

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Manager realises the significance of establishing a sufficient and effective risk management and internal control system, and has attended to this under the Pavilion REIT Operation Manual approved by the Board. Such process has been in place for the past years under review, including up to the date of approval of this statement for inclusion in the integrated annual report.

There is a policy in place pertaining to the level of authority required for transactions and standard operating procedures pertaining to operations and maintenance of Pavilion REIT's properties as well as acquisition and divestment of property.

The Audit Committee and Board meet at least once every quarter to review the financial performance of Pavilion REIT against the approved budget. The Board also reviews the business risk of Pavilion REIT, where identified by the CEO, internal auditor and external auditor and acts accordingly, where deemed appropriate. Board's approval is required for any proposed acquisition or disposal of investment property, which would be evaluated from the aspect of economic, environmental, financial and risks relevant to the property industry or sector. The Risk Management Committee also meets quarterly to review the risk map and risk register of Pavilion REIT based on policy and procedure adopted.

Anti-bribery and corruption assessments were conducted prior to engaging new tenants or renewing expired tenants. Measures to mitigate money laundering / combating the financing of terrorism have also been formalized with training provided. As we continue to leverage on information technology for business operation as well as continuous concern on breach of data security and privacy protection, training was provided to increase employees' awareness levels on cyber security threats such as malware and ransomware attacks, password security, using public wi-fi networks, securing mobile devices and cyber security best practices. Phishing emails were also regularly sent to staff to gauge their alertness.

BDO Governance Advisory Sdn Bhd ("BDO GA") had been appointed as internal auditor whereby they had performed internal control review on the procurement to payment process of operating expenses and property enhancement services with marketing public relations oversight on events. The review scope covered was as below:-

| Procurement to payment process of operating expenses and property enhancement services | Marketing - public relations oversight on events |
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| <ul style="list-style-type: none"> • procurement and payment process • assessment and monitoring of suppliers' performance • insurance coverage | <ul style="list-style-type: none"> • compliance with marketing policy and procedures • effectiveness of oversight controls over public relations and events / activities • effectiveness of risk event activities • tracking, monitoring and closure of complaints, public statements and social media activities |

The objectives of the review were as follows:-

- to assess the adequacy and test the integrity of the system of internal controls
- to assess compliance with policies and procedures and recommended best practices
- to identify any potential areas for improvement in the effectiveness and efficiency of the processes (if any)

The Audit Committee has reviewed the findings presented by BDO GA during the year. Recommendations made have been rectified and will be adhered to and the Audit Committee and Board will continue to monitor the recommendations on an on-going basis.

The Board has received assurance from the CEO that the risk management and internal control system is operating sufficiently and effectively, in all material aspects.

The Board is of the view that the risk management and internal control system in place for the year under review is adequate and effective. Nevertheless, it will continue to be reviewed and improved in line with changes in the operating environment.

Due to inherent restrictions as well as the ever-changing risk landscape, the controls which are employed are intended to mitigate and are not expected to eliminate all risks of failure to achieve business objectives. Established controls can only provide reasonable and not total assurance against material misstatement of management and financial information or against financial losses and fraud.