

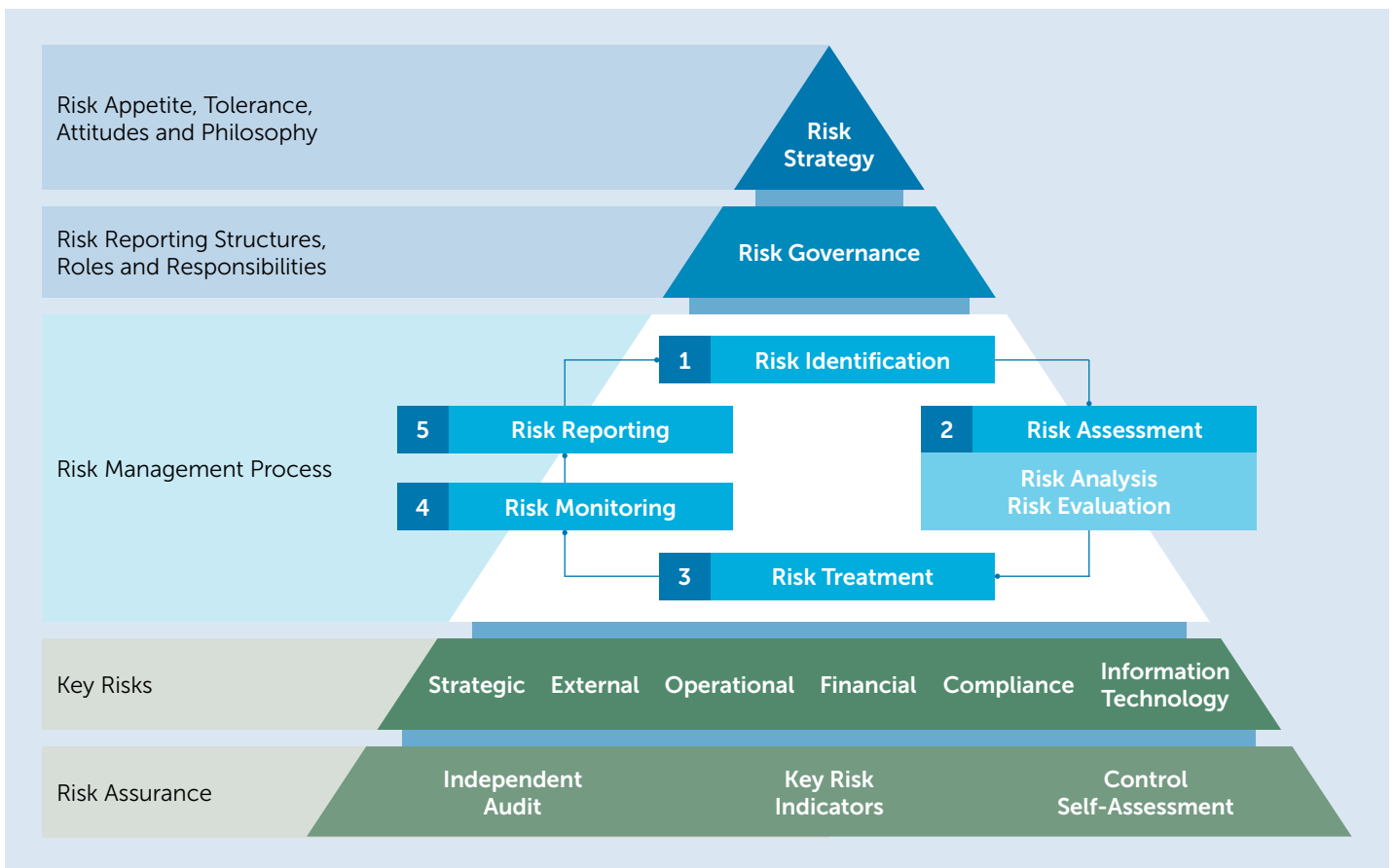
# RISK MANAGEMENT

Risk management (“RM”) is an integral part of the Manager’s business strategy to deliver regular and steady distributions. To safeguard and create value for Unitholders, the Manager proactively takes steps to anticipate and manage potential risks, and incorporates risk management into the planning and decision-making process.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Manager’s Enterprise Risk Management (“ERM”) framework is adapted from the International Organisation for Standardisation (ISO) 31000 Risk Management and benchmarked against other relevant

best practices and guidelines. The ERM framework is also reviewed annually to ensure that it is up-to-date, relevant and practical in identifying, assessing, treating, monitoring, and reporting on key risks.



