

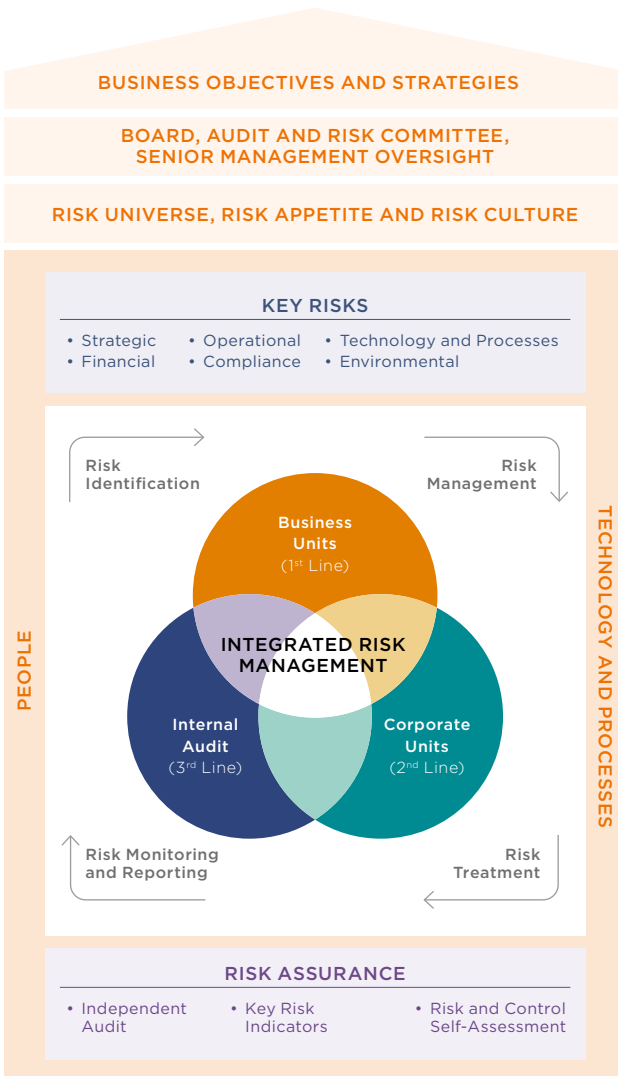
SUSTAINABILITY

RISK MANAGEMENT

Risk management is an integral part of Mapletree’s business strategy to deliver strong earnings and sustainable returns. To safeguard and create value for stakeholders, the Group proactively manages risks and embeds the risk management process into the Group’s planning and decision-making process.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group’s Enterprise Risk Management (ERM) framework is adapted from the International Organisation for Standardisation (ISO) 31000 Risk Management and is benchmarked against other relevant best practices and guidelines. It is also reviewed annually to ensure its continued relevance and practicality in identifying, assessing, treating, monitoring and reporting the Group’s key risks.



RISK GOVERNANCE AND ASSURANCE

The Board of Directors (Board) is responsible for overseeing the governance of risks, as well as ensuring that the Management implements sound risk management and internal control practices. The Board also approves the risk appetite, which specifies the nature and extent of material risks that can be taken to achieve the Group’s business objectives. The Board, which is supported by the Audit and Risk Committee (AC), reviews the risk strategy, material risks and risk profile.

The Management is responsible for directing and monitoring ERM implementation and practices. The Group adopts a top-down and bottom-up risk review approach that enables systematic identification and assessment of material risks based on the business objectives and strategies, and continuous communication and consultation with internal and external stakeholders.

The Risk Management (RM) department works closely with various stakeholders within the Group to design, implement and improve the ERM framework in accordance with sound market practices and regulatory requirements, under the guidance and direction of the AC and the Board.

In 2023, the Group enhanced its groupwide Control Self-Assessment (CSA) to a risk-focused Risk and Control Self-Assessment (RCSA) to ensure that material risks are being effectively managed. The RCSA programme also serves to strengthen risk awareness and foster groupwide risk and control ownership.

