

RISK MANAGEMENT

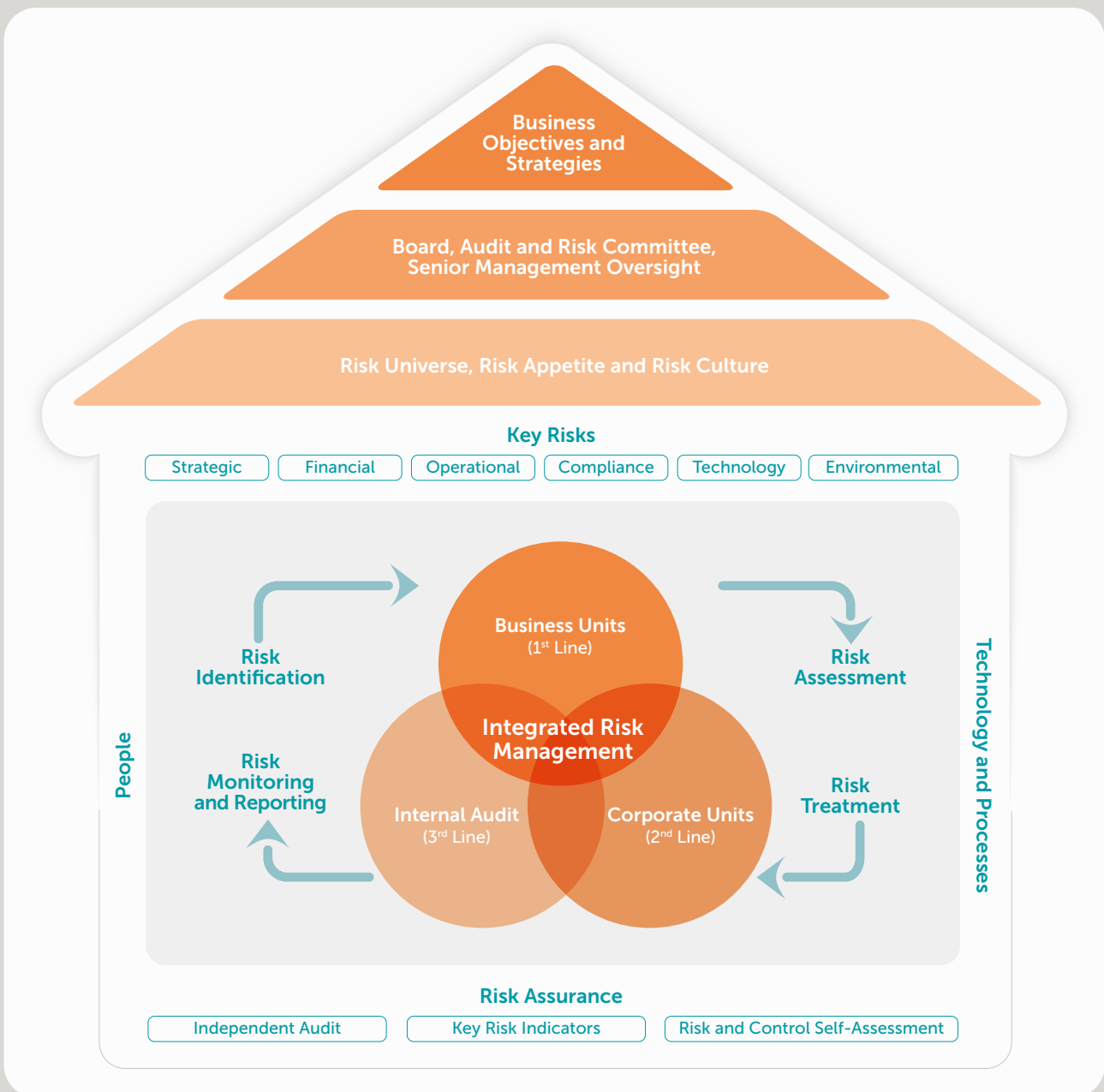
Risk management is an integral part of the Manager’s business strategy to deliver regular and steady distributions. To safeguard and create value for Unitholders, the Manager proactively manages risks and embeds the risk management process into the planning and decision-making process.