## RISK GOVERNANCE AND ASSURANCE

The Board is responsible for overseeing the governance of risks and ensuring that the Manager implements sound risk management and internal control practices. The Board also approves the risk appetite, which sets out the types and levels of material risks that can be taken to achieve MLT’s business objectives. The Board, with support from the Audit & Risk Committee (“AC”),

reviews the risk strategy, material risks and risk profile.

The Manager is responsible for directing and monitoring the implementation of the ERM framework and practices. The Manager adopts a top-down and bottom-up approach to systematically identify and assess material risks based on the business objectives and strategies. They also maintain continuous communication and consultation with internal and external stakeholders.

The RM department of the Sponsor works closely with the Manager to design, implement and improve the ERM framework in accordance with market practices and regulatory requirements, under the guidance and direction of the Board and the AC. The Manager, supported by the Sponsor’s RM department, conducts control self-assessment (“CSA”) on an annual basis to ensure that material risks are being effectively managed. The CSA programme also serves to raise risk

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awareness and foster risk and control ownership.

The Internal Audit ("IA") department provides independent assurance on the effectiveness of the risk management and internal control systems, as well as the effectiveness of the controls in place to manage material risks.

## RISK-AWARE CULTURE

A strong "risk-aware" culture is essential for the successful implementation of a risk management program. Therefore, the Manager is committed to inculcate a strong risk-aware culture by setting the right tone at the top and providing continuous support for risk management. The RM department, through its engagements with various stakeholders, raises awareness of risks and facilitates the management of material risks.

## ROBUST MEASUREMENT AND ANALYSIS

The Manager's risk measurement framework is based on Value-at-Risk ("VaR"), a methodology which measures the volatility of market and property risks, as well as treasury risk drivers such as rental rates, occupancy rates, capital values and interest rates. It takes into consideration changes in the market environment and asset cashflows, enabling the Manager to quantify the benefits of diversification across the portfolio. The framework also assesses, measures and monitors other risks, such as refinancing and tenant-related risks, where feasible.

The Manager recognises the limitations of statistically-based analyses that rely on historical data. Therefore, MLT's portfolio is subject to stress tests and scenario analyses to ensure that the business remains resilient in the event of unexpected market shocks.

## RISK IDENTIFICATION AND ASSESSMENT

The Manager's risk management process includes identifying key risks, assessing their likelihood and potential impact on the business, and establishing mitigating controls, while considering the cost-

benefit trade-off. The information is maintained in a risk register that is reviewed and updated regularly. The key risks identified include but are not limited to:

### Property market

MLT's portfolio is subject to various key market factors and conditions such as competition, supply and demand dynamics, and changing trends such as the shifts towards better specification warehouses for modern logistics users. MLT's high tenant retention rates and proactive asset management strategy mitigate market and competition risk, where MLT actively engages its tenants and monitors logistics industry trends to ensure its assets are 'future-proofed' via portfolio rejuvenation and asset enhancement initiatives ("AEIs").

### Economic and geopolitical

Given the geographical diversity of our business, MLT's portfolio is subject to various macroeconomic and geopolitical factors and events such as interest rate hikes, prolonged inflation, trade wars, rising political tension between the USA and China, and political leadership changes. The Manager actively monitors macroeconomic and political developments in key markets, conducts rigorous real estate market research to assess the implications on the business and formulates pre-emptive strategies and plans accordingly. To manage economic and geopolitical risks, the Manager maintains a well-diversified portfolio across different geographies, focussing on markets where the Manager has operational scale and where the underlying economic fundamentals are more robust.

### Investment

The Manager manages risks arising from investment activities through a rigorous and disciplined investment approach, with a focus on asset evaluation and pricing. All acquisitions are aligned with MLT's investment strategy, with sensitivity analysis performed for each acquisition on all key project variables to test the robustness of assumptions used. For significant acquisitions, independent risk assessments are conducted by the Sponsor's RM department and included

in the investment proposal submitted to the Board for approval. All investment proposals are subject to rigorous scrutiny by the Management in accordance with the Board's approved delegation of authority.

Upon receiving approval from the Board, investment proposals are submitted to the Trustee, which serves as the final approving authority for all investment decisions.

The Trustee also monitors compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited, the Monetary Authority of Singapore's ("MAS") Property Funds Appendix, and the provisions in the Trust Deed to ensure that of the Manager's executed investment transactions are in line with relevant regulations and provisions.

### Credit

Prior to making investments (where relevant) or onboarding of sizeable tenants, credit assessments are conducted on tenants to assess and mitigate credit risks. On an ongoing basis, tenants' credit worthiness is closely monitored by the Manager's asset management team and arrears are managed by the Manager's Credit Control Committee, who meets regularly to review debtor balances. To further mitigate credit risks, security deposits in the form of cash or banker's guarantees are collected from prospective tenants prior to the commencement of leases where applicable.