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

RISK-AWARE CULTURE

A ‘risk-aware’ culture serves as a strong foundation for the effective implementation of risk management programmes. The Group is committed to inculcating a strong risk-aware culture by setting the right tone at the top and continuously supporting risk management. The RM function, through its engagement with various stakeholders, raises risk awareness and facilitates the management of material risks.

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ROBUST MEASUREMENT AND ANALYSIS

The Group's financial risk measurement framework is based on Value-at-Risk (VaR), a methodology which measures potential losses arising from property market and macroeconomic risks, based on adverse historical movements in rental rates, occupancy rates, capital values, interest rates and foreign currency exchange rates. It takes into consideration changes in the market environment and asset cashflows, enabling the Group to quantify the benefits of diversification across the portfolio. The framework also measures other risks, such as development, marketing, sales-related, refinancing and tenant-related risks, wherever feasible.

The Group recognises the limitations of statistically based analysis that rely on historical data. Therefore, Mapletree's portfolio is subject to stress tests and scenario analyses to analyse the impact of changing assumptions so as to better understand the level of resilience that the business may demonstrate amid adverse situations.

RISK IDENTIFICATION AND ASSESSMENT

The Group's ERM framework includes identifying key risks, assessing their likelihood and impact on the Group's business, and establishing mitigating controls, taking into account 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:

Sector and market

The Group's portfolio could be exposed to various market factors or conditions such as competition, supply and demand dynamics, changing trends including the shift towards hybrid or flexible work arrangements, and increased demand for green buildings and better specification warehouses.

The Group monitors key market developments, trends and their implications and formulates plans and pre-emptive strategies accordingly. These include future-proofing assets via portfolio rejuvenation and asset enhancement initiatives. In addition, the Group monitors existing tenant performance and adopts a flexible leasing strategy to maintain a high portfolio occupancy.

Economic and geopolitical

Given the geographical diversity of our business, the Group's portfolio could be exposed to various key macroeconomic and geopolitical factors or events. These include factors such as interest rate hikes, prolonged inflation, trade wars, political instability and changes in government policies impacting the real estate sector. The Group remains vigilant and actively monitors macroeconomic trends, economic and political developments in key markets, conducts rigorous real estate market research and assesses their implications on the business, as well as formulates plans and pre-emptive strategies accordingly.

Financial

The Group is exposed to financial risks such as counterparty risk, foreign exchange risk, liquidity risk and interest rate risk.

Prior to the onboarding of sizeable tenants, credit assessments are conducted on tenants to assess and mitigate their credit risks. On an ongoing basis, tenants' credit worthiness is closely monitored by the Group's asset management team and arrears are managed by the Group'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.

Where feasible, after taking into account cost, tax and other relevant considerations, the Group borrows in the same currency as the underlying assets to provide a natural hedge, and/or hedges through derivatives, whenever appropriate.

The Group actively reviews and manages the level of interest rate risk by borrowing at a fixed rate or hedging through interest rate derivatives, where appropriate and upon taking into account the costs involved. At the portfolio level, the risk impact of interest rate volatility on value is quantified, monitored and reported quarterly using the VaR methodology and sensitivity analysis.

The Group actively monitors its cashflow position and funding requirements to ensure sufficient liquid reserves to fund operations, meet short-term obligations, refinancing requirements and achieve a well-staggered debt maturity profile. For more information, please refer to the Corporate Liquidity and Financial Resources section on [pages 45 - 48](#) of this Annual Report.

The Group also maintains sufficient financial flexibility and adequate debt headroom for the funding of future acquisitions. In addition, the Group monitors and mitigates bank concentration risks by having a well-diversified funding base.

