

Risk Management

The Group takes a proactive approach in having a sound and robust risk management framework that ensures the Group is ready to meet challenges and seize opportunities through risk-informed decision-making. The risk management programme not only plays an integral part of the Group's business, both strategically and operationally but also aims to create value for ESR's stakeholders. ESR's objective is not risk minimisation, but rather the optimisation of opportunities within the known and agreed risk levels set by the Board of Directors ("**Board**").

The Group's ERM Framework provides a systematic approach to identify, assess, monitor, and report risks. It is designed to be dynamic, fostering an effective risk culture and responding promptly and effectively in a constantly evolving business environment. At ESR, the risk management culture involves both top-down oversight from the Board and management and bottom-up engagement from employees. This ensures a risk approach that is aligned with the Group's business objectives and strategies and also helps the organisation anticipate its risk exposure, with mitigating controls in place to counter threats, while pursuing its objectives.

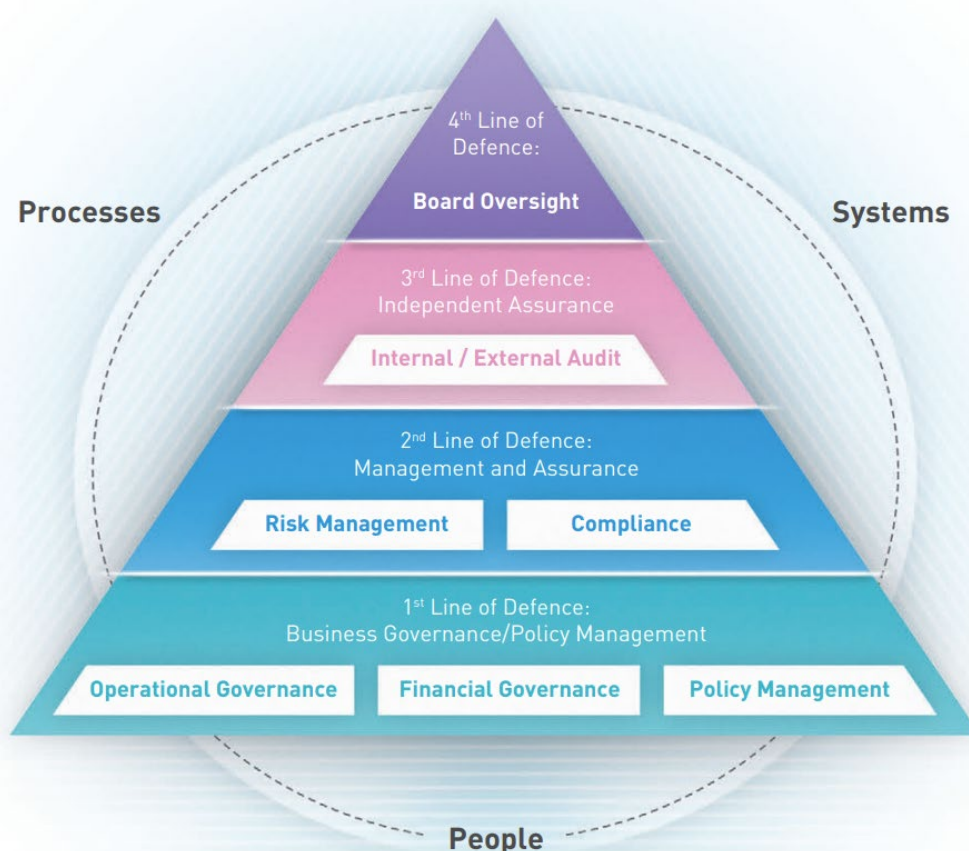
STRONG OVERSIGHT AND GOVERNANCE

The Board is responsible for determining the Group's overall risk strategy, governance and maintenance of a sound system of risk management and internal controls in accordance with market practices and regulatory requirements. The Board also approves the risk appetite statements, which set out the nature and extent of risks that can be taken to achieve the Group's business objectives. The Board reviews the adequacy of the resources involved in establishing the risk management framework across the Group and monitors the independence of the risk management function throughout the Group. The Board, supported by the Audit Committee (or equivalent Board-approved committee), comprises Directors, whose collective diverse experience and knowledge serve to provide guidance and strategic insights, and oversee the design, implementation and monitoring of risk management within the Group.