Enterprise Risk Management Framework

The Manager’s 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 its continued relevance and practicality in identifying, assessing, treating, monitoring and reporting the key risks.



RISK MANAGEMENT

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 nature and extent of material risks that can be taken to achieve MPACT's business objectives. The Board, which is supported by the 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 its practices. The Manager adopts a top-down and bottom-up review approach that enables systematic identification and assessment of material risks based on its business objectives and strategies, and also maintains continuous communication and consultation with internal and external stakeholders.

The RM department of the Sponsor collaborates closely with the Manager to design, implement and enhance the ERM framework. This is done in accordance with market practices and regulatory requirements, under the guidance and direction of the Board and the AC.

During the financial year, the Manager, with the support of the Sponsor's RM department, strengthened its Group-wide Control Self-Assessment by transitioning to a risk-focused RCSA. The RCSA ensures that material risks are effectively managed and serves to raise risk awareness and promote Group-wide ownership of risks and controls.

Separately, the Internal Audit function reviews 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

The Manager is committed to fostering a strong "risk-aware" culture, which is crucial for the effective implementation of risk management programmes. This is achieved by setting the right tone at the top and providing continuous support for risk management. The RM department engages with various stakeholders to raise awareness of risks and facilitates the management of material risks.

Robust Measurement and Analysis

The Manager'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. This framework considers adverse historical movements in rental rates, occupancy rates, capital values, interest rates and foreign currency exchange rates. It also takes into account changes in the market environment and asset cashflows, enabling the Manager to quantify the benefits of diversification across the portfolio. The framework also measures other risks, such as refinancing and tenant-related risks, wherever feasible.

The Manager recognises the limitations of statistically-based analysis that rely on historical data. To address this, stress tests and scenario analysis are conducted to analyse the impact of changing assumptions on MPACT's portfolio. This helps the Manager better understand the business' level

of resilience in the event of unexpected market shocks and other adverse situations.

Risk Identification and Assessment

The Manager's ERM framework involves identifying key risks, assessing their likelihood and impact on the 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

MPACT's portfolio is subject to various market factors and conditions such as competition, supply and demand dynamics, and changing trends such as hybrid or flexible work arrangements and increased demand for green buildings. The Manager monitors ongoing market developments, trends and their implications, and formulates plans and pre-emptive strategies, including future-proofing assets through portfolio rejuvenation and asset enhancement initiatives. In addition, the Manager monitors the performance of existing tenants and adopts a flexible leasing strategy to maintain high portfolio occupancy.

Economic and Geopolitical

Given the geographical diversity of MPACT's business, the portfolio is subject to macroeconomic and geopolitical factors and events such as interest rate hikes, prolonged inflation, trade wars, political instability and changes in government policies impacting the real estate sector. The Manager remains vigilant and actively monitors these macroeconomic and political developments in key

markets, including conducting rigorous real estate market research and assessing their implications on the business, and formulates plans and pre-emptive strategies accordingly. The Manager also maintains a well-diversified portfolio across geographies and focuses on markets with robust underlying economic fundamentals and where the Manager has operational scale.

Financial

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

To mitigate counterparty risk, credit assessments are conducted on tenants to assess and mitigate their credit risks prior to making investments (where relevant) or onboarding sizeable tenants. On an ongoing basis, tenants' credit worthiness is closely monitored by the Manager's asset management team and arrears are managed by the 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.

The Manager actively reviews and manages the level of interest rate risk by borrowing at a fixed rate or hedging through interest rate derivatives, where appropriate, 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.

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, and/or hedges through derivatives, whenever appropriate. The VaR methodology and sensitivity analysis are utilised to assess potential impact on balance sheet arising from any unhedged foreign exchange risks. To provide investors with a reasonable degree of income stability against foreign exchange volatility, a large proportion of the income receivable from overseas assets is hedged into SGD using derivative hedging.