Investment and divestment

Risks arising from investment and divestment activities are managed through a rigorous and structured approach. All acquisitions are aligned with the Group's investment strategy. Evaluation of investment risks includes comprehensive due diligence, and sensitivity analysis performed for each acquisition on all key project variables to test the robustness of the assumptions used. Independent risk assessments for significant acquisitions are conducted by the financial risk function and included in the investment proposals submitted to the Board for approval. All investment and divestment proposals are subject to rigorous scrutiny by the Management, in accordance with the Board's approved delegation of authority.

Business disruption

In the event of unforeseen catastrophic events such as natural disasters, such as earthquakes, floods, typhoons, pandemics as well as man-made disruptions such as cybersecurity attacks, riots and deliberate sabotage, the Group has a business continuity plan as well as a crisis communication plan to maintain business operations with minimal disruption and loss. The Group's properties are insured in accordance with industry norms in their respective jurisdictions and benchmarked against those in Singapore.

Fraud and corruption

The Group maintains a zero-tolerance approach towards unethical business practices or conduct, fraud and bribery. The Group also has a whistleblowing policy in place that provides employees and stakeholders a clearly defined process and independent feedback channel 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 internal policies and procedures is required by employees at all times. This includes policies on ethics and code of conduct, gifts and entertainment, 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 Group reserves the right to take appropriate disciplinary action, including termination of employment.

Health and safety

The Group places utmost importance on the health and safety of its stakeholders. Safety practices have been incorporated in the Group's standard operating procedures such as fire emergency plans and regular checks on fire protection systems. Checks on certificates and permits are also performed regularly to ensure compliance to regulatory requirements. To ensure continuous improvement, the Group monitors the safety and well-being of its employees and contractors working at the properties and sites, and regularly highlights and addresses any potential safety risks that may arise.

Information Technology, cybersecurity and data protection

Concerns over the threat from cybersecurity attacks have risen as they become increasingly prevalent and sophisticated. Policies and procedures governing information availability, control and governance, as well as data security are established to protect the Group's data. A disaster recovery plan is in place and tested annually to ensure business recovery objectives are met. All employees are required to complete cybersecurity awareness training to help them understand the risks and threats associated with cyber attacks. On top of monitoring the Group's network for potential security threats, network vulnerability assessments and penetration testing are also conducted regularly to ensure cybersecurity measures remain effective.

Legal and regulatory

The Group is committed to complying with the applicable laws and regulations of the various jurisdictions Mapletree operates in. Non-compliance may result in litigation, penalties, fines or revocation of business licences. The Group identifies applicable laws and regulatory obligations and ensures compliance with them in its day-to-day business processes. The Group also keeps track of and assesses upcoming changes in applicable laws and regulations of the various jurisdictions it operates in.

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Climate

The Group is exposed to physical climate risks such as rising sea levels, violent storms, extreme temperatures, flash floods, and transition risks that can result in stricter emission standards, increased carbon tax and water pricing, and more stringent building design requirements.

As such, the Group is committed to implementing a net zero by 2050 roadmap to mitigate business impact on the environment and to minimise any potential impact of climate change on its business. This entails implementing robust climate mitigation strategies to shift towards a low carbon business model. The Group also sets targets for carbon emission reduction as well as water and energy efficiency, and will continue its efforts to adopt renewable energy sources and attain green building certifications, where feasible. Environmental risk due diligence is also incorporated as part of investment considerations, and exposure scans to physical risks of existing properties are conducted periodically. The Group monitors changes in climate regulations and proactively engages various stakeholders in economic, social, governance initiatives and/or discussions.

For more information, please refer to the Sustainability Report as set out on [pages 96 - 172](#) of this Annual Report.

RIGOROUS MONITORING AND CONTROL

The Group has developed key risk indicators that can serve as an early-warning system to highlight risks that are close to exceeding or have exceeded agreed thresholds.

Every quarter, the RM department present comprehensive risk reports to the Board and the AC, highlighting material matters relating to financial and operational risk such as changes in key risk indicators, portfolio risk profile and the results of stress testing scenarios.