In establishing an organisation-wide risk governance structure, ESR adopts an ERM Framework which is adapted from ISO 31000 International Risk Management Standards, COSO Internal Control-Integrated Framework and the TCFD — now under the purview of the ISSB. It provides a holistic and consistent process for identifying, assessing, monitoring and reporting of risks. This framework aims to drive risk accountability and ownership at all levels of the organisation, while maintaining the appropriate level of commitment and segregation across stakeholder groups. The Group Risk Management department works closely with the management to continually review and enhance the risk management system in accordance with market practices and regulatory requirements, under the guidance and direction of the Audit Committee (or equivalent Board-approved committee) and the Board. Major changes to the ERM Framework, risk policies, risk parameters and terms of references are discussed with the Audit Committee (or equivalent Board-approved committee). The ERM Framework underwent key refinements, including the enhancement of impact parameter descriptions for risk prioritisation and the establishment of a more comprehensive approach in identifying, assessing, and managing climate-related risks. These updates received the Audit Committee (or equivalent Board-approved committee)'s endorsement.



In establishing an organisation-wide risk governance structure, ESR adopts the “four lines of defence” model. This governance model drives risk accountability and ownership at all levels of the organisation while maintaining appropriate commitment and segregation across stakeholder groups.

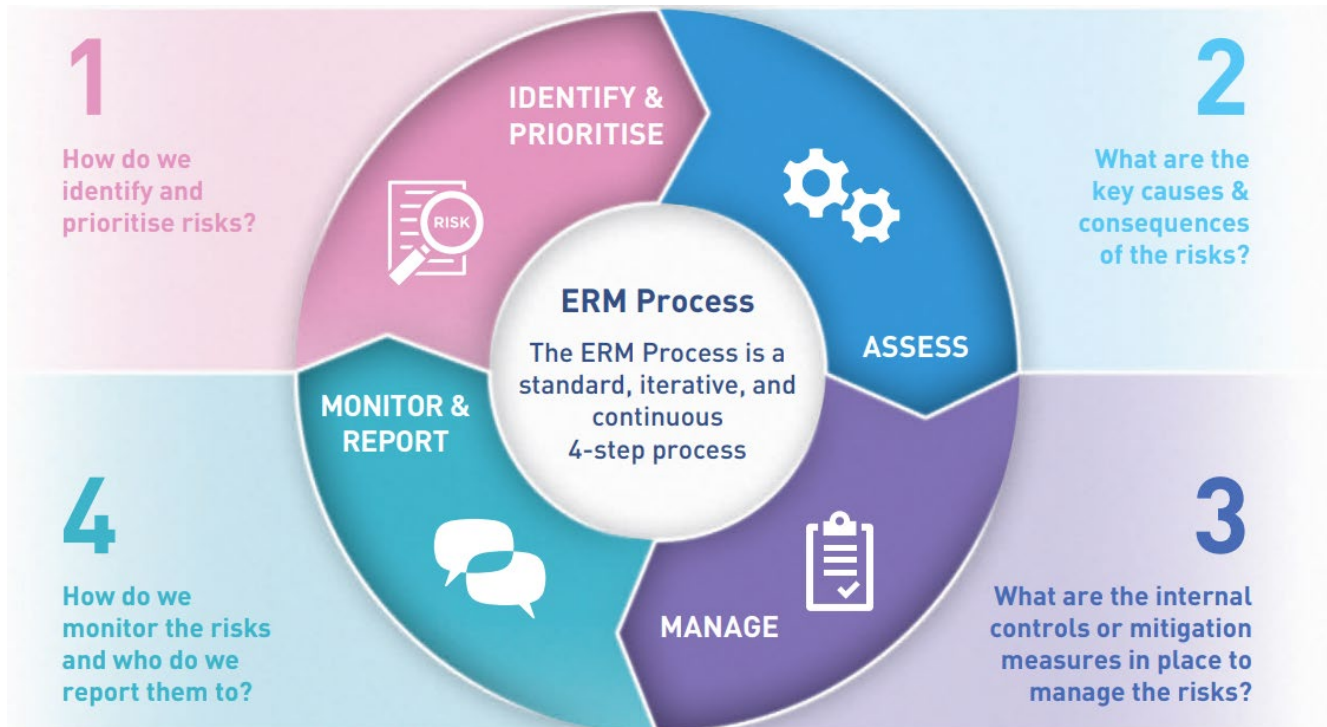


Four Lines of Defence

First Line of Defence: Business Governance/ Policy Management	Processes, systems and risk owners constitute the first line of defence. Risk management should be embedded in day-to-day operations and governed by relevant established Group-wide policies and procedures that can manage risks to an acceptable residual level for the achievement of the business objectives.
Second Line of Defence: Management and Assurance	This line of defence comprises risk management and compliance-related functions within the Group. The main role of these functions is to ensure risk management and compliance-related frameworks are well defined and consistently applied across the organisation and embeds a culture of risk ownership and accountability.
Third Line of Defence: Independent Assurance	Functions in this line of defence primarily provide independent assurance over the adequacy and effectiveness of risk management and internal control systems design and recommend changes or improvements in response to the evolving internal and external business and control environments.
Fourth Line of Defence: Board Oversight	The last line of defence against risks in any organisation is the Board of Directors. The Board, supported by the Audit Committee (or equivalent Board-approved committee), is overall responsible for the governance and oversight of risk management and internal control systems within the Group to safeguard the interests of the Group and its stakeholders.

RISK MANAGEMENT PROCESS

The Group adopts a four-step iterative risk management process aimed at identifying, assessing, managing, monitoring and reporting different types of risks.



Risk Identification

