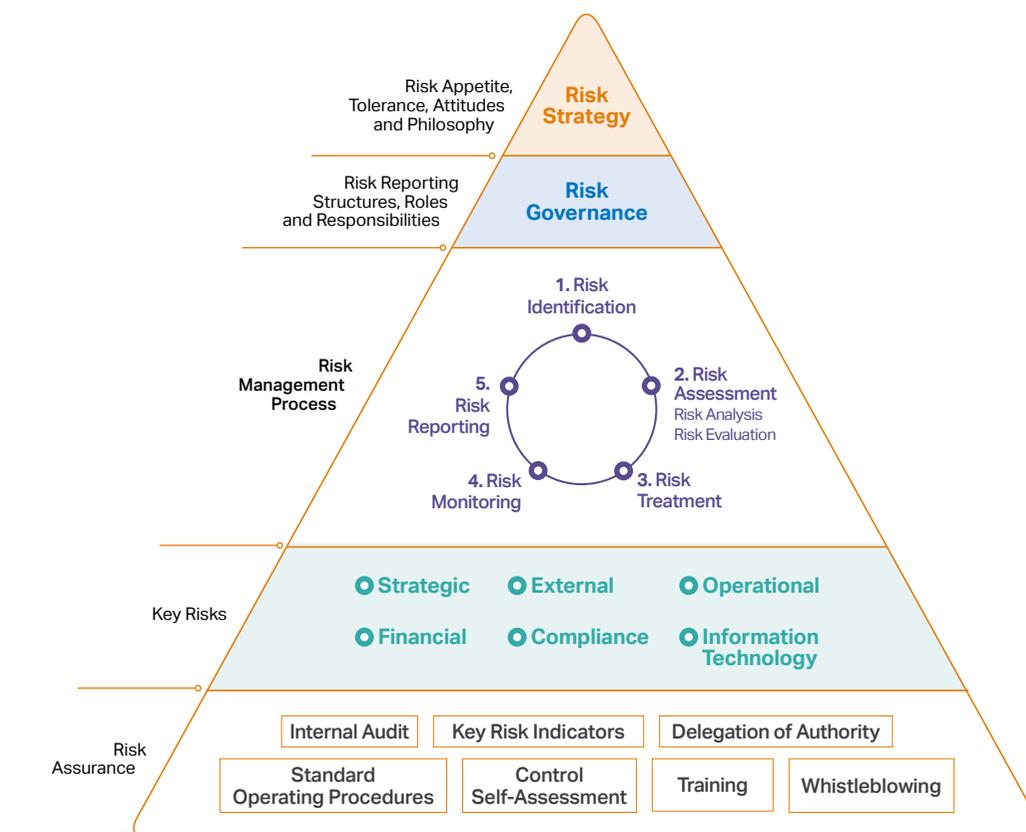


Risk Management

Risk Management continues to be an integral part of the Manager's business strategy in order to deliver regular and stable returns. To safeguard and create value for Unitholders, the Manager proactively manages risks and embeds risk management into the planning and decision-making process.



Strong Oversight and Governance

The Board of Directors ("Board") is responsible for determining overall risk strategy and risk governance, and ensuring that the Manager implements sound risk management and internal control practices. The Board also approves the risk appetite and tolerance statements, which set out the nature and extent of risks that can be taken to achieve the Manager's business objectives. The Board which is supported by the Audit and Risk Committee ("AC"), comprises directors whose collective diverse experience and knowledge serve to give guidance and provide strategic insights to the Manager. The AC has direct access to the risk management function that is outsourced to the Sponsor's Risk Management ("RM") department, and engages with the RM department on a quarterly basis as part of its review of MNACT's portfolio risks.

At the Manager, the risk management culture involves both top-down oversight and bottom-up engagement of all employees. This ensures a risk approach that is aligned with

the business objectives and strategies for MNACT, and which is integrated with operational processes for effectiveness and accountability.

The Manager's Enterprise Risk Management ("ERM") framework is adapted from the International Organisation for Standardisation (ISO) 31000 International Risk Management Standards. It is dynamic and evolves with the business and provides the Manager with a holistic and consistent process for the identification, assessment, monitoring and reporting of risks. The RM department works closely with the Manager to continually review and enhance the risk management system, under the guidance and direction of the AC and the Board. A control self-assessment ("CSA") framework further reinforces risk awareness by fostering accountability, control and risk ownership, and provides additional assurance to the Manager and the Board that operational risks are being effectively and adequately managed and controlled.

Robust Measurement

The Manager's risk measurement framework is based on Value-at-Risk ("VaR"), a methodology which measures the volatilities of market and property risk drivers such as rental rates, occupancy rates, capital values, interest rates and foreign exchange rates. It takes into consideration changes in market environment and asset cash flows. To complement the VaR methodology, other risks such as refinancing and tenant-related risks are also assessed, monitored and measured as part of the framework where appropriate.

With the VaR methodology, risks are measured consistently across the portfolio, enabling the Manager to quantify the benefits that arise from diversification across the portfolio and to assess risk by asset, risk type and country. The Manager recognises the limitations of any statistically-based system that relies on historical data. Therefore, MNACT's portfolio is subject to stress testing and scenario analyses to ensure that the business remains resilient in the event of unexpected market shocks.

