instance • Succession: ≥ 1.0 per executive
Business Risk	<ul style="list-style-type: none"> • Investment yield: moderate risk 	<ul style="list-style-type: none"> • IRR: ≥ WACC of the industry/ business
Regulatory Risk	<ul style="list-style-type: none"> • Compliance: low risk 	<ul style="list-style-type: none"> • Response: ≤ 30 business days
Technical Risk	<ul style="list-style-type: none"> • Disruption: low risk 	<ul style="list-style-type: none"> • Uptime: ≥ 95%