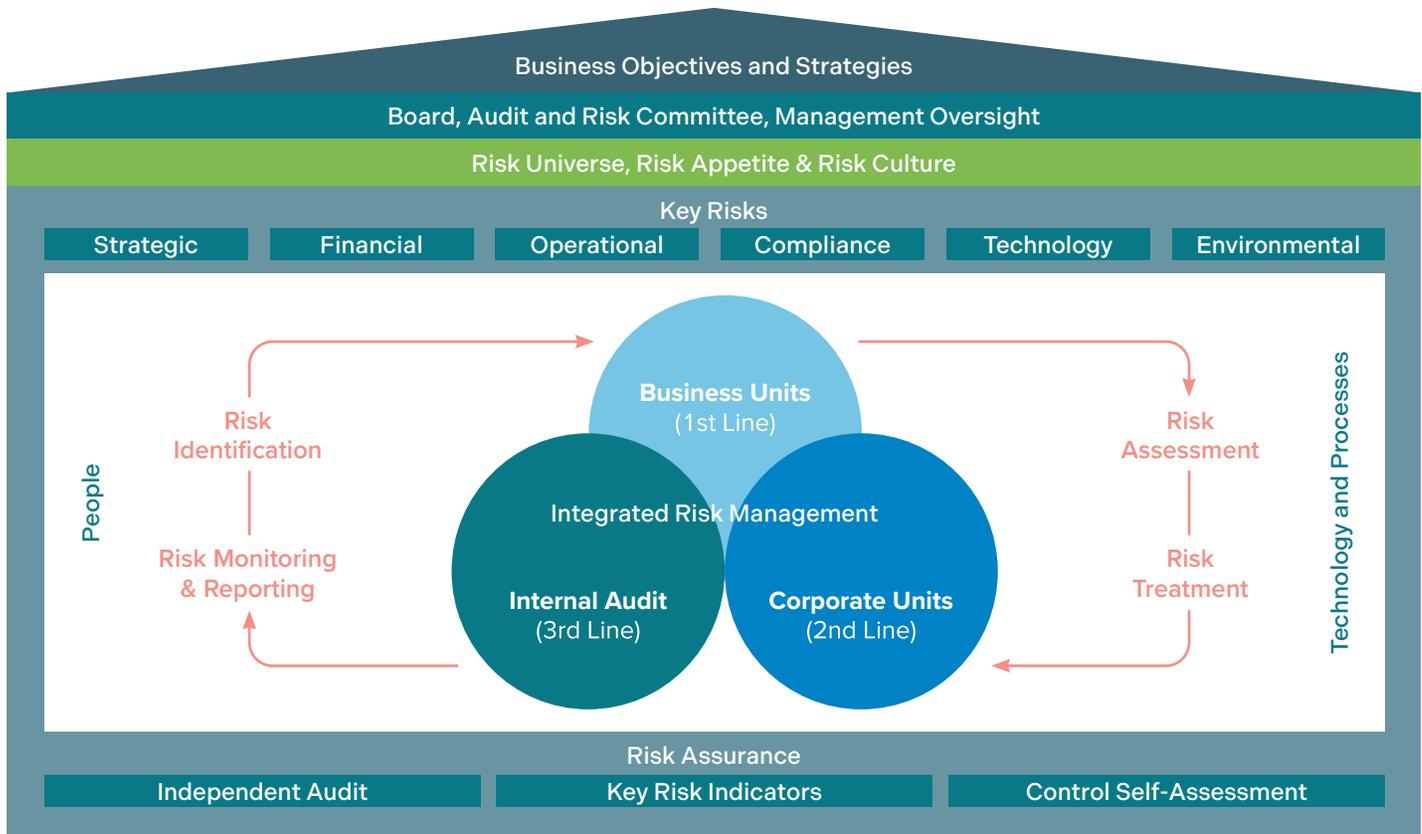


Risk Management



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 manages risks and embeds the risk management process 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 its continued relevance and practicality in identifying, assessing, treating, monitoring and reporting the 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 nature and extent of material risks that can be taken to achieve MLT's business objectives. The Board, which is supported by 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 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. They also maintain continuous communication and consultation with internal and external stakeholders.

The Risk Management (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.

The Manager, with the support of the Sponsor's RM department, conducted its annual Group-wide Risk Assessment ("RA") and Control Self-Assessment ("CSA") to ensure that material risks and controls are effectively managed, raise risk awareness and foster risk and control accountability.