The management adopts an integrated top-down and bottom-up risk review process to enable comprehensive identification and prioritisation of key risks throughout the Group. Key stakeholders within the organisation will come together to discuss the top-tier risks and examine any other risk issues and emerging risks that they consider important. This ensures a risk approach that is aligned with the Group's business objectives and strategies and integrated with operational processes for effectiveness and accountability. The risk identification process includes the establishment of risk context, identification of risk factors, analysis and evaluation of risk levels and their related likelihood and impact on the business performance of the Group. The Group's risk profile, including key risks, is reviewed and refreshed annually, or more frequently when the business environment warrants. The information is maintained and documented in a risk register, with risks sub-categorised into strategic, financial, operational, compliance and technology. Within the category of operational risk, the Group also considers climate-related risks which are relevant to the business.

A five-by-five risk matrix is used as the primary tool to facilitate the prioritisation of risks based on likelihood and impact. Risks are valued on the matrix based on the likelihood of occurrence and magnitude of impact should the risks materialise. The magnitude of impact includes consideration of financial, regulatory, reputational, operational and environmental effects. Parameters representing ESR's risk appetite and tolerance are also established to guide the evaluation of risks on the matrix. This risk identification exercise monitors any risk changes and trends as well as the effectiveness of the related control mechanisms and/or control activities within the overall risk profile. The Group Risk Management department works closely with the risk owners to identify key risks, assess their likelihood and impact on the Group's business, and establish corresponding mitigating controls to manage these risks. The Group has also developed internal key risk indicators that serve as an early-warning system to highlight risks that have escalated beyond the agreed tolerance levels. In addition, the management has established required follow-up actions to be taken when risk thresholds are breached. The key risks and key risk indicators are reviewed by management and Audit Committee (or equivalent Board-approved committee) before they are drawn to the attention of the Board.

Risk Assessment and Management

In-depth risk assessments are performed for key risks faced by the Group, considering potential drivers, likelihood of risks occurrence, consequences and the mitigating controls in place to manage them. These risk assessments are conducted with risk owners at both country and Group levels during facilitated risk prioritisation and training workshops throughout the year. Action plans are then identified to further manage risks as necessary. Risk assessments are also reviewed periodically to ensure continued relevance to the Group. The process and its outcomes are documented to facilitate communication and provide information for decision-making. The risk review process provides a comprehensive approach to identifying and prioritising material risks, managing them at the appropriate organisational level, and maintaining robust governance of the Group's risk mitigation efforts.

The Group has put in place various policies and procedures to mitigate key risks to an acceptable residual level based on the Board and management's risk appetite and tolerance. These policies and procedures aim to drive consistency in work processes and facilitate the understanding and effective implementation of controls within operations. All policies and procedures are reviewed on a periodic basis to ensure they remain relevant. Key updates and revisions to policies and procedures are approved by appropriate parties and communicated to all relevant parties.

