Making a Mark

Lendlease Global Commercial REIT
Annual Report FY2020

lendlease
GLOBAL COMMERCIAL REIT

Making a Mark

In many ways, this has been a remarkable year. It marks the inaugural annual report of Lendlease Global Commercial REIT and measures our progress since our listing on 2 October 2019 on the Singapore Exchange. While the environment in which we operate has changed significantly amid the COVID-19 pandemic, our purpose remains the same: to make a positive and impactful mark on the people, the places and the communities wherever we are.

Corporate Profile

Listed on 2 October 2019 ("**Listing Date**") on the Main Board of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), Lendlease Global Commercial REIT ("**LREIT**") is a real estate investment trust established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets[1] located globally, which are used primarily for retail and/or office purposes.

Its initial portfolio comprises a leasehold interest in 313@somerset, a retail property located in Singapore, and a freehold interest in Sky Complex, which comprises three grade A office buildings located in Milan. As at 30 June 2020, the portfolio has a total net lettable area ("**NLA**") of approximately 1.3 million square feet, with an appraised value of approximately S$1.4 billion.

LREIT is managed by Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**"), an indirect wholly-owned subsidiary of Lendlease Corporation Limited (the "**Sponsor**"). The Sponsor is part of the Lendlease Group, which comprises the Sponsor, Lendlease Trust and their subsidiaries. Lendlease Group is an international property and infrastructure group with core expertise in shaping cities and creating strong and connected communities, with operations in Australia, Asia, Europe and the Americas.

Award-winning Paya Lebar Quarter, Singapore

Regional headquarters of the Lendlease Group in Asia.

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[1] Please refer to Prospectus for a detailed explanation on stablised income-producing real estate asset.

Key Events

LREIT's initial public offering was 14.5 times subscribed

Strong listing debut with portfolio of four quality assets located in two gateway cities.

Oct 2019

313@somerset tops GRESB ranking[1]

313@somerset clinched the top spot for the third year running in the Asia Retail category of the Global Real Estate Sustainability Benchmark ("**GRESB**") rankings, which is recognised as the global Environmental, Social and Governance ("**ESG**") benchmark for real estate investments.

Oct 2019

May 2020

Inclusion in the MSCI Singapore Small Cap Index, seven months following the listing of LREIT

Jun 2020

Redevelopment of Grange Road car park

Won tender to redevelop car park at Grange Road. With the inclusion of the Grange Road event space, LREIT's retail and lifestyle presence in the Somerset precinct will expand to approximately 330,000 square feet, anchoring the area. Set to be operational in the first-half of 2022, the concept aims to offer a first-of-its-kind lifestyle experience along Orchard Road, with multiple dedicated event spaces, an independent cinema, hawker stalls serving local delights and a food and beverage attraction.

[1] Assessment period for 2019 GRESB was between 1 January 2018 and 31 December 2018, which 313@somerset was held under one of Lendlease-managed funds. 313@somerset is wholly owned by LREIT with effect from 2 October 2019.

Key Highlights

Gross Revenue

Retail
66.3%
(S$36.8m)

Office
33.7%
(S$18.7m)

Capital Management

Aggregate Leverage
35.1%

Interest Coverage Ratio[3]
9.0 times

Average Debt Maturity
3.1 years

Average Cost of Debt[4]
0.86%
per annum

Net Property Income
S$ 40.3m
15.6% against forecast[1]

Distributable Income
S$ 35.7m
20.1% against forecast[1]

Distribution Per Unit
3.05 cents
19.7% against forecast[1]

Annualised Distribution Yield[2]
6.0%
1.5 percentage points against forecast[1]

Net Asset Value Per Unit
S$ 0.85
vs S$0.81 as at Listing Date[5]

Appraised Value
S$ 1.44b
vs S$1.40b as at Listing Date[5]