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

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 RM department utilises financial market knowledge, real estate market analysis and macro-economic research to quantify and assess financial risk impacts. This includes assessing the Manager’s Value-at-Risk (“VaR”), which measures the extent of potential losses arising from property market and macroeconomic risks, taking into account historical movements in market drivers such as rental rates, occupancy rates, capital values, interest rates and foreign currency exchange rates, as well as 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. Hence, stress tests and scenario analysis are also conducted to analyse the impact of changing assumptions on MLT’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

MLT’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 MLT’s business, the portfolio is subject to macroeconomic and geopolitical factors and events such as inflation, trade wars e.g. US trade tariffs, 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 prospective tenants to assess and mitigate their credit risks prior to making investments (where relevant) or onboarding sizeable tenants. The Manager’s asset management team also closely monitors all tenants’ credit worthiness on an ongoing basis, with portfolio arrears 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.

The Manager seeks to borrow in the same currency as the underlying assets where feasible to provide a natural hedge, and/or hedge the underlying investment through derivatives, whenever appropriate. The VaR arising from any unhedged foreign exchange risks is monitored, with sensitivity analysis conducted to assess potential impact on balance sheet. The Manager also hedges income receivable from overseas assets to SGD using forward contracts where feasible to achieve a reasonable degree of income stability against foreign exchange volatility.

Risk Management

The Manager actively monitors MLT'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 MLT to partially finance future acquisitions. In addition, the manager monitors and mitigates bank concentration risks by having a well-diversified funding base. Coupled with sensitivity analysis and/ or reverse stress tests, the limit on MLT'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 Review & Capital Management section on pages 31 to 41 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 and divestments are aligned with the MLT's investment strategy. Evaluation of investment and divestment risks include comprehensive due diligence, and sensitivity analysis performed for each transaction on all key project variables to test the robustness of the assumptions used. Independent risk assessments are also conducted by the RM department for significant acquisitions, 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 in accordance with the Board's approved delegation of authority, investment proposals are

submitted to the Trustee, which serves as the final approving authority for all investment decisions.

The Trustee also monitors the compliance of the Manager's executed investment transactions with the Listing Manual of the Singapore Exchange Securities Trading Limited, the MAS Property Funds Appendix and the provisions in the Trust Deed.

Business Disruption

In the event of unforeseen catastrophic events such as natural disasters (e.g. earthquakes, floods, typhoons, pandemics), as well as man-made disruptions (e.g. strikes, civil unrest, terrorist attacks, 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. MLT's properties are insured in accordance with industry norms in their respective jurisdictions and benchmarked against those in Singapore.

Fraud and Corruption

The Manager maintains a zero-tolerance policy towards unethical business practices or conduct, fraud and bribery. To support this, the Manager has a Whistleblowing Policy that provides an independent feedback channel to allow employees and stakeholders to report any serious unethical concerns, suspected fraudulent activities and bribery, dangers, risks, malpractices or wrongdoings in the workplace, while protecting them from reprisals.

Compliance with policies and procedures, such as code of conduct, gifts and entertainment, safe work practices and professional conduct is required of employees at all times. If an employee is found guilty of fraud, dishonesty or criminal conduct, 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 MLT'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 highlights and addresses any potential safety risks that may arise. This proactive approach ensures MLT maintains a safe and supportive work environment.

Cybersecurity and Data

As cybersecurity threats grow increasingly prevalent and sophisticated across industries, the Manager has established policies and procedures governing information availability, control, governance, and data security. A disaster recovery plan is in place and undergoes annual testing to ensure that business-critical systems meet business recovery objectives. Cybersecurity training and awareness have been provided to all employees to increase their understanding of cybersecurity risks and threat prevention strategies. In addition to monitoring the Manager's network for potential security threats and ensuring up-to-date antivirus software, network vulnerability assessments and penetration testing are conducted regularly to ensure that cybersecurity measures remain effective.

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 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 MLT operates.

Climate (Physical and Transition)

The Manager may be exposed to physical risks such as rising sea levels, coastal flooding, increasing number of extreme hot and extreme cold days; as well as transition risks that may result in increased carbon tax, higher energy prices and more stringent building design requirements. The Manager is committed to comply with the International Sustainability Standard Board's (ISSB)-aligned climate disclosures starting from FY25/26 reporting cycle.

In addition, the Manager has implemented a "net zero by 2050" roadmap to minimise MLT's business impact on the environment and to alleviate any potential impact of climate change. This entails implementing robust climate risk mitigation strategies to shift towards a low carbon business model. The Manager sets targets for carbon emissions reduction, 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 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 Sustainability Report 2024/25, which is published together with this Annual Report.

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 when necessary.