

RISK MANAGEMENT

The Board of Directors has oversight responsibilities on risk management practices across the company and has appointed the Risk Management and Related Party Transactions Review Committee to provide continuous input, evaluation, and feedback on the effectiveness of the company's risk management process and internal controls system.

Through AREIT management, the Committee ensured that an enterprise-wide risk management program was established employing a process that considers a holistic view of the company's potential risk exposures and the strategies to manage the identified key risks. This is complemented by periodic performance reviews and constant communication across the

organization. In addition, an overall revisit of key risks is done every few years.

In 2024, AREIT completed the overall risk revisit and the Committee agreed to prioritize and monitor five key risk concerns. The key risks and mitigating measures are as follows:

RISK	MITIGATION
Marginalization Current office building leasing industry vacancy puts pressure on lease renewals and rental rates, which could adversely impact occupancy and rental rates of AREIT's office buildings.	AREIT's portfolio continues to be composed of Grade A commercial properties in prime locations, ensuring stable tenancy with long contracted office leases, minimal near-term lease expirations. In addition, AREIT, through AREIT Property Managers, Inc. (APMI), conducts proactive management of lease renewals and/or replacements as necessary. In addition, AREIT aims to maintain high customer satisfaction levels and performs facility upgrade programs.
AUM Growth Execution and Delivery The competitive landscape of Philippine REIT is evolving with peers actively expanding assets under management, and diversifying businesses, and enhancing product offerings.	AREIT through AREIT Fund Managers, Inc. (AFMI) are actively working on asset acquisitions from the Sponsor, Ayala Land, Inc., and are also looking into acquisitions from third parties to achieve AUM growth targets. In addition, AREIT and AFMI, work closely with the relevant regulatory agencies to be able to efficiently execute acquisition, and has engaged third-party experts and consultants when necessary.
Economic and Country The business process outsourcing (BPO) sector may encounter challenges from limited talent pool supply and potential adverse impact of artificial intelligence (AI), if any. In addition, geopolitical conflicts create uncertainty around global economic growth, which could adversely affect local market conditions.	AREIT through APMI ensures proactive coordination with clients to determine and align office space requirements in the mid to long term. AREIT's strategy of diversifying its portfolio and expanding its tenant base reduces the potential impact of the BPO sector on the company's overall performance. AREIT's master leases for retail and hotel assets, for example, which are long term and have fixed escalation provisions, provides the portfolio mitigants from potential sector-related volatilities.
Regulatory Industry is subject to laws and regulatory policies that are changing and/or have differing or evolving interpretations by regulators.	AREIT, together with AFMI and APMI, actively coordinates with the relevant regulators and will work closely with implementing agencies to ensure alignment with any changes in laws, policies, and codes. The company may seek third-party expertise when appropriate.
Organizational The execution of AUM growth plans requires the formation and mobilization of dedicated teams with specialized skills.	AREIT assesses its organizational structure, as well as those of AFMI and APMI, to align its capacity and expertise with future growth objectives, and recruits full-time personnel to support operations as necessary.