

KEY RISK MATRIX

Key Risk	Strategic goal impacted	Business Impact	Mitigation of the Risk
Continued escalation of municipal expenses, particularly electricity	Sustainable growth in distribution Developing and maintaining a strong relationship with tenants	Tower carries additional costs due to the amount of recoveries it can realistically recover from its tenants	Greening programme reduces consumption and therefore reduces tenants operating costs.
Impact of Interest rate increases on consumers and tenants	Sustainable growth in distribution Developing and maintaining a strong relationship with tenants	Increased interest rates place added burdens on tenant's balance sheets increasing risk of business failure	Asset and property managers engage regularly and strategically with tenants to assist with their business growth particularly in retail property.
Interest rate increases impacting the fund's monthly expenditure	Sustainable growth in distribution Maintaining a conservative debt profile	Increase in monthly interest expense which will lower the company's distributable income	Tower has fixed a large portion of its debt for between 3 and 5 years through interest rate swap contracts.
Local authorities billing incorrectly and valuing properties incorrectly.	Developing and maintaining a strong relationship with tenants Cost management	Increase in municipal charges is passed on to the tenants making cost of occupancy unaffordable	Tower pro-actively engages with the local authorities to ensure valuations are correct or are corrected as soon as possible. Municipal consultants are utilised in this regard.
Macro-economic conditions affecting monetary policy directly affecting consumers and tenants	Developing and maintaining a strong relationship with tenants Cost management	Households come under pressure reducing disposable income resulting in reduced retail expenditure	Tower seeks to engage with its tenants to make space affordable by utilising turnover rentals whilst reducing operating costs through greening programmes.
Service providers not providing efficient or accurate services, particularly the property managers	Developing and maintaining a strong relationship with tenants	Reporting errors and incorrect invoicing of rentals to tenants	The asset managers strictly monitor the performance of the property managers through set KPI's. The location of the property managers (in the same property as asset managers)

			allows for ease of communication, greater accuracy and efficiencies.
Higher cost of capital	Growing a quality portfolio Maintaining a conservative debt profile	Reduces company's ability to grow its balance sheet	Tower monitors its key financial ratios and is seeking to raise a portion of its debt funding through the debt capital markets.
Increased cost of equity	Growing a quality portfolio	Reduces company's ability to grow its portfolio	Tower issues shares to vendors for the purchase of properties reducing the amount of capital it needs to raise. Shares are attractive to investors given the REIT advantages to a seller, which include CGT rollover relief.
A large volume of leases expiring at once	Sustainable growth in distribution	Pressure is placed on the company to renew tenants at lower rentals to ensure retention and continuity of income	Asset Managers and Property Managers seek to spread the lease expiry profile as much as possible to ensure variable expiries, lease negotiations begin 6 months in advance with expiring tenancies.
Increase and recoverability of arrears	Sustainable growth in distribution Cost management	Significant monies owing are irrecoverable. Pressure on working capital requirements	Credit risk management processes implemented and enforced. Arrears are closely monitored.
Exchange rate fluctuations	Sustainable growth in distribution Maintaining a conservative debt profile	The strengthening of the rand reduces distributable income The weakening of the rand increases the fund's loan to value	Tower has entered into a zero-cost collar to hedge against the strengthening of the rand. Tower is in the process of selling several of its smaller properties and will use the proceeds to pay down its debt and reduce the loan to value of the fund.
Exposure to an unknown operating environment through the recent acquisitions in Croatia	Sustainable growth in distribution Growing a quality portfolio	Non-compliance with laws and regulations	Management consults with local and Croatian legal and tax advisors to ensure compliance with all laws and regulations.