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|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 1 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

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|---------------------------------|---|-----------------------------------------|
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## Table of Contents

|                                                    |   |
|----------------------------------------------------|---|
| 1. EXECUTIVE SUMMARY                               | 2 |
| 2. PURPOSE                                         | 2 |
| 2.1. Alignment with Strategic Objectives           | 2 |
| 3. RISK-RELATED DEFINITIONS                        | 3 |
| 3.1. Risk                                          | 3 |
| 3.2. Probability of Occurrence                     | 3 |
| 3.3. Risk Impact                                   | 3 |
| 3.4. Total Risk Score                              | 4 |
| 4. ORGANIZATION                                    | 5 |
| 4.1. Roles and Responsibilities                    | 5 |
| 4.2. Risk Culture and Communication                | 6 |
| 4.3. Training and Capability Development           | 6 |
| 5. ENTERPRISE RISK MANAGEMENT STRUCTURE PROCEDURES | 6 |
| 5.1. Risk Categories                               | 6 |
| 5.2. Technology and Tools                          | 8 |
| 5.3. Continuous Improvement and Feedback Loop      | 8 |
| 5.4. Emerging and Future Risks                     | 8 |
| 6. RISK REGISTER                                   | 9 |
| 6.1. Risk Identification                           | 9 |
| 6.2. Risk Assessment                               | 9 |

|                                                                                   |                                                                   |                |              |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 2 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

|                                         |    |
|-----------------------------------------|----|
| 6.3. Risk Response                      | 10 |
| 6.4. Monitoring and Reporting           | 11 |
| 6.5. Scenario Analysis and Case Studies | 11 |

## **ENTERPRISE RISK MANAGEMENT FRAMEWORK AND STRATEGY**

### 1. EXECUTIVE SUMMARY

Risk is a situation that has a probability of occurring involving exposure to danger to the project or even to RASLAG itself. The risk can come with more than one or more cause, and if it occurs, it would have one or more effects on the project. All projects assume some kind of risk, and this is where RASLAG's Enterprise risk management comes into place.

Enterprise risk management occurs throughout the life of the project. It includes Enterprise risk management planning, risk identification, assessment, response, monitoring, and control. Most of the processes will be updated as new risks are identified throughout the project lifecycle. It is the objective of the Enterprise risk management plan to decrease the probability of the risk occurring, and if it occurs, a contingency plan is in place to reduce the adverse effect on the project.

Risk identification usually starts before the project is initiated, and risk increases, as well as its impact, as the project matures. When a risk is identified, it is normally assessed to measure its probability and influence on the project at hand. This includes bearing on the project's space, schedule, cost, equipment, and quality. All risks identified should be documented along with valuable information like risk priority, mitigation, contingency, and impact. It is as also important to monitor all risks regularly by the Enterprise risk management team and be reported alongside the project status

### 2. PURPOSE

#### 2.1. Alignment with Strategic Objectives

The Enterprise Risk Management (ERM) approach is explicitly integrated with RASLAG's strategic objectives, ensuring that risk management activities are designed to support strategic

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|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 3 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

planning and operational goals. The ERM framework prioritizes risk mitigation efforts and resource allocation based on their potential impact on the company's key performance indicators (KPIs), strategic targets, and long-term growth objectives. By aligning ERM with strategic direction, RASLAG ensures cohesive, value-driven, and proactive risk management.

### 3. RISK-RELATED DEFINITIONS

#### 3.1. Risk

Risk involves uncertainty about the implications of a process or a project leading to undesirable consequences that may lead to unfavorable effects on products, projects, profits, and even people. The Company must quantify all risks for better analysis and strategy placement to Accept, Mitigate, and outline a Contingency. Quantifying risk comes into two parts; (1) the probability of the risk occurring and (2) the impact of the risk on the project or its operation.

#### 3.2. Probability of Occurrence

Every risk has its possibility of materializing that can influence the overall outcome of the project or operation. The probability of occurrence, in percentage, is based on factors observed by the Risk Management and Oversight Team, leading to a calculated estimate.

| Category   | Natural language expression                   | Numeric score |
|------------|-----------------------------------------------|---------------|
| "CERTAIN"  | Risk will definitely happen                   | <b>5</b>      |
| "LIKELY"   | A high expectation that the risk will happen  | <b>4</b>      |
| "POSSIBLE" | Risk could occur in some circumstances        | <b>3</b>      |
| "UNLIKELY" | Risk could occur in rare circumstances        | <b>2</b>      |
| "RARE"     | Risk could occur in exceptional circumstances | <b>1</b>      |

|                                                                                   |                                                                   |                |              |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 4 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

