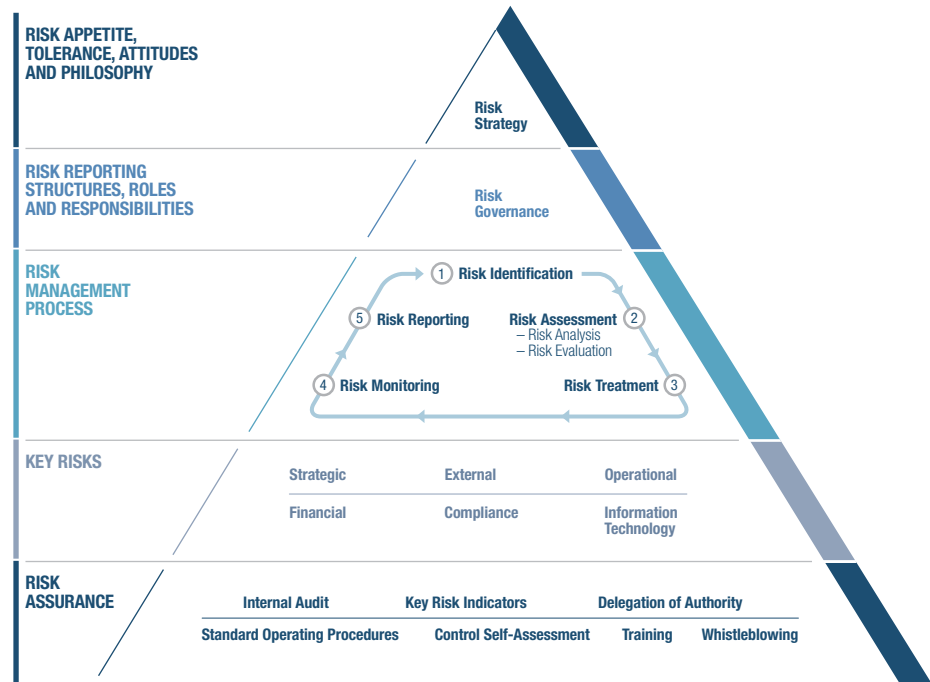


RISK MANAGEMENT

Risk Management is 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 as well as 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 from all employees. This ensures a risk approach that is aligned with the business objectives and strategies for MNACT, which is also 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 Risk Management. It is dynamic and evolves with the business, thus providing 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 in accordance with market practices and regulatory requirements, 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 as well as provides additional assurance to the Manager and the Board that operational risks (including financial, compliance and IT 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 feasible.

The VaR methodology measures the risks consistently across the portfolio. It enables the Manager to quantify the benefits that arise from diversification across the portfolio and to assess risk by country, asset and risk type. The Manager recognises the limitations of any statistically based analysis that relies on historical data. Therefore, MNACT's portfolio is subject to stress test 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, as well as 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 and demand, as well as 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 also 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 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, MAS Property Funds Appendix and the provisions in the Trust Deed.



External Risks

Economic and Geopolitical Risks

To manage economic and geopolitical risks, the Manager conducts rigorous country and real estate market research and monitors the economic, geopolitical and political developments closely. The emergence of COVID-19 in early 2020 has heightened the economic uncertainties globally.

To mitigate the adverse impact from COVID-19 on the financial performance of MNACT's properties, the

Manager has extended rental reliefs to support tenants, where necessary, and also adopted flexible leasing strategies to maintain a high portfolio occupancy. The Manager will continue to monitor closely economic and geopolitical developments across the North Asia markets that it operates in as part of its active asset management strategy. Additionally, the Manager will seek suitable acquisition opportunities in these markets to diversify MNACT's income stream and enhance the resilience of the portfolio.



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 and Business Disruption Risks

In the event of unforeseen catastrophic events such as COVID-19, the Manager has a Business Continuity Plan as well as crisis communication plan that enable it to resume operations with minimal disruption and loss. MNACT's properties are insured in accordance with industry norms in their respective jurisdictions.

Health and Safety Risks

The Manager places utmost importance on the health and safety of our stakeholders.

Safety practices have been addressed in MNACT's standard operating procedures to include measures such as fire emergency plan and regular checks on fire protection system. Checks on required certificates and permits are also performed regularly to ensure compliance to regulatory requirements. In view of COVID-19, additional measures have been taken to enhance cleanliness and hygiene such as frequent cleaning and disinfection, providing hand sanitisers at common areas as well as increased cleaning frequency/replacement of air filters. For more information, please refer to page 113 of this Annual Report.

Credit Risk

Credit risk is 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, who meets regularly to review debtor balances. To further mitigate credit risk, security deposits in the form of cash or banker's guarantees are collected from prospective tenants prior to the commencement of leases, where applicable.

RISK MANAGEMENT



Financial Risks

Financial market risks and capital adequacy of MNACT 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 interest rate and currency volatilities on value 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 Exchange 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, meet short-term obligations, and achieve a well-staggered debt maturity profile (see Financial Review and Capital Management section on pages 16 to 27).

The Manager also maintains sufficient financial flexibility (from its Euro MTN Programme and unutilised bank facilities) 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.

The limit on MNACT's aggregate leverage ratio is observed and monitored to ensure compliance with MAS 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 ensures 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 also has a whistleblowing policy that allows employees and stakeholders to raise any serious concerns, danger, risk, malpractice or wrongdoing 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 Manager reserves the rights to take appropriate disciplinary action, including termination of employment.



IT Risk

Concerns over the threat of cybersecurity attacks have 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, as well as 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 complete a mandatory online training on IT security awareness to ensure that they are aware of potential cybersecurity threats. On top of the constant monitoring of Internet gateways to detect potential security events, network vulnerability assessment and penetration testing are also conducted regularly to check for potential security gaps.

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.

Every quarter, the Sponsor's RM department presents a comprehensive report to the Board and the AC, highlighting key risk exposures, portfolio risk profile, results of stress testing scenarios such as COVID-19 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.