Portfolio Occupancy
99.5%
vs 99.9% as at 30 June 2019

[1] The Manager had, in the interest of good corporate governance, made announcements on 9 April 2020 and 20 April 2020, with regard to the IPO profit and distribution forecast for the financial period from 2 October 2019 (listing date) to 30 June 2020 ("FY2020") and the profit and distribution projection for the financial year ending 30 June 2021 ("FY2021"), as it may no longer be a fair basis against which the actual performance of LREIT could be compared given COVID-19 circumstances. For transparency, the Manager will still provide year-on-year comparisons of LREIT's financial results for FY2020 against the profit forecast for FY2020 disclosed in LREIT's prospectus and FY2021 against LREIT's financial results for FY2020, in the announcements of LREIT's full-year financial results for FY2020 and FY2021, respectively. Please refer to the Manager's announcements dated 9 April 2020 and 20 April 2020 for further details.

[2] The annualised distribution yield from 2 October 2019 (listing date) to 30 June 2020 is on a pro-rata basis of 273 days and based on unit price of S$0.68 as at 30 June 2020. The forecast yield from Listing Date to 30 June 2020 is 5.80% as per the IPO Prospectus and based on IPO listing price of S$0.88.

[3] The interest coverage ratio of 9.0 times is in accordance with requirements in its debt agreements, and 4.6 times in accordance with the Property Funds Appendix of the Code on Collective Schemes.

[4] Excludes amortisation of debt-related transaction costs.

[5] As set out in the Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date in the IPO Prospectus dated 25 September 2019.

Shaping the Future

However the world changes, people remain at the very heart of our business. People shape the places we create. They enrich the experiences we curate across the property value chain. By focusing on the needs and expectations of people today, we sustain the returns for our unitholders tomorrow and continue to shape the future together.

Mission and Strategy

313@somerset, Singapore

The retail mall along Orchard Road boasts brands that appeal to younger generations.

Mission

Provide unitholders with regular and stable distributions

Achieve long-term growth in distribution per unit and net asset value per unit

Maintain an optimal capital structure

Strategy

1 Proactive Asset Management and Enhancement Strategy

- Proactively manage LREIT's property portfolio to maintain and improve their operational performance, so as to optimise the cash flow and the value of the properties
- Drive organic growth, encourage strong relationships with the tenants of the properties, implement asset management strategies with the aim of ensuring continued relevance of the properties and facilitate property enhancement opportunities

2 Investments and Acquisition Growth Strategy

- Pursue opportunities to undertake acquisitions of assets that it believes will be beneficial to LREIT's portfolio, improve returns to unitholders, and opportunities for future income and capital growth
- Seek acquisitions that may enhance the diversification of the portfolio by location and tenant profile, and optimise risk-adjusted returns to the unitholders
- Leverage on the Sponsor's experience and track record in investing in real estate to identify investment opportunities

3 Capital Management Strategy

- Optimise LREIT's capital structure and cost of capital within the borrowing limits and employ a combination of debt and equity in financing acquisitions and asset enhancement initiatives
- Utilise interest rate and currency risk management strategies to minimise exposure to market volatility on its income
- Secure diversified funding sources to access both financial institutions and capital markets

Letter to Unitholders

Retail

High occupancy rate of approximately 98% and retention rate of about 87%

Clinched top spot in 2019 to be the Regional Sector Leader in the Asia Retail category of the GRESB rankings

Office

Fully let to Sky Italia under a long-term lease until 2032

Triple net lease structure that minimises operational costs and risks for LREIT

> We are committed to creating better places and building vibrant and resilient communities as part of our mission.

Anthony Peter Lombardo
Chairman

Dear Unitholders,

LREIT's performance for the first two quarters of FY2020 were tracking ahead of plan, however, similar to competitors in our sector, the COVID-19 pandemic has been a business disruptor to many industries and has impacted our operations.