### 3.3. Risk Impact

The second factor to consider is the impact of the risk which must be quantified whenever possible. Considering additional costs, duration of potential delay, violation of regulatory compliances, and disruption of operations are some factors that must be documented in the risk register and then measured using the category listed below. If the risk cannot be quantified, the Risk Management Team should communicate with the Chief Risk Officer and determine its impact considering all factors presented by the Team.

| Impact Description                                                                                                               | Rating   |
|----------------------------------------------------------------------------------------------------------------------------------|----------|
| <b><u>SEVERE</u></b> - Severe disruption or loss; Continuation of a process or operation will have a significant negative impact | <b>5</b> |
| <b><u>MAJOR</u></b> - Serious short to long-term with significant disruption or loss. Negative impact on operations              | <b>4</b> |
| <b><u>MODERATE</u></b> - Moderate impact on operational disruptions and expenses; Short-term issues can be resolved immediately  | <b>3</b> |
| <b><u>MINOR</u></b> - Minimal impact; inconvenience and short delay to operations                                                | <b>2</b> |
| <b><u>NO IMPACT</u></b> - No impact on operations; insignificant effect on the project or organization                           | <b>1</b> |

### 3.4. Total Risk Score

The product of the Probability of Occurrence and Risk Impact will result in the Total Risk Score in the table below. Action plans need to be carried out depending on the gravity of the risk to the project or operations.

| Equivalent Description                         | Total Risk Score |
|------------------------------------------------|------------------|
| Severe. Execute contingency plans immediately. | <b>20,25</b>     |

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|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 5 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

|                                                                                                      |                    |
|------------------------------------------------------------------------------------------------------|--------------------|
| Major. Confirm relevance of contingency plan to circumstances and implement as appropriate.          | <b>15,16</b>       |
| Moderate. Determine applicability of contingency plan and modify as appropriate before implementing. | <b>6,8,9,10,12</b> |
| Minor. Explore and implement low-cost mitigation options.                                            | <b>1,2,3,4,5</b>   |

|              | Severe (5) | Major (4) | Moderate (3) | Minor (2) | No impact (1) |
|--------------|------------|-----------|--------------|-----------|---------------|
| Certain (5)  | 25         | 20        | 15           | 10        | 5             |
| Likely (4)   | 20         | 16        | 12           | 8         | 4             |
| Possible (3) | 15         | 12        | 9            | 6         | 3             |
| Unlikely (2) | 10         | 8         | 6            | 4         | 2             |
| Rare (1)     | 5          | 4         | 3            | 2         | 1             |

#### 4. ORGANIZATION

##### 4.1. Roles and Responsibilities

The responsibility for managing risk is shared amongst all the stakeholders of the project and the Company itself. However, the decision for selecting whether to proceed with the mitigation plan and implement corrective actions, exclusively those that have associated cost or schedule delays, lies with the Chief Risk Officer.

| Roles and Responsibilities                                                                      |                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chief Risk Officer:<br>The overall coordinator of the Enterprise Risk Management Program        | <ul style="list-style-type: none"> <li>● Maintain and propose the updates of the Enterprise Risk Management Plan</li> <li>● Brief the Risk Oversight Committee on the status of risks</li> <li>● Facilitate risk assessment reports</li> <li>● Approve and Manage Risk Response</li> </ul> |
| Risk Management Team (All departments represented):<br>Responsible for identifying, monitoring, | <ul style="list-style-type: none"> <li>● Identify risks</li> <li>● Recommend to Chief Risk Officer the changes on the overall Enterprise risk management approach based on lessons learned</li> <li>● Ensure that risk is a required topic at each project meeting</li> </ul>              |

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|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 6 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

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|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| and managing risks, and implementing the Enterprise Risk Management Plan | <ul style="list-style-type: none"> <li>● Accomplish assigned mitigation tasks and contingency plans, and report their status/completion to the Chief Risk Officer for entry into the Risk Register</li> <li>● Facilitate risk assessments</li> <li>● Identify risk response options</li> <li>● Prepare risk reports and documents required for the Management Committee, Risk Oversight Committee and Board of Directors on a regular basis</li> <li>● Identify and document risk factors during the creation of the Risk Register</li> </ul> |
|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### 4.2. Risk Culture and Communication

A robust risk culture is fundamental to effective risk management at RASLAG. The organization fosters an environment of open communication, proactive risk awareness, and continuous improvement at every level. Employees across departments are encouraged to identify, discuss, and escalate potential risks without hesitation. Transparent, timely, and regular communication about risk exposures, emerging threats, and mitigation progress is practiced throughout all organizational levels, ensuring risk management remains embedded within the daily business operations.

