

RISK MANAGEMENT

The Board of Directors has oversight responsibilities over risk management practices across the company and has appointed the Risk Management and Related Party Transactions Review Committee (RMRPTC) 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 ensures the establishment of an enterprise-wide risk management program that adopts a holistic view of the Company's potential risk exposures and the strategies to manage them. This approach is complemented by periodic performance reviews and constant communication across the organization.

In 2025, AREIT completed the overall risk revisit, and the RMRPTC identified five priority risks for closer monitoring due to their significance to the Company's strategy and operations.

To further support ongoing oversight, AREIT is enhancing its monitoring approach through the use of Key Risk Indicators (KRIs), which offer helpful signals on potential shifts in risk levels over time.

MARGINALIZATION

Elevated vacancy levels and increasing supply in the commercial property market may intensify competition for tenants across office and other commercial asset classes. This could place pressure on lease renewals, rental rates, and tenant retention, potentially affecting occupancy levels, rental yields, and revenue stability across the Company's diversified portfolio.

MITIGATION STRATEGIES

- > **Investment Focus on Quality Assets:** AREIT maintains a portfolio of Grade A commercial properties in prime locations with long-term contracted leases and a well-managed lease maturity profile, supporting stable tenancy and predictable rental income.
- > **Lease Management:** Through AREIT Property Managers, Inc. (APMI), the Company actively manages lease renewals and tenant replacements to sustain occupancy and rental stability.
- > **Property Management:** Continuous facility upgrades and asset enhancement initiatives to keep properties competitive and well-maintained to sustain tenant satisfaction.
- > **Portfolio Diversification:** AREIT plans to infuse approximately P15-20 billion in assets annually to expand and diversify its portfolio, strengthening income stability and growth.

KEY RISK INDICATORS

The company monitors a range of market-related indicators, including occupancy trends, lease expiry profiles, directional rent reversion movements, pricing conditions, and customer sentiment.

AUM GROWTH EXECUTION AND DELIVERY

As competitors in the Philippine REIT sector expand their assets under management and diversify their portfolios, competition for high-quality assets and investor capital may intensify. This may constrain growth opportunities and place pressure on market share and returns.

MITIGATION STRATEGIES

- > AREIT, through AREIT Fund Managers, Inc. (AFMI), is actively pursuing asset acquisitions from the Sponsor, Ayala Land, Inc., while continuously scanning the market for both internal and external opportunities. This includes exploring acquisitions from third parties through established deal-sourcing channels, such as brokers, banks, and other market intermediaries to sustain AUM growth. AREIT and AFMI work closely with the relevant regulatory agencies to efficiently execute acquisition and engage third-party experts and consultants when necessary.

KEY RISK INDICATORS

AREIT considers indicators relating to asset growth, portfolio diversification, and execution readiness and efficiency.

ECONOMIC AND COUNTRY

Structural shifts in key tenant industries, including potential talent supply constraints in the business processing outsourcing (BPO) sector and increasing adoption of artificial intelligence, together with trade shifts and geopolitical conflicts that may weaken global economic growth, could reduce business expansion and space demand among tenants, potentially affecting occupancy levels, rental growth, and income stability across the Company's diversified property portfolio.

MITIGATION STRATEGIES

- > AREIT, through APMI, ensures proactive coordination with clients to determine and align office space requirements in the mid to long term and to plan stable rental cash flows on the company's office assets.
- > 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. For example, AREIT's master leases for retail and hotel assets, which are long-term and have fixed escalation provisions, provide the portfolio mitigants from potential sector-related volatilities.

KEY RISK INDICATORS

AREIT considers relevant macroeconomic and country-level indicators, such as growth trends, sectoral activity, and financial conditions.

REGULATORY

The REIT industry operates within a regulatory environment governed by evolving laws, regulations, and policy interpretations. Changes in applicable regulations or differing interpretations by regulators could affect compliance requirements, operational flexibility, or transaction timelines, potentially impacting the company's ability to execute growth strategies and maintain operational efficiency. Moreover, while the REIT law liberalization opens up new growth avenues for the company, it also levels the playing field for existing and new players, intensifying competition for assets and capital.

MITIGATION STRATEGIES

- > AREIT, together with AFMI and APMI, actively coordinates with the relevant regulators and works closely with the implementing agencies to ensure alignment with any changes in laws, policies, and codes. The company may seek third-party expertise when appropriate.

KEY RISK INDICATORS

AREIT monitors regulatory risk-related indicators, including, but not limited to, compliance with relevant laws and regulations.

ORGANIZATIONAL

The successful execution of the company's Assets Under Management (AUM) growth strategy requires the timely formation and mobilization of dedicated teams with specialized investment, asset management, and operational capabilities. Any challenges in attracting, developing, or retaining such talent could delay the execution of growth initiatives, potentially constraining portfolio expansion and value creation.

MITIGATION STRATEGIES

- > AREIT assesses its organizational structure, as well as those of AFMI and APMI, to align its capacity and expertise with future growth objectives. The company recruits full-time personnel to support operations as necessary.

KEY RISK INDICATORS

The Company evaluates selected people-related indicators, such as workforce stability, talent management, and leadership readiness.