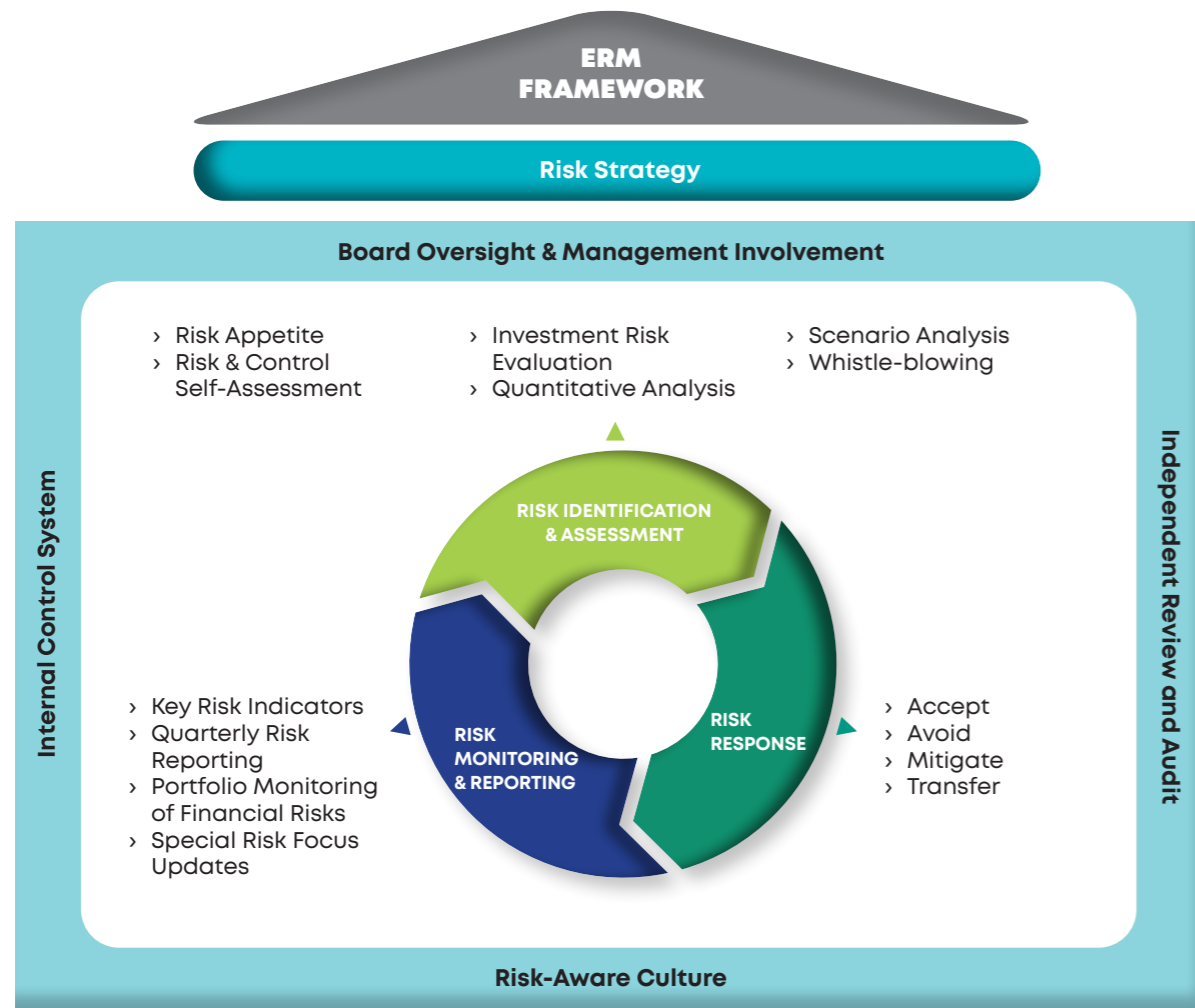


# Risk Management

CapitaLand Investment (CLI) maintains a robust risk management framework that allows us to proactively identify, assess and respond to material risks that can impact our objectives of generating sustainable returns as a global real estate investment manager (REIM) and creating long-term value for our stakeholders. We position CLI for long-term sustainable results by pursuing a risk strategy of optimisation of opportunities within approved risk appetite levels.