#### 4.3. Training and Capability Development

Regular training and capability-building programs are essential components of RASLAG's ERM framework. Employees and management will participate in ongoing risk management training to enhance their understanding, identification, assessment, and response capabilities. This includes periodic workshops, seminars, practical scenario exercises, and continuous learning opportunities tailored to evolving risks, ensuring that all personnel remain competent and proactive in managing risks.

### 5. ENTERPRISE RISK MANAGEMENT STRUCTURE PROCEDURES

|                                                                                   |                                                                   |                |              |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 7 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

The Chief Risk Officer will give the team a brief overview of the project and operation and will be asked to identify the risk and categorize them as labeled below.

### 5.1. Risk Categories

1. **Strategic Risk:** Risks that threaten long-term objectives, competitive positioning, and strategic decisions.
  - 1.1. Reputational Risk: Damage to brand, community disputes, or breaches in Environmental Social and Governance (ESG) commitments.
  - 1.2. Disruptive Technology Risk: Technology obsolescence or losing ground to competitors due to rapid innovation.
  
2. **Financial Risk:** Risks affecting financial performance, liquidity, and capital sustainability.
  - 2.1. Market & Revenue Risk: Volatility in electricity prices, off-take tariffs below Levelized Cost of Electricity (LCOE), or counterparty payment failures.
  - 2.2. Liquidity & Capital Sustainability Risk: Inability to meet financial obligations due to misaligned revenues and costs.
  - 2.3. Credit & Counterparty Risk: Defaults by off-takers, Engineering Procurement and Construction (EPCs), or suppliers.
  - 2.4. Investment & Cost Overrun Risk: Unexpected increases in CAPEX/OPEX impacting ROI, including acquisition of land.
  
3. **Operational Risk:** Risks related to day-to-day plant operations, processes, and systems.
  - 3.1. Asset Performance Risk: Risks of equipment failure, damage, or performance degradation due to severe weather conditions such as typhoons, flooding, lightning strikes, excessive heat, hailstorms, and other extreme weather phenomena affecting the plants.
  - 3.2. O&M Process Risk: Inefficient or delayed operations and maintenance practices.
  - 3.3. Human Capital Risk: Lack of skilled labor, high turnover, or poor succession planning.
  - 3.4. Work Safety Risk: Health and safety hazards resulting in injuries or downtime.

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|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 8 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

**4. Project Delivery Risk:** Risks during the development and construction lifecycle.

- 4.1. Construction Risk: Delays or failures due to engineering, contractor, or site inaccessibility due to severe weather events, affecting project schedules, costs, and timely completion.
- 4.2. Project Schedule Risk: Missed project milestones and delivery timelines.
- 4.3. Supply Chain Risk: Delays or disruptions in procurement, shipping, or sourcing materials.

**5. Compliance & Legal Risk:** Exposure to legal penalties, lawsuits, and regulatory breaches.

- 5.1. Regulatory & Compliance Risk: Failure to meet permitting, environmental, or grid code regulations.
- 5.2. Legal Risk: Disputes from contracts, billing, or stakeholder agreements.
- 5.3. Labor Relations Risk: Union conflicts, employee grievances, or non-compliance with labor law.

**6. Security & Resilience Risk:** Risks threatening asset security, business continuity, and cyber integrity.

- 6.1. Cybersecurity Risk: Cyberattacks, malware, or unauthorized system access.
- 6.2. Physical Security Risk: Vandalism, theft, or threats to site infrastructure.
- 6.3. Business Continuity Risk: Inadequate disaster recovery or emergency preparedness.

**7. Political & Geopolitical Risk:** Risks from macro-level external environments.

- 7.1. Political Risk: Changes in government, regulation, or policy affecting renewable energy projects.
- 7.2. Geopolitical Risk: Economic, cross-border tensions or trade issues impacting operations, logistical chain or finance.

## 5.2. Technology and Tools

RASLAG utilizes advanced technology and digital tools to facilitate real-time risk monitoring, reporting, and management. These include integrated ERM software platforms such as SAP, real-time dashboards, predictive analytics tools, and data visualization solutions.

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|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|--------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0          |
|                                                                                   |                                                                   | Page           | Page 9 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |              |

The adoption of these technologies enables the early identification of risks, efficient tracking, prompt response, and improved decision-making through data-driven insights.

### 5.3. Continuous Improvement and Feedback Loop

Continuous improvement is integral to the effectiveness of RASLAG's ERM strategy. Regular ERM process reviews, internal audits, and feedback mechanisms are established to evaluate effectiveness, gather lessons learned, and implement necessary adjustments. The risk management process is subject to routine updates, informed by emerging best practices, past risk occurrences, and stakeholder input, ensuring the ERM framework remains relevant, resilient, and agile.