### Climate change

MLT is exposed to climate-related physical risks such as rising sea levels, violent storms, extreme heat and cold, and flash floods, as well as transition risks that can result in stricter emission standards, increased carbon tax and water pricing, and stricter building design requirements.

The Manager works closely with the Sponsor's Sustainability team to implement the "Net Zero by 2050" roadmap to mitigate the business impact on the environment, and to minimise any potential impact of climate change on our business. This entails developing and

implementing robust climate mitigation strategies to shift towards a low carbon business model. The Manager also sets targets for carbon emission reduction, as well as water and energy efficiency, and will continue in its efforts of adopting renewable energy sources and attaining green building certifications, wherever feasible. Environmental risk due diligence is incorporated as part of the investment considerations and exposure scans to physical risks of existing properties are conducted periodically. The Manager also monitors evolving changes in climate regulations and engages various stakeholders in ESG initiatives and discussions proactively.

For more information, please refer to the Sustainability Report on page 100 to 141 of this Annual Report.

#### Property damage and business disruption

In the event of unforeseen catastrophic events such as Covid-19, the Manager has a business continuity plan as well as a crisis communication plan to resume business operations with minimal disruption and loss. MLT's properties are insured in accordance with industry norms in their respective jurisdictions and benchmarked against those in Singapore.

#### Health and safety

The Manager places utmost importance on the health and safety of stakeholders. Safety practices such as fire emergency plan and regular checks on fire protection system, have been incorporated in MLT's SOPs. Checks on required certificates and permits are also performed regularly to ensure compliance to regulatory requirements.

#### Interest rate

The Manager actively reviews and manages the level of interest rate risk by borrowing at fixed rate or hedging through interest rate derivatives where appropriate. At the portfolio level, the risk impact of interest rate volatility on value is quantified, monitored and reported quarterly using the VaR methodology.

#### Foreign exchange

Where feasible, after taking into account cost, tax and other relevant considerations, the Manager borrows in the same currency as the underlying assets to provide a natural hedge. To mitigate foreign exchange rate risk and to provide investors with a reasonable degree of income stability, a large proportion of income receivable from overseas assets is hedged into SGD using forward contracts.

#### Liquidity

The Manager actively monitors MLT's cashflow position and funding requirements to ensure sufficient liquid reserves to fund operations, meet short-term obligations and achieve a well-staggered debt maturity profile. (See Financial Review & Capital Management section on pages 29 to 39 of this Annual Report).

The Manager also maintains sufficient financial flexibility and adequate debt headroom for MLT to partially finance future acquisitions. In addition, the Manager monitors and mitigates bank concentration risks by having a well-diversified funding base. The limit on MLT's aggregate leverage ratio is observed and monitored to ensure compliance with the MAS' Property Funds Appendix.

#### Regulatory & policy

The Manager is committed to complying with the applicable laws and regulations of the various jurisdictions in which MLT operates. Non-compliance may result in litigation, penalties, fines or revocation of business licenses. The Manager identifies applicable laws and regulatory obligations and ensures compliance with these laws and regulations in its day-to-day business processes. The Manager also keep track of and assess upcoming changes in applicable laws and regulations of the various jurisdictions in which MLT operates.

#### Fraud

The Manager maintains a zero-tolerance policy towards unethical business practices or conduct, fraud and bribery. The Manager also has a whistleblowing policy that allows employees and

stakeholders to raise any serious unethical concerns, suspected fraudulent activities and bribery, dangers, risks, malpractices or wrongdoings in the workplace while protecting them from reprisals.

Compliance with the policies and procedures is required at all times. This includes policies on ethics and code of conduct, safe work practices and professional conduct. If an employee is found guilty of fraud, dishonesty or criminal conduct in relation to his/her employment, the Manager reserves the rights to take appropriate disciplinary action, including termination of employment.

#### Cybersecurity and information

Concerns over the threat posed by cybersecurity attacks are on the rise as such attacks become increasingly prevalent and sophisticated. The Mapletree Group has in place comprehensive policies and procedures governing information availability, control and governance, as well as data security. A disaster recovery plan is in place and tested annually to ensure business recovery objectives are met. All employees are required to complete mandatory online training on cybersecurity awareness to ensure that they are aware of potential cybersecurity threats such as phishing campaign. On top of the constant monitoring of internet gateways to detect potential security incidents, network vulnerability assessments and penetration testing are also conducted regularly to identify potential security gaps.

#### RIGOROUS MONITORING AND CONTROL

The Manager has developed key risk indicators that serve as an early-warning system to highlight risks that have exceeded agreed thresholds.

Every quarter, the Sponsor's RM department presents a comprehensive report to the Board and the AC, highlighting key risk exposures, portfolio risk profile, results of stress testing scenarios, and status of key risk indicators.