## ENSURING BEST-IN-CLASS RISK MANAGEMENT, CORPORATE GOVERNANCE AND COMPLIANCE TO BUILD A SUSTAINABLE BUSINESS

CLI's Enterprise Risk Management (ERM) Framework is adapted from the International Organisation for Standardisation 31000 International Risk Management Standards. It is benchmarked against other relevant best practices and guidelines and reviewed annually to ensure its continued relevance and practicality. It sets out the required environmental and organisational components needed to identify, assess, respond to, monitor and report material risks in an integrated, systematic and consistent manner as depicted below.



### BOARD OVERSIGHT AND SENIOR MANAGEMENT INVOLVEMENT

The CLI Board (the Board), assisted by the Risk Committee, approves the Group's risk appetite (risk tolerance) which determines the nature and extent of material risks the Group is willing to take to achieve its strategic objectives.

The Board also regularly reviews the Group's risk profile, material risks and mitigation strategies, and ensures the adequacy and effectiveness of the risk management framework and policies.

The Senior Management team directs and monitors the implementation and practice of risk management across the Group, including monitoring the risk exposure through key risk indicators.

Optimise Risk Create Value

### ROBUST INTERNAL CONTROL SYSTEM

CLI's ERM Framework operates within a risk governance structure based on three lines of defence. The first and second line of defence are responsible for the design and implementation of effective internal controls using a risk-based approach.

Employees play an important role as the first line of defence and are accountable for the effective management of risks that arise from their business activities.

The risk management and compliance departments as part of the second line of defence provide oversight and governance over risk management and compliance practices, promote and embed a culture of risk ownership and accountability.

### A STRONG CULTURE OF RISK AWARENESS

The first line of defence, comprising employees, risk champions or representatives from business units and corporate functions, work closely with the second line of defence to ensure risk management practices are implemented effectively and consistently across the Group.

Risk workshops are conducted regularly to ensure these practices are embedded in our decision-making and business processes.

Senior Management reinforces the culture by setting the right 'tone at the top', leading by example, and communicating our risk management strategy.

### REGULAR INDEPENDENT REVIEW AND AUDIT

Internal and External Audit as the third line of defence reviews the adequacy and effectiveness of risk management and internal control systems design and implementation so as to provide reasonable assurance to the Board.

# Risk Management

## CLI'S MATERIAL RISKS AND OPPORTUNITIES

A Group-wide Risk and Control Self-Assessment (RCSA) is conducted annually by all business units and corporate functions to identify key material risks, which include new and emerging risks, that CLI faces in delivering our strategic objectives, our respective mitigating measures and any opportunities that we can leverage on. Based on the 2022 RCSA results, the measures that we have taken to mitigate the material risks and opportunities that we can capitalise on are set out below:

Material Risks	Key Mitigating Actions	Opportunities
<p><b>Climate Change</b></p> <p>Physical risks such as rising sea levels, violent storms, long intense heat waves, flash floods and fresh water depletion.</p> <p>Transitional risks including potentially more stringent regulations and increased expectations from stakeholders.</p>	<ul style="list-style-type: none"> <li>Detailed assessment of the physical risks in the evaluation of any new acquisitions.</li> <li>Incorporate shadow internal carbon price in the evaluation of new investment/capital expenditure decisions. This helps to price in climate-related costs and opportunities, support low-carbon investments, prepare for stringent climate legislation, and avoid stranded assets.</li> <li>Regularly review the Group's mitigation and adaptation efforts, which include               <ul style="list-style-type: none"> <li>future-proofing our portfolio against changing climatic conditions from the design stage; and</li> <li>improving the operational efficiency of our properties, setting targets for carbon emissions, water, energy and waste management efficiency.</li> </ul> </li> <li>Well-established Group environmental management system which is externally certified to ISO 14001 in 15 countries.</li> <li>For more information, please refer to CLI's Global Sustainability Report (SR) 2022, to be published by 31 May 2023.</li> </ul>	<ul style="list-style-type: none"> <li>Enhance our positive reputation and build a strong track record in our sustainability efforts as a competitive advantage for the Group.</li> <li>Accelerate sustainability innovation and collaboration with tenants, supply chain contractors, vendors and suppliers.</li> <li>Capture opportunities that may arise in related fields or sectors.</li> </ul>
<p><b>Fraud, Bribery &amp; Corruption (FBC)</b></p> <p>Any forms of fraud, bribery and corruption that could be perpetuated by employees, third parties or collusion between employees and third parties.</p>	<ul style="list-style-type: none"> <li>Foster a culture of ethics and integrity in the Group.</li> <li>Adopt a zero-tolerance stance against FBC across our businesses.</li> <li>Communicate our commitment to integrity from the top through policies and practices, such as FBC Risk Management Policy, Whistle-blowing Policy, Ethics and Code of Business Conduct Policies and Anti-Money Laundering and Countering the Financing of Terrorism Policy and mandatory eLearning.</li> </ul>	
<p><b>Safety, Health &amp; Well-being</b></p> <p>Increased expectations from stakeholders to provide a safe and healthy environment, including well-being, at our assets and operations.</p>	<ul style="list-style-type: none"> <li>Assess health and safety-related risks in the evaluation of any new acquisitions.</li> <li>Entrench a sustainable safety culture through deep safety capabilities, disciplined safety practices, and a progressive and pervasive safety mindset that drives key safety performance targets for both CLI and our supply chain.</li> <li>Well-established Group occupational health and safety management system which is externally certified to ISO 45001 in 15 countries.</li> <li>For more information, please refer to CLI's Global SR 2022, to be published by 31 May 2023.</li> </ul>	

Material Risks	Key Mitigating Actions	Opportunities
<p><b>Competition</b></p> <p>Keen industry competition from established REIMs who are able to attract and manage more capital by meeting investors' expectations or reacting aptly to market trends.</p>	<ul style="list-style-type: none"> <li>Dedicated focus with three synergistic growth drivers in Fund Management, Lodging Management and Capital Management for focused growth and sustainable returns.</li> <li>Leverage ONE CapitalLand ecosystem for development partnerships and ensuring assets pipeline with CapitalLand Development.</li> <li>Leverage CLI's strong network of investment and asset management professionals with deep knowledge in multi-sector assets to source for opportunities in local markets.</li> <li>Rely on deep experience in multi-sector asset classes and portfolios, best-in-class operating platforms and proven track record in growing funds under management.</li> <li>Leverage in-house team of industry analysts to keep the Group on top of latest market trends.</li> </ul>	<ul style="list-style-type: none"> <li>Build a leading global listed REIM with strong presence in Asia to tap into growing interest in Asia real estate.</li> </ul>
<p><b>Cyber Security &amp; Information Technology</b></p> <p>Ongoing business digitalisation exposes the business to IT-related threats, which may result in compromising the confidentiality, integrity and availability of the Group's information assets and/or systems.</p>	<ul style="list-style-type: none"> <li>Execute CLI's Cyber Security Strategy through ongoing review against existing/evolving threat landscapes, and institute measures to minimise vulnerability exposure and manage threat vectors.</li> <li>Ongoing mandatory staff IT Security Awareness Training to counter human intervention in the information security chain.</li> <li>Periodically review and update Group-wide IT Security Policy and Data Protection Framework to ensure relevancy.</li> <li>Maintain and test IT Security Incident Management Procedure to ensure prompt response and timely remediation to cyber security incidents.</li> <li>Conduct annual Disaster Recovery Plan exercise to ensure timely recoverability of business-critical IT systems.</li> <li>Put in place enhanced protection controls for systems that hold personal data.</li> <li>Board oversight with regular updates to Risk Committee on the state of Cyber Security risk activities and key control improvements.</li> </ul>	<ul style="list-style-type: none"> <li>Build a cyber resilient infrastructure and network to harness the full potential of innovation and digital transformation of our business processes.</li> </ul>
<p><b>Economic</b></p> <p>Economic instability or changes in macro-economic factors such as inflation or unemployment, which results in challenging business conditions.</p>	<ul style="list-style-type: none"> <li>Diversify CLI's portfolio across asset classes and geographies in accordance with Board-approved country limits.</li> <li>Focus on CLI's core markets in Asia where the Group has operational scale and the underlying economic fundamentals are more robust.</li> <li>Actively monitor macroeconomic trends, policies and regulatory changes in CLI's key markets.</li> <li>Perform scenario analysis using an in-house developed 'Value-at-Risk' model.</li> </ul>	<ul style="list-style-type: none"> <li>Leverage our strong experience and network in Asia to access investment opportunities globally while maintaining focus on our core markets in Asia.</li> </ul>