### 5.4. Emerging and Future Risks

In addition to managing current risks, RASLAG actively identifies, evaluates, and prepares for emerging and future risks. This includes proactively monitoring macroeconomic trends, regulatory developments, environmental challenges, technological advancements, geopolitical shifts, and other external dynamics that may present potential risks to the business. Scenario planning and environmental scanning ensure RASLAG's ERM strategy remains anticipatory, comprehensive, and capable of handling uncertainty effectively.

## 6. RISK REGISTER

The Risk Register is a tool used to effectively identify potential risks in a project or operation and map out a corresponding plan of action to prevent any issues that can derail its intended outcome. This tool also aims to analyze and track risks as the project materializes. The Company's Risk Register tool should display three main topics: (1) Risk Identification, (2) Risk Assessment, and (3) Risk Response.

### 6.1. Risk Identification

|                                                                                   |                                                                   |                |               |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|---------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0           |
|                                                                                   |                                                                   | Page           | Page 10 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |               |

**Risk Category** – Any risk event that falls in the described categories in Section 5.1 Risk Categories.

**Risk Identification No.** – This will be the ID number of the identified risk.

**Risk Description** – Brief and specific description of the risk.

**Risk Owner** – Department or party directly accountable for managing the risk.

**Risk Champion** – Designated personnel who actively promotes and supports risk management practices within their department. Normally, this will be the head or an appointee of each department.

**Status** – NEW means that the risk has recently come into existence or been discovered and not yet been addressed; ACTIVE means that the risk is currently being addressed and still persists; and CLOSED means that the risk has been addressed and no longer exists.

## 6.2. Risk Assessment

**Risk Probability** – Likelihood of the risk materializing. Risk probability is further categorized into Inherent and Residual.

**Risk Impact** – Effect of the risk once it transpires. See table under 3.2 Risk Impact for the category and possible values. Risk impact is further categorized into Inherent and Residual.

**Risk Score** – This is the product of the Risk Probability and Risk Impact, and intently assigns a relative value for prioritization.

**Frequency of Actual Occurrence** – Accounts for the number of actual times the risk happened for the time period considered.

**Actual Occurrence** – A brief description of the actual incident when the risk happened, either quantitative or qualitative.

**Potential Effect** – Assumed effect of the risk if it happens.

**Key Risks Indicators** – KRIs are early warning signals that help you monitor potential risk exposures before they become major issues.

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|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|---------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0           |
|                                                                                   |                                                                   | Page           | Page 11 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |               |

### 6.3. Risk Response

**Agreed Response** - The strategy that is most likely to be in effect once it occurs.

- *Avoidance* – Improve the project plan scope to eliminate the risk it brings, or protect the project objectives from the impact of the risk.
- *Mitigation* – Prevent the risk before it happens and reduce the probability of impact. First option (PLAN A).
- *Adaptation* – Lessen the impact brought up by the risk by the risk in a controlled manner. Second option (PLAN B).
- *Transference* – Shift the consequences of a risk to a third party together with the ownership of the response.
- *Acceptance* – Accept the risk as it is.

**Risk Strategy** – Set of plans to reduce the threat and explore possible opportunities related to the risk.

**Risk Action** – Specific and physical implementation of the risk strategy either for mitigation or adaptation.

### 6.4. Monitoring and Reporting

Risks identified within the ERM framework are continuously monitored through structured reporting processes. Regular risk reporting intervals (monthly, quarterly, annually) and standardized report formats are established, detailing risk status updates, mitigation actions, Key Risk Indicators (KRIs), and emerging threats. Clear escalation protocols ensure that severe and major risks are promptly communicated to relevant stakeholders, including senior management and the Board of Directors thru the Risk Oversight Committee, facilitating timely responses and informed decision-making.

### 6.5. Scenario Analysis and Case Studies

Scenario analysis and practical case studies form a crucial part of the ERM process at RASLAG. Regularly conducted scenario-based exercises simulate potential risk events, stress-

|                                                                                   |                                                                   |                |               |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|----------------|---------------|
|  | <b>ENTERPRISE RISK<br/>MANAGEMENT FRAME<br/>WORK AND STRATEGY</b> | Version<br>No. | 1.0           |
|                                                                                   |                                                                   | Page           | Page 12 of 12 |
| RASLAG CORP.                                                                      |                                                                   |                |               |

test contingency plans, and evaluate organizational preparedness under hypothetical but realistic circumstances. Documented case studies of past events and risk responses enhance understanding, provide valuable insights, and reinforce organizational learning, significantly improving the company's ability to anticipate, mitigate, and respond effectively to potential risks.



**PETER G. NEPOMUCENO**

Chairman of the Board



**PEDRO H. MANIEGO, JR.**

Risk and Oversight Committee Chairman



**ANGELO PAOLO L. USI**

Chief Risk Officer