

SUSTAINABILITY

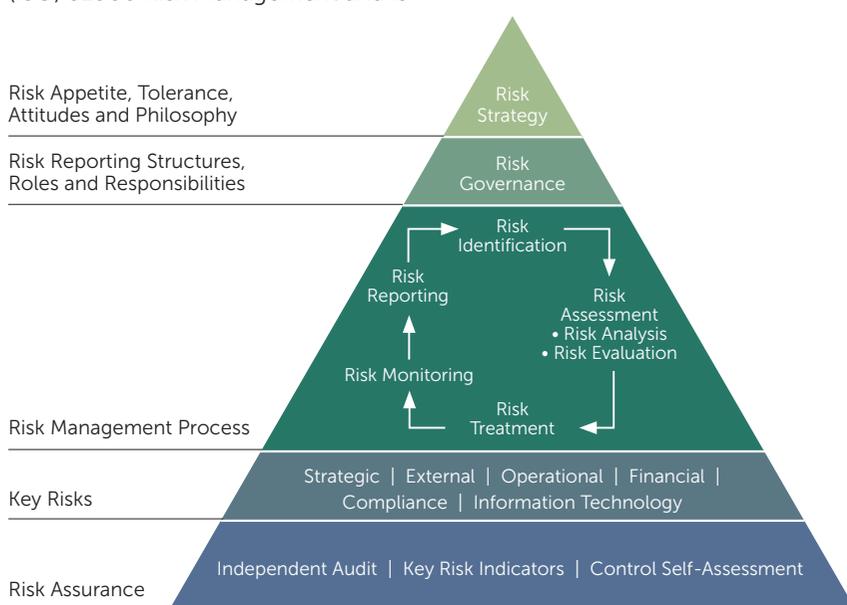
RISK MANAGEMENT

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. 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 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 sets out 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. A Group-wide Control Self-Assessment (CSA) programme has been established to ensure that material risks are managed effectively. The CSA programme also serves to raise risk 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, and the effectiveness of current controls to manage material risks.

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RISK MANAGEMENT

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 Management level and continuously supporting risk management. The RM department, through engagement with various stakeholders, raises risk awareness and facilitates the management of material risks.

ROBUST MEASUREMENT AND ANALYSIS

The Group's risk measurement framework is based on Value-at-Risk (VaR), a methodology which measures the volatilities of market and/or property and 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, and enables the Group to quantify the benefits arising from diversification across its portfolio. Other risks, such as refinancing and tenant-related risks, are also assessed, monitored and measured as part of the framework where feasible.

The Group recognises the limitations of any statistically-based analysis that relies on historical data. Therefore, the Group'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 Group identifies key risks, assesses their likelihood and impact on the Group's business, and establishes 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:

Property market

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

The Group monitors key market developments, trends and their implications to formulate 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 such as interest rate hikes, prolonged inflation, trade wars, rising tensions between the United States and China, and/or political leadership uncertainties and changes. The Group monitors macroeconomic trends and economic and political developments in key markets, conducts rigorous real estate market research and assesses their implications on the business. It then formulates plans and pre-emptive strategies accordingly. Additionally, the Group maintains a well-diversified portfolio across different geographies, focuses on markets with robust underlying economic fundamentals and where the Group has operational scale.

Investment

The risks arising from investment activities are managed through a rigorous and disciplined investment approach, particularly in the areas of asset evaluation and pricing. All acquisitions are aligned with the Group's investment strategy. Sensitivity analysis is performed for each acquisition on all key project variables to test the robustness of

the assumptions used. For significant acquisitions, independent risk assessments are conducted by the RM department and included in the investment proposals 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.

Project development

New development projects usually take a few years to complete, depending on the project's size and complexity. To mitigate the risks of development delays, cost overruns and lower than expected quality, the Management has put in place stringent pre-qualifications for consultants and contractors as well as regular reviews of the project progress.

Credit

Prior to investment (where relevant) or onboarding of sizeable tenants, credit assessments are conducted on tenants to assess and mitigate their credit risks. On an ongoing basis, tenants' creditworthiness is closely monitored by the Group's asset management team, while arrears are managed by the Group's Credit Control Committee, which 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

The Group is exposed to climate-related physical 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 our 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 engages various stakeholders in economic, social, and governance (ESG) initiatives and/or discussions proactively.

For more information, please refer to the Sustainability Report as set out on pages 92 to 150 of this Annual Report.

Property damage and business disruption

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

Health and safety

The Group places utmost importance on the health and safety of our stakeholders. Safety practices have been incorporated into the Group's Standard Operating Procedures, such as a fire emergency plan and regular checks on fire protection systems. Checks on required certificates and permits are also performed regularly to ensure compliance with regulatory requirements.

Interest rate

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. 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 Group borrows in the same currency as the underlying assets to provide a natural hedge, and/or hedges through derivatives, whenever appropriate.

Liquidity

The Group actively monitors the Group'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. For more information, please refer to the Corporate Liquidity and Financial Resources section on pages 45 to 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.

Regulatory and policy

The Group is committed to complying with the applicable laws and regulations of the various jurisdictions in which Mapletree operates. Non-compliance may result in litigation, penalties, fines or revocation of business licenses. The Group identifies applicable laws and regulatory obligations and ensures compliance with these laws and regulations 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 in which the Group operates.

Fraud

The Group maintains a zero-tolerance policy towards unethical business practices or conduct, fraud and bribery. The Group also has a whistleblowing policy that allows employees and stakeholders to raise any serious or 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 Management reserves the right to take appropriate disciplinary action, including termination of employment.

Information and data

Concerns over the threat posed by cybersecurity attacks have risen as such attacks become increasingly prevalent and sophisticated. The Group has in place comprehensive policies and procedures governing information availability, control and governance, and 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 a mandatory online training on cybersecurity awareness to ensure that they are aware of potential cybersecurity threats such as phishing. On top of the constant monitoring of internet gateways to detect potential security incidents, network vulnerability assessments and penetration tests are also conducted regularly to identify potential security gaps.

RIGOROUS MONITORING AND CONTROL

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

Every quarter, the 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.