# Risk Management

Material Risks	Key Mitigating Actions	Opportunities
<p><b>Financial</b></p> <p>Exposure to financial risks involving liquidity, foreign currency and interest rates and their volatility.</p>	<ul style="list-style-type: none"> <li>• Measure and evaluate financial risks using multiple risk management models, such as conducting stress testing and 'Value-at-Risk' modelling.</li> <li>• Hedge and limit certain financial risk exposures using various forms of financial instruments. For more details, please refer to the Financial Risk Management section on page 244.</li> </ul>	<ul style="list-style-type: none"> <li>• Manage our financial risks to give confidence to our investors and enhance our fund management track record.</li> <li>• Leverage our strong balance sheet to capture opportunities that may arise in this rapidly changing market.</li> </ul>
<p><b>Investment &amp; Divestment</b></p> <p>Deployment of capital into loss-making or below-target return investments due to wrong underwriting assumptions or poor execution.</p> <p>Inadequate planning to identify suitable divestment opportunities.</p>	<ul style="list-style-type: none"> <li>• Risk management department conducts a comprehensive independent risk evaluation for all projects above a stipulated investment value threshold.</li> <li>• Hurdle rates and weighted average cost of capital based on relevant risk-adjusted input parameters, used as investment benchmarks, are reviewed/ updated annually and adjusted where necessary.</li> <li>• All investment proposals are subject to a robust investment approval process and undergo comprehensive due diligence by engaging the support of an inter-disciplinary internal team, and/ or local independent consultants to advise on legal, tax, building design, quality, environmental, safety and security, and compliance with local laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Build on strong experience and track record in multi-sector assets and portfolios to increase our competitive advantage.</li> </ul>
<p><b>Political &amp; Policy Risk</b></p> <p>Instability or political changes in a country, changes in international policies or relations between countries as well as sudden changes in real estate related regulations in major economies and key markets where CLI operates.</p>	<ul style="list-style-type: none"> <li>• Actively monitor the geo-political environment, government policies and regulatory changes to anticipate shifts in trade, growth and innovation in our key markets.</li> <li>• Local management teams establish good working relationships with local authorities so as to be kept abreast of regulatory and policy changes, and lobby or engage with local authorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Access to investment opportunities globally with a focus on CLI's core markets in Asia to take advantage of shifts in asset classes, growth industries, and economies.</li> </ul>
<p><b>Regulatory &amp; Compliance</b></p> <p>Non-compliance to applicable laws and regulations, including tax, data protection and privacy, in the markets where CLI operates.</p>	<ul style="list-style-type: none"> <li>• Maintain a framework that proactively identifies the applicable laws and regulations, including taxation, and embeds compliance into day-to-day operations.</li> <li>• Leverage in-house specialised teams such as compliance and tax, and external consultants to provide advisory services and updates on changes to laws and regulations.</li> <li>• Establish Group-wide policies and procedures to address the requirements of the applicable laws and regulations such as Personal Data Protection Policy and Anti-Money Laundering Policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep abreast of the changing regulatory landscape to identify opportunities for improvements in the various compliance areas.</li> </ul>