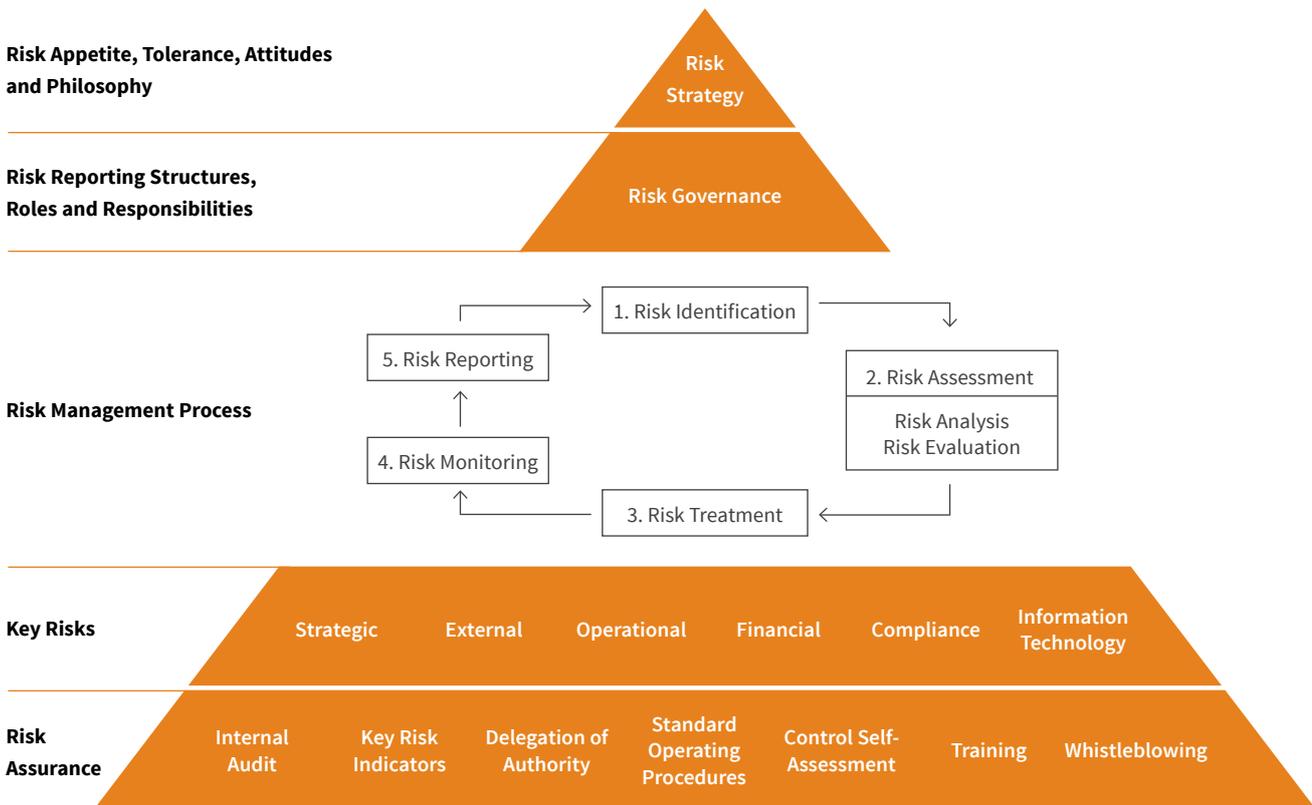


Risk Management

Risk management continues to be an integral part of the Manager’s business strategy. To deliver regular and stable returns for Unitholders, the Manager proactively manages risks and embeds the risk management process as part of the planning and decision making process. The risk management function, which is outsourced to the Sponsor, oversees the ERM framework, which enables the Manager to assess, mitigate and monitor key risks.