Risk Identification and Assessment

The Manager identifies key risks, assesses their likelihood and impact on the business, and establishes corresponding mitigating controls. The information is maintained in a risk register that is reviewed and updated regularly. The key risks identified include but are not limited to:



Strategic Risks

Market Risk

MNACT's portfolio is subject to real estate market risks such as rental rate and occupancy volatilities and country specific factors including competition, supply, demand and local regulations. Such risks are quantified, aggregated and monitored for existing assets and prospective acquisitions. Significant risk profile changes or emerging trends are reported for assessment and/or action.

Investment Risk

The risks arising from investment activities are managed through a rigorous and disciplined investment approach, particularly in the area of asset evaluation and pricing. All acquisitions are aligned with MNACT's investment strategy to enhance returns to Unitholders and improve future income and capital growth. 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. The investment proposals are subject to rigorous scrutiny by the Board.

Upon receiving approval from the Board, the investment proposals are then submitted to the Trustee, who is 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, Monetary Authority of Singapore's ("MAS") Property Funds Appendix and the provisions in the Trust Deed.



External Risks

Economic and Political Risks

To manage risks such as economic uncertainties or political turbulence in countries where it operates, the Manager conducts rigorous country and real estate market research and monitors the economic, geopolitical and political developments closely.



Operational Risks

Comprehensive operating, reporting and monitoring guidelines enable the Manager to manage day-to-day activities and mitigate operational risks. To ensure relevance, the Manager regularly reviews its Standard Operating Procedures ("SOPs") and benchmarks them against industry practices where appropriate. Compliance with SOPs is assessed under the CSA framework and reinforced through training of employees and regular reviews by the internal audit function which is outsourced to the Sponsor's Internal Audit department.

Human Resource Risk

Loss of key management personnel and identified talents can cause disruptions to the Manager's business operations and hinder the achievement of its business objectives. The Manager has put in place succession planning, talent management, competitive compensation and benefits plans to reward and retain performing personnel.

Property Damage & Business Disruption Risks

In the event of unforeseen catastrophic events, the Manager has a Business Continuity Plan ("BCP") and crisis communication plan that should enable it to resume operations with minimal disruption and loss. MNACT's properties are insured in accordance with industry norms in their respective jurisdictions.

Risk Management

Credit Risk

Credit risks are mitigated from the outset by conducting tenant credit assessment as part of the investment due diligence process prior to an acquisition. For new and sizeable leases, credit assessments of prospective tenants are undertaken prior to signing of lease agreements. 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 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.



Financial Risks

Financial market risks and capital adequacy are closely monitored and actively managed by the Manager, and reported to the Board on a quarterly basis.

At the portfolio level, the risk impact of currency and interest rate volatilities is quantified, monitored and reported quarterly using the VaR methodology. Refinancing risk is also quantified, taking into account the concentration of loan maturity profile and credit spread volatility.

Interest Rate Risk

MNACT hedges its portfolio exposure to interest rate volatility arising from borrowings through interest rate derivatives and fixed-rate debts.

Foreign Currency Risk

Where feasible, after taking into account cost, tax and other relevant considerations, the Manager will borrow in the same currency as the underlying assets to provide some natural hedge. To mitigate foreign exchange risks and to provide investors with a degree of income stability, a large proportion of rental income receivable from overseas assets is hedged using forward contracts and secured in Singapore Dollar terms.

Liquidity Risk

The Manager actively monitors MNACT's cash flow position and funding requirements to ensure sufficient liquid reserves to fund operations and meet short-term obligations.

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

Risk Monitoring and Control

The Manager has developed internal key risk indicators that serve as an early-warning system to highlight risks that have escalated beyond agreed tolerance levels. The Manager has also established required actions to be taken when risk thresholds are breached.

The limit on aggregate leverage ratio is observed and monitored to ensure compliance with MAS's Property Funds Appendix.



Compliance Risks

Regulatory Risk

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

Fraud Risk

A comprehensive corporate governance framework has been established to maintain responsible and transparent business practices. The framework contains specific guidelines on anti-corruption practices – such as the prohibition of bribery, acceptance or offer of gifts and entertainment.

The Manager has also put in place a whistleblowing policy to allow employees and stakeholders to raise any serious concerns about any danger, risk, malpractice or wrongdoing in the workplace while protecting them from reprisals.

Compliance with the policies and procedures is required at all times, which include 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.



Information Technology ("IT") Risk

Concerns over the threat of cybersecurity attacks has risen as such attacks become increasingly more prevalent and sophisticated. The Manager has in place comprehensive policies and procedures governing information availability, control and governance, and data security. An IT disaster recovery plan is in place and tested annually to ensure business recovery objectives are met. All employees are required to do a mandatory online training on IT security awareness to ensure that they are aware of potential cybersecurity threats. There is also constant monitoring of Internet gateways to detect potential security event. In addition, network vulnerability assessment and penetration testing are conducted regularly to check for potential security gaps.

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. The Board and the AC are also kept abreast of any material changes to MNACT's risk profile and activities.