Risk Monitoring and Reporting

To ensure that risk management remains focused and effective, the Group has set in place mechanisms to monitor and report risks on a regular basis. Appointed risk owners are responsible for the continuous monitoring of their respective risks. They undertake an iterative and comprehensive approach according to the established risk governance structure and process in identifying, assessing, managing, monitoring and reporting of key risks. Key issues noted are highlighted to appropriate parties in a timely manner. On a regular basis, key updates on any material changes to the Group's risk profile, the implementation status of the risk management activities and controls, and plans undertaken to manage key risks are presented to the management, Audit Committee (or equivalent Board-approved committee) and Board for reviews and discussions.

RISK CATEGORIES

Strategic Risk

The Group strives to bring sustained value and growth to investors and shareholders by maintaining and strengthening its position as a leading New Economy real estate platform. ESR's portfolio is subject to industry-related market risks such as rental rate and occupancy volatilities, as well as country-specific risks such as competition, supply, demand and local regulations. Such risks are quantified and monitored for existing assets and prospective acquisitions, where applicable. Each new investment opportunity is subject to a rigorous, disciplined and thorough evaluation process including assessing the asset quality, market valuation, yield accretion, expected returns, professional third-party due diligence, future growth potential and sustainability of asset performance, taking into account the existing economic and financial market conditions. Each development project is subject to rigorous evaluation of land acquisition, review of the design and build of the assets and construction methods. Investment proposals are subject to rigorous scrutiny by ESR's Investment Strategy Committee and/or the Board in accordance with its approved delegation of authority. These risks which can directly impede the Group from achieving its strategic objectives are closely managed and monitored within the organisation. In addition, the Group ensures that there is effective communication with investors and business partners through regular dialogues to manage expectations, along with delivering excellent performance and track records.

Leveraging its strategically diversified network spanning key markets across Asia Pacific, coupled with a quality tenant base focusing on e-commerce and third-party logistics companies, ESR has remained resilient to market changes and disruption with its disciplined capital management and robust fundraising for its third-party vehicles. In addition, ESR actively monitors macroeconomic trends, policies and regulatory changes which affect its operating markets, while assessing its investment projects.

The Group provides a suite of private real estate fund and REIT products that embrace every stage of the asset life cycle in the New Economy and prime commercial sectors. It also develops and manages a network of superior logistics, data centres and commercial assets across Asia Pacific's dynamic growth markets. In addition, the Group is committed to integrate ESG into every aspect of its business, investments and operations.

Financial Risk

The Group believes that financial prudence is integral to business sustainability and adopts a disciplined financial management by maintaining a strong balance sheet and robust capital management. Management closely manages and monitors financial risks — including liquidity, credit, currency, and interest rate risks — through a comprehensive strategy of maintaining a well-staggered debt maturity profile, actively monitoring credit spreads and interest rate volatility, implementing strategic hedging approaches, and maintaining a low gearing ratio. Management also maintains a robust cash flow position and ensures that there are sufficient working capital lines to meet financial obligations. The Group also proactively diversifies its funding sources to reduce dependency on any single funding source for its financing and refinancing needs. Financial reports and key risk indicators are submitted to the Board on a periodic basis.

Operational Risk

The Group has established a set of comprehensive policies and procedures designed to identify, manage, monitor and report operational risks associated with its day-to-day activities and to facilitate the understanding and implementation of different work processes. These operational procedures and guidelines are reviewed regularly to ensure its relevance and effectiveness. In addition, compliance with standard operating procedures are assessed through training of employees and regular reviews by the Group Internal Audit department to provide recommendations on any gaps identified. As part of the business continuity procedures, incident reporting and escalation protocols are established and communicated to all staff for emergencies. This is to ensure the Group is able to respond effectively to disruptions resulting from internal and external events, while continuing its critical business functions and minimising impact on its people, assets and operations. ESR also recognises that human capital is key to the business and has put in place talent attraction and management measures, including succession planning, periodic benchmarking of staff remuneration, performance-based rewards, among others. The Group has established a performance management framework to review employees' performance annually. A rating will be given to each of the employees depending on their performance and remuneration will be rewarded accordingly based on the rating. ESR has a dedicated Talent Management and Learning team within the Group HR function, designed to drive group-wide talent management and learning strategies. Training activities include job-related training opportunities, such as those pertaining to new regulations, external certification, safety-related courses and other customised leadership workshops. To ensure continuous professional development, all staff are required to complete

a minimum number of training hours annually as part of their individual development plans.