STRONG OVERSIGHT AND GOVERNANCE

The Board is responsible for determining the 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 could be taken to achieve the Manager’s business objectives. The Board is assisted by the AC, which comprises independent directors whose collective experience and knowledge serve to guide and provide strategic insights. The AC has direct access

to the Sponsor’s Risk Management department, which the AC engages on a quarterly basis as part of the AC’s review of MCT’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 its business objectives, which is also integrated with operational processes for effectiveness and accountability.

The Manager’s ERM framework 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 Sponsor’s Risk Management department works closely with the Manager to review and enhance the risk management system, with the guidance and direction of the AC and the Board. A 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 AND ANALYSIS

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 and interest rates. It takes into consideration changes in market environment and asset cash flows as they occur. 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.

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 class and risk type. In recognition of the limitations of any statistically-based system that relies on historical data, MCT's portfolio is subject to stress tests and scenario analysis 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

MCT's portfolio is subject to real estate market risks such as rental rate and occupancy volatilities in Singapore, and specific factors including competition, supply, demand and 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.

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 MCT'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. Significant acquisitions are further subject to an independent review by the Sponsor's Risk Management department and included in the investment proposal submitted to the Board for approval. All investment proposals are subject to vigorous scrutiny by the Board or Management Committee, in accordance with the Board's approved delegation of authority.

On receiving the Board's or Management Committee's approval, the investment proposals are then submitted to the Trustee, who is the final approving authority for all investment decisions.

When executing investment transactions, the Manager ensures compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited, the Property Funds Appendix and the provisions in the Trust Deed.

External Risks

To manage the impact of economic uncertainties in Singapore, the Manager conducts rigorous real estate market research and monitors economic development 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 Sponsor's Internal Audit department.

The Manager has in place a business continuity plan and crisis communication plan that should enable it to resume operations with minimal disruptions and losses in the event of unforeseen catastrophic events such as terrorism and natural disasters. MCT's properties are insured in accordance with industry norms in Singapore.

Credit risks are mitigated from the outset by conducting tenant credit assessments 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, the Manager's asset management team closely monitors tenants' credit health worthiness 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 commencement of leases.

Loss of key management personnel and identified talents can cause disruptions to the Manager's business operations and hinder the achievement of its business

Risk Management

objectives. The Manager has put in place succession planning, talent management and competitive compensation and benefits plans to reward and retain performing personnel.

Financial Risks

Financial market risks are closely monitored and the capital structure of MCT is actively managed by the Manager and reported to the Board on a quarterly basis. At the portfolio level, the risk impact of interest rate volatility on value is quantified, monitored and reported quarterly using the VaR methodology. Refinancing risk is also quantified, taking into account the concentration of the loan maturity profile and credit spread volatility.

MCT hedges its portfolio exposure to interest rate volatility arising from borrowings by way of interest rate derivatives and fixed rate debts.

The Manager also actively monitors MCT's cash flow position and funding requirements to ensure sufficient liquid reserves to fund operations and meet

short-term obligations (see Financial Review & Capital Management section on pages 40 to 44 of this Annual Report). In addition, the Manager monitors and mitigates bank concentration risks by having a well-diversified funding base. The limit on MCT's aggregate leverage ratio is observed and monitored to ensure compliance with the Property Funds Appendix.

Compliance Risks

MCT is committed to comply with all applicable laws and regulations. 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 its day-to-day business processes.

Information Technology Risks

Concerns over the threat posed by cyber security attacks have risen as such attacks become increasingly sophisticated. The Manager has in place comprehensive policies and procedures governing information availability,

control and governance, and data security. An information technology disaster recovery plan is in place and tested annually to ensure business recovery objectives are met. In addition, network vulnerability assessment and penetration testing are conducted regularly to check for potential security gaps.

RIGOROUS 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 established levels. The Manager has also established required actions to be taken when risk thresholds are breached.

Every quarter, the Sponsor's Risk Management department presents to the Board and the AC a comprehensive report 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 updated of any material changes to MCT's risk profiles and activities.