The Manager actively monitors MPACT's cashflow position and funding requirements to ensure sufficient liquid reserves to fund operations, meet short-term obligations and refinancing requirements, and achieve a well-staggered debt maturity profile. The Manager also maintains sufficient financial flexibility and adequate debt headroom for MPACT to partially finance future acquisitions. In addition, the manager monitors and mitigates bank concentration risks by having a well-diversified funding base. Coupled with the conduct of regular reverse stress tests, the limit on MPACT's aggregate leverage ratio and adjusted interest coverage ratio are observed and monitored to ensure compliance with the Property Funds Appendix issued by the MAS.

For more information, please refer to the Financial & Capital Management Review section on pages 32 to 37 of this Annual Report.

Investment and Divestment

The risks arising from investment and divestment activities are managed through a rigorous and structured approach. All acquisitions are aligned with MPACT'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.

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 SGX-ST, Property Funds Appendix, and the provisions in the Trust Deed to ensure that the Manager's executed investment transactions are in line with relevant regulations and provisions.

Business Disruption

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

RISK MANAGEMENT

Fraud and Corruption

The Manager maintains a zero-tolerance policy towards unethical business practices or conduct, fraud and bribery. The Manager also has a whistle-blowing policy that provides an independent feedback channel to allow 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 of 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 Manager reserves the right to take appropriate disciplinary action, including termination of employment.

Health and Safety

The Manager places utmost importance on the health and safety of our stakeholders. Safety practices have been incorporated in the MPACT's Standard Operating Procedures such as fire emergency plan and regular checks on fire protection systems. Checks on required certificates and permits are also performed regularly to ensure compliance to regulatory requirements. To ensure continual improvement, the Manager monitors the safety and well-being of our employees and contractors working at the properties and sites, and highlight and address any potential safety risks that may arise.

Information Technology, Cybersecurity and Data Protection

Concerns over the threat posed by cybersecurity attacks have risen as

such attacks become increasingly prevalent and sophisticated. To protect MPACT's data, policies and procedures governing information availability, control and governance, as well as data security have been established. A disaster recovery plan is in place and tested annually to ensure that business recovery objectives are met. All employees are required to complete cybersecurity awareness training to help their understanding on the risks and threats associated with cyber-attacks. In addition to monitoring MPACT's network for potential security threats, network vulnerability assessments and penetrating testing are conducted regularly to ensure that cybersecurity measures continue to be effective.

Legal and Regulatory

The Manager is committed to complying with the applicable laws and regulations of the various jurisdictions in which MPACT 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 keeps track of and assesses upcoming changes in applicable laws and regulations of the various jurisdictions in which the MPACT operates.

Climate (Physical and Transition)

The Manager is exposed to physical risks such as rising sea levels, coastal flooding, increasing number of hot and cold days, as well as transition risks that can result in increased carbon tax, higher energy prices and more stringent building design requirements.

The Manager is committed to implementing a net zero by 2050

roadmap to minimise MPACT's business impact on environment and to alleviate any potential impact of climate change on our businesses. This entails implementing robust climate risk mitigation strategies to shift towards a low carbon business model. The Manager sets targets for energy efficiency and will continue its efforts to adopt renewable energy sources and attain green building certifications where feasible. Environmental risk due diligence is incorporated as part of the Manager's investment considerations and exposure scans to physical risks of existing properties are conducted periodically. The Manager also monitors changes in climate regulations and engages stakeholders in ESG initiatives and discussions proactively.

For more information, please refer to the published Sustainability Report FY23/24 available on MPACT's website at www.mapletreepact.com.

Rigorous Monitoring and Control

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

On a quarterly basis, the RM department presents comprehensive risk reports to the Board and the AC. These reports highlight material matters relating to financial and operational risks, including changes in key risk indicators, portfolio risk profile and the results of stress testing scenarios.

This rigorous process ensures that the Board and the AC are kept well-informed of the material risks faced by the business, enabling them to make informed decisions and take appropriate and timely actions where necessary.