With increased scrutiny on climate change and its associated impacts, along with tighter climate-related regulations, ESR Group is cognisant of the implications that climate change poses for the business. By identifying and assessing climate-related risks and opportunities at the highest level of the organisation and mitigating their associated impacts, the Group is able to build a climate-resilient, future-proof portfolio.

In its transition to a low-carbon and climate resilient future, ESR is committed to enhancing the Group's environmental performance by embedding sustainability throughout the life cycle of its assets. A comprehensive ESG Checklist, approved by the Investment Committee, was established focusing on ESG requirements by fund investors, which covers climate-related risks, building certifications, renewable energy adoption, indoor environmental quality, material sourcing and sustainable procurement, building technical assessments and environmental management systems, energy, water and waste management efficiencies, occupier considerations, amongst other factors, where applicable. Through this checklist, ESR is able to integrate ESG considerations in its due diligence for better decision-making and risk management.

As part of its overall decarbonisation efforts, the Group will strive to incorporate sustainable design features, use environmentally friendly materials, implement low-carbon construction processes, optimise energy efficiency of its operations, obtain sustainable building certifications and ratings, and increase its adoption of renewable energy solutions, where feasible.

ESR Group adopts the principles recommended by the TCFD Framework, which now comes under the purview of the ISSB. The principles seek to integrate climate-related considerations into strategic, investment, and operational decision-making, and to quantify the potential financial implications of the associated climate-related risks and opportunities (both physical and transition). Across the Group, climate risk assessments are progressively being conducted, using climate scenario analysis, to determine both the financial and non-financial impacts on the business over different time horizons. In addition, ESR Group is committed to reducing the physical vulnerability of its real assets, as well as identifying opportunities to enhance the resilience of the business against the effects of transitional impact caused by climate change.

ESR Group regularly monitors the evolving climate regulations in the markets that it operates, ensuring that its climate risk strategy is fully aligned with both local and global disclosure requirements, as well as increased expectations from various key stakeholders such as investors, clients, and ESG rating agencies. As APAC's leading real asset manager powered by the New Economy, ESR Group is focused on raising the bar in its sustainability efforts and leveraging on this as a competitive advantage against its peers.

Compliance Risk

The Group is committed to comply with the applicable laws and jurisdictions in its day-to-day business processes and does not tolerate any breaches in regulatory compliance. Non-compliance may result in litigation, penalties, fines or revocation of business licenses which have potential reputational and financial impact. The Group has established a compliance framework that covers training, monitoring, reporting for any non-compliance including screening, investigations, enforcement and disciplinary actions. New and impending changes to regulations are closely monitored to ensure that the Group adheres to regulatory requirements with material non-compliance or regulatory breaches escalated to the Board and management for follow-up.

A comprehensive corporate governance framework has been established to maintain responsible and transparent business practices and to adopt a zero-tolerance approach to fraud, bribery and corruption in any form in the conduct of business. All employees are committed to acting professionally, transparently, and fairly with integrity in all business dealings and relationships with the Group's stakeholders at all times. The framework includes policies on code of conduct and business ethics, conflict of interest, whistleblowing, anti-money laundering and counter terrorist financing and sanctions, prohibition of bribery, acceptance or offer of gifts and entertainment and employee trading and handling of insider information to ensure that all business activities are conducted with honesty, fairness and high ethical standards. Compliance with policies and procedures is required at all times. Group Internal Audit will conduct an annual review of compliance with these policies, including ethical standards. In addition, there are mandatory annual ethics and compliance training, employee trading and code of conduct attestation by employees, including contract staff with at least twelve months of employment. Under the New Employee Orientation Welcome Session, Group Compliance will provide an introduction of the Compliance frameworks, including policies and systems mentioned above, to new joiners which also includes any contract staff or part-time staff with less than twelve months contract. Ethics training include completing mandatory courses on topics such as awareness on anti-money laundering, anti-bribery and anti-

corruption via third party training platforms whereby employees are required to pass an assessment in order to complete the course. The training will help new joiners and existing staff understand the compliance policies and procedures that guide employee behavior to meet required standards. It will also reinforce employees' compliance knowledge and related protocols as part of their ongoing business activities to minimise compliance risks.

