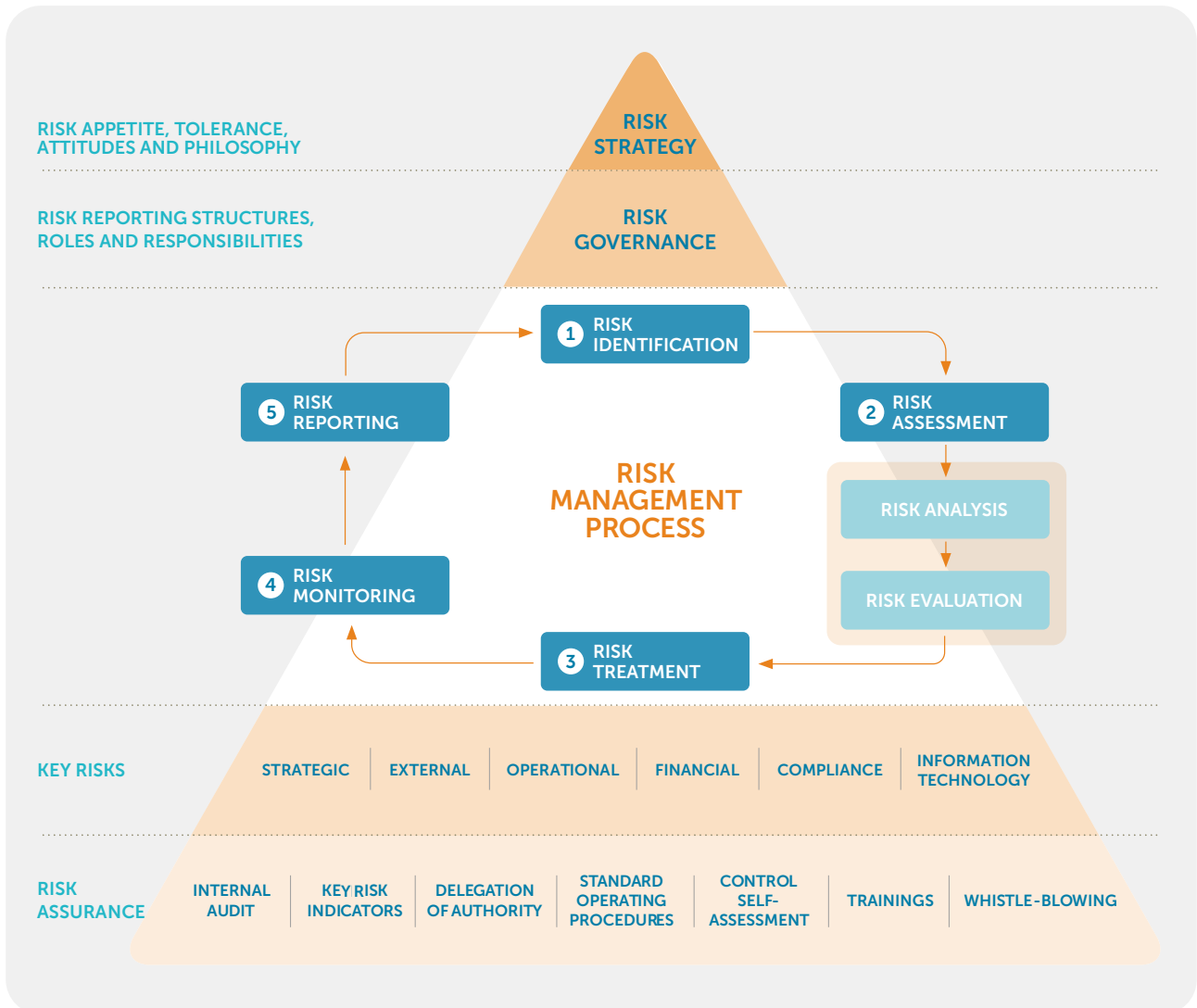


RISK MANAGEMENT

Risk management is an integral part of the Manager’s business strategy in order to deliver regular and steady distributions. To safeguard and create value for Unitholders, the Manager proactively manages risks and embeds the risk management process as part of the planning and decision-making process.



STRONG OVERSIGHT AND GOVERNANCE

The Board is responsible for determining the 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 AC, comprises directors, whose collective diverse experience and knowledge serve to provide guidance and strategic insights to the Manager. The AC has direct access to the Sponsor’s Risk Management

(“RM”) department, which it engages on a quarterly basis, as part of its review of MCT’s portfolio risks.

At the Manager level, 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 MCT, which is also integrated with operational processes for effectiveness and accountability.

The Manager's ERM framework is adapted from 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 Sponsor's 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 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 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 cashflows. 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 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 asset class and risk type. The Manager recognises the limitations of any statistically-based analysis that relies on historical data. Therefore, MCT'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 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

MCT's portfolio is subject to real estate market risks such as rental rate and occupancy volatilities and specific factors including competition, supply and demand, as well as regulations in Singapore. 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 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 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 Sponsor's RM department and included in the investment proposal 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, the MAS Property Funds Appendix and the provisions in the Trust Deed.

External Risks

Economic risk

The emergence of COVID-19 has heightened global economic uncertainties. To manage such economic risks, the Manager conducts rigorous real estate market research and monitors economic developments proactively and closely.

To mitigate the adverse impact from COVID-19 on the financial performance of MCT's properties, MCT has prioritised occupancy.

RISK MANAGEMENT

Efforts were taken to restructure retail leases with more flexible terms to maintain portfolio occupancy, and where necessary, the Manager has also extended rental reliefs to support tenants. The Manager will continue to keep a close watch on economic and market developments as part of its active asset management strategy.

Operational Risks

Operational risk

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.

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 such as COVID-19, the Manager has in place a Business Continuity Plan as well as crisis communication plan to enable business and operations resumption with minimal disruptions and loss. MCT's properties are insured in accordance with industry norms in Singapore.

Health & safety risks

The Manager places utmost importance on the health and safety of its stakeholders. Health and safety considerations are incorporated in MCT's SOPs. Checks on fire protection systems, as well as required certificates and permits, are performed regularly to ensure compliance with regulatory requirements. During the COVID-19 pandemic, precautionary measures were taken at all MCT properties. These include stepping up the frequency of cleaning and disinfecting of common areas, increasing the availability of hand sanitisers at common areas, as well as instituting safe distancing measures at workplaces and malls. For more information, please refer to pages 102 to 106 of this annual report.

Credit risk

Credit risk is 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, 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 meet 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 the capital adequacy of MCT 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 volatility 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

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

Liquidity risk

The Manager actively monitors MCT'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 (see Financial & Capital Management Review section on pages 42 to 46 of this annual report).

The Manager also maintains sufficient financial flexibility and adequate debt headroom for MCT to partially finance future acquisitions. 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 MAS Property Funds Appendix.

Compliance Risks

Regulatory risk

The Manager is committed to complying with the applicable laws and regulations in Singapore. 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 its 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 whistle-blowing 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 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.

Information Technology Risk

Concerns over the threat posed by cybersecurity attacks have risen as such attacks become increasingly prevalent and more 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 is tested annually to ensure that 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 assessments and penetration testings are also 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 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 MCT's risk profile and activities.