

RISK MANAGEMENT REPORT

The board is responsible for the governance of risk and mandates the governance thereof to the audit and risk committee to oversee and monitor the risk management framework and risk management processes.

Risk management is an integral part of the group's strategic management and is essential to ensure quality growth in the net asset value of the group, which translates into sustainable distribution growth.

The group employs a risk management framework to:

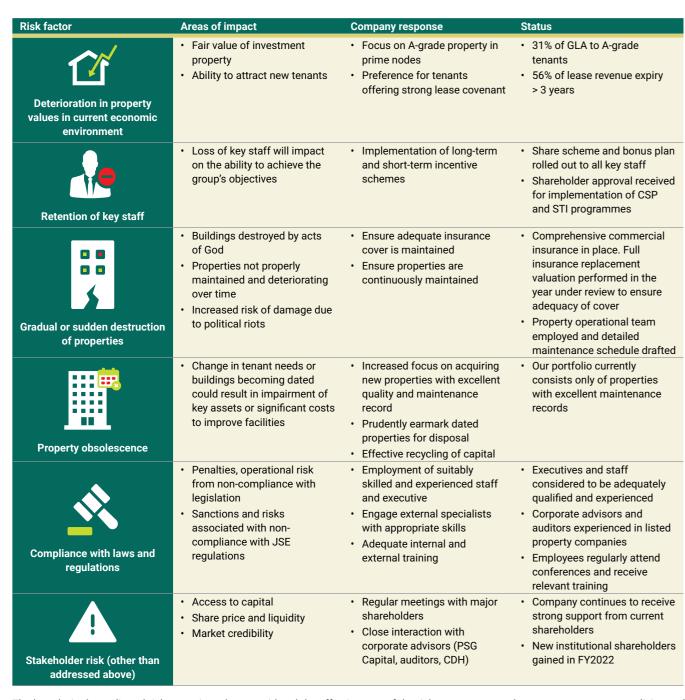
 Identify risk factors which may have a material impact on the group's operations;

- · Formulate a mitigating response for each area of impact;
- · Monitor progress against mitigation targets; and
- · Review and revise identified risks on an ongoing basis.

The board adopted a risk management policy which is implemented by the executive team and staff in the daily operations of the group. The policy is based on mitigating identified risks to the group to acceptable levels in line with industry practices whilst taking our strategic objectives into account.

The table below summarises the material risk factors identified and how these have been mitigated.

Risk factor	Areas of impact	Company response	Status
Tenant default	Sustainability of revenue and distribution Portfolio vacancies Increased bad debts Prolonged state of disaster	 Active client engagement and daily review of arrears Credit vetting process and preference for tenants offering strong lease covenant Increased bad debt provisions Complying with government 	 No significant post-year-end bad debts Active tenant engagement regarding payment Total vacancies only 6.24% of GLA No lockdown currently in
Covid-19	Further waves of infection	regulations • Providing tenant rental assistance as far as company can afford	place • Trade restrictions are currently limited
Tourism recovery	Greater economic impact on tenants in tourism industry Delay in purchase call option for 15 on Orange Hotel	Tourism-specific tenant support	Tourism improving with noticeable uptick in hotel activity and inbound booking Call option has 18 months before expiry
+ - ÷ Going concern risk	Inability to settle creditors and funding obligations as they become due	 Strong balance sheet with long-dated leases in place to generate sustainable cash flows Continuous management of overheads and improvement of project performance Prudent cash management 	 Current LTV 39.05%, well below the 55% bank covenant guideline Cash reserves adequate to cover creditors as they become due Solvency and liquidity performance test passed
Rapid increase in utility costs especially property taxes and electricity		 Use of renewable energy sources implemented Use of non-municipal water supply implemented 	 Investment in solar can decrease occupancy costs for tenants Boreholes and well points at high water use buildings operational 18% of lettable space comprises tenants fully recovering leases
Macroeconomic environmen	Access to capital Interest rate risk Rising Inflation Tenant defaults and reduction in rental income Low economic growth Increasing unemployment levels	 LTV target range of 38% – 43% and maintenance of adequate banking facilities Hedging target of 65% – 75% Focus on high-quality real estate in Western Cape only 	 Current LTV 39.05%, within target range 67.03% debt fixed 31% of GLA to large listed national or international tenants



The board, via the audit and risk committee, has considered the effectiveness of the risk assessment and management process, policies and procedures and is satisfied with the effectiveness thereof.

Jalaloodien Ebrahim Allie
Chair: Audit and risk committee

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