Through the Company's Code of Conduct and Business Ethics and Whistleblowing policy, employees are encouraged to report control deficiencies, ethical issues or suspicions of impropriety to their direct supervisor, local Compliance Officer, Group Compliance Officer or Group General Counsel, where applicable, through various whistleblowing channels. ESR is dedicated to treating whistleblowers with fairness and ensuring their protection from reprisals, victimisation, or any form of detrimental or unfair treatment when they report in good faith. The confidentiality of all information received will be maintained, and the identities of all whistleblowers will be safeguarded. All reported cases will be reviewed to understand the circumstances surrounding the allegations, based on the information provided by the whistleblowers. The management treats all misconduct and dishonesty seriously, conducting independent investigations and taking appropriate disciplinary action on concerns raised, including termination of employment, if required. All independent investigations will be reported to the Audit Committee (or equivalent Board-approved committee). Separately, a grievance, which vary in complexity and severity, can be brought up by an employee to his/her manager, Head of Department or directly to the Human Resources Department. In situations where disciplinary action is required against an employee, the Human Resources Department will take the necessary measures leading to the required action in accordance with the Disciplinary Action provision, with the management's approval. The management will review all grievance cases and aims to resolve complaints objectively, fairly, promptly, and confidentially

Technology Risk

The Group acknowledges the rising threats posed by cyberattacks which have become increasingly prevalent and sophisticated. In response, the management continuously assesses the adequacy of computer systems and implements improvements to the platforms, reflecting the increased reliance on technology to enhance operational efficiency and provide high quality internal governance. ESR has put in measures to protect itself against technology-related risks which may arise from both internal and external sources. The Group has instituted robust measures to manage technology-related risks emanating from both internal and external sources. In alignment with international standards, ESR Group has successfully obtained ISO 27001:2022 certification for its information security

management system. In addition, ESR has in place a comprehensive set of information technology policies and procedures governing information availability, confidentiality and security to prevent any leakage of confidential information.

The Group provides regular updates on cybersecurity through key risk updates and key risk indicators at Audit Committee (or equivalent Board-approved committee) meetings. This keeps the Board well-informed about the Group's security posture, ongoing initiatives and potential threats, thus fostering strategic guidance and enhancing decision-making capabilities.

To ensure the Group remains vigilant against potential security breaches and phishing scams, the Group IT team conducts mandatory annual training on IT security awareness. This is part of the Group's broader commitment to fostering a culture of continuous learning and adaptation, which is critical in the face of evolving cyber threats. Moreover, the constant monitoring of internet gateways, coupled with regular network vulnerability assessment and penetration testing by third party consultants, helps the Group to identify any potential security gaps promptly. Such measures are crucial, as weak IT security can tarnish ESR's reputation and erode stakeholder confidence.

The Group reported no information security breaches, a testament to the effectiveness of the Group's cybersecurity measures and its proactive risk management approach. ESR engages service providers to carry out a range of business functions. To ensure effective third-party security management, ESR has developed a robust framework and various processes to assess and monitor the information security controls implemented by third-party vendor, ensuring compliance with its stringent security standards.

A Security Operations Centre ("**SOC**") has been established and is monitored by a third-party service provider, in collaboration with the Group IT Department. This initiative is designed to monitor external events that could impact ESR's network and data. The SOC continuously enhances ESR's security posture by preventing, detecting, analysing and responding to any potential cybersecurity incidents.

An information technology disaster recovery plan is in place and tested annually to ensure that ESR's business recovery objectives are met in the event of a disaster, including ensuring that proprietary information remains secure.

To augment ESR's defence mechanisms against the financial repercussions of cyber incidents, the Group has secured cyber liability insurance which also covers information security risks. This strategic move provides an additional safeguard, aimed at mitigating the potential financial losses and liabilities that may arise from cybersecurity threats and data breaches. This comprehensive approach to managing technology risks underscores the Group's proactive stance in safeguarding the Company's assets and reputation, reinforcing the Group's commitment to operational excellence and stakeholder trust.