Nonetheless, FY2020 has been a memorable first year for LREIT. The recent award of the tender to redevelop the Grange Road car park into a new multi-functional event space has offered us a great opportunity to be part of the rejuvenation of the Orchard Road retail district in line with the Singapore Government's initiatives. This is an exciting milestone for LREIT as we continue to play a significant role in injecting vibrancy to the Somerset precinct while showcasing our proven integrated capabilities in placemaking. In addition, the inclusion of LREIT in the MSCI Singapore Small Cap Index within a short span of seven months after listing further cemented our value proposition and gives us further confidence in our unique REIT offering. At LREIT, we are committed to creating better places and building vibrant and resilient communities as part of our mission.

A Quality Portfolio

We have put together a diversified portfolio of income-producing assets for LREIT with a mix of quality retail and office properties. Our current portfolio comprises four buildings with visible growth potential, a high committed occupancy, well-spread lease expiry profiles and high-quality tenants.

313@somerset is located in Singapore's prime retail district, Orchard Road, and attracts a high-quality, well-diversified tenant mix, with leases typically structured as three-year tenures. With the key focus of becoming a lifestyle destination for locals and tourists alike, the mall features established brands such as online retailer Love, Bonito as well as Pomelo. 313@somerset has a high occupancy rate of approximately 98% and retention rate of about 87% at a time when the Singapore retail market is challenged with an average occupancy rate of 91% in Orchard Road.

Sky Complex in Milan, which comprises three Grade-A freehold office buildings located in one of Italy's largest new city precincts, operates under a single, long-term lease to Sky Italia until 2032, with a break option in 2026. The three office buildings are characterised by large, efficient floor plates to meet the regional needs of global organisations seeking to establish progressive workplaces.

In the current uncertain economic environment, our key focus has been on operational efficiency to keep our portfolio viable and in protecting liquidity, we have maintained a keen eye on how our present actions may impact our future performance. In the retail sector, we will continue exploring various technologies to help us open up new choices and experiences for our customers, and in delivering an omni-channel retail experience. The data collected via the enhanced Lendlease Plus App will better inform us and our stakeholders on consumers' spending behaviour. This will stand us in good stead in adapting to trends and enhancing the retail experience both online and offline.

Letter to Unitholders

A Strong Financial Position

Facing an unprecedented global COVID-19 pandemic, net property income for the financial year ended June 2020 was $40.3 million, lower than the forecast of $47.7 million. This was mainly due to the support measures that LREIT has provided to its tenants at 313@somerset to ease their near-term cashflow pressure. The pandemic is anticipated to hit hard especially on the retail sector across the world. As a result, we had, in the interests of good corporate governance, issued an announcement in April to inform investors as soon as we had concluded that the profit and distribution forecast and projection in the IPO prospectus was no longer a fair basis against which the actual performance of LREIT could be compared given that there is no visibility as to when the COVID-19 pandemic will end.

Nevertheless, the office sector has been resilient. Rental contribution from our office asset, Sky Complex, remained stable for the financial year. In addition, its triple net lease structure has minimised operational costs and risks for LREIT.

We ended the financial year under review in a strong liquidity position with $83.7 million of cash and cash equivalents. We have good funding support from a diverse group of well-rated financial institutions. In addition, we have access to uncommitted, undrawn debt facilities is approximately $97 million equivalent. LREIT's assets are fully unencumbered and there is flexibility to obtain secured funding for future acquisitions if required. LREIT's interest coverage ratio was 9.0 times and we do not anticipate the need for refinancing until FY2023.

> " We are committed to operate in a manner that not only supports safety and sustainability but drives a culture of diversity and inclusion for our people and creating opportunities for them to thrive professionally.

Kelvin Chow
Chief Executive Officer

Creating the Best Places for People Today and Tomorrow

While the financial health of LREIT is critical to the success of our operations, our corporate responsibility extends to the health and well-being of our people as well as ensuring that we do our part to protect the environment. We are committed to operating in a manner that not only supports safety and sustainability but drives a culture of diversity and inclusion for our people and creating opportunities for them to thrive professionally.

It is important that we deliver places that are focused on people and support their health and wellness, and Lendlease Group develops buildings that are designed to be more operationally efficient and resilient. Our assets are in demand by businesses seeking to provide healthier, more productive environments for their people as well as capital partners who have aligned mandates for ESG investments. These investors are seeking managers with a local platform, track record, strong alignment of interests and strong corporate governance.

As a testament to our commitments in sustainability, 313@somerset clinched the top spot for the third year running in 2019, to be the Regional Sector Leader in the Asia Retail category of the GRESB rankings, which is considered to be the global ESG benchmark for real estate investments.

Looking Ahead

Given the impact of the COVID-19 pandemic, the year ahead for Singapore retail industry will be challenging and our management team is focused on rebuilding visitation and sales performance. We are confident that the rejuvenation plans announced by the Singapore Government for the Somerset precinct, where 313@somerset is located, will, as the recovery progresses enhance the vibrancy in the area, broaden the experience and attract increased footfall to the precinct.

The impact of the COVID-19 restrictions on the performance of retail malls will see more tenants consolidate to quality properties which are conveniently located. Experiential leisure activities, stronger brands, and food and beverage will become increasingly important to the tenancy mix. We are focused firstly on the health and well-being of our tenants and customers. We have enhanced our hygiene standards to ensure our cleaning regime is providing the safest of environments and we have strictly adhered to the safe distancing and best practice measures. We have also strengthened our marketing and digital offering via our Lendlease Plus App to improve the communication to our customers and to expand our market reach. Our approach to selecting and partnering quality tenants to enhance the visitor experience, increase the use of technology and improve customer services in store and online are all key to growing market share and visitations.

For office, we are strongly positioned having a 100% occupied quality office properties in Milan, which are fully let to Sky Italia till 2032. The area surrounding the offices at Milano Santa Giulia, is continuing to be enhanced with new prelet commercial developments under construction, attracted by the excellent connectivity of the Rogoredo high-speed train and metro station and being located at the gateway to Milan. Our experienced management team, both here in Singapore and in Milan, continues to assess new office trends emerging due to COVID-19 and future requirements of our tenants. Our assets in Milan provide modern workplace campus environments and are aligned to create a strong healthy business culture. Whilst the role of the workplace will continue to evolve and the use of technology will be expanded, we remain confident that quality workplaces strategically located with amenities, transport and free from the constraints of the older inflexible city-centre buildings, will continue to be in high demand.

Our Commitment Moving Forward

With our global mandate and our goal to achieve ongoing returns for Unitholders, we will continue to identify right potential acquisition opportunities that fit into the overall LREIT's investment strategy across gateway cities which the Lendlease Group has a presence in.

While we enter the year ahead with uncertainties posed by the continuing COVID-19 pandemic, we will, nevertheless, adopt prudent capital and asset management strategies to ensure that our assets are safe environments for our customers. We will also focus on cost management and ensure that we maintain appropriate financial flexibility and liquidity for the coming year.

The strength of economic recovery will depend on the evolving COVID-19 situation and the development of medical treatments that will provide consumers with the certainty they need to return to pre-COVID-19 activities. We stand ready to work in accordance with local guidelines to drive visitation back to our assets and focus on retaining and engaging our tenants as we continue to build on our healthy and long-lease expiry profile to provide Unitholders with regular and stable returns.

Aiming to set a benchmark for health, safety and sustainability, we will look to combine our talents and strengths to continue to create the best places for people to work, shop and play.

Acknowledgements

Our performance in our inaugural year of operation in all aspects of our business would not be made possible without the wisdom and guidance of our Board of Directors and the confidence placed in us by our Unitholders.

We also wish to thank our employees for their unwavering support and dedication in fostering the strong fundamentals that we see today. Our heartfelt thanks go to you all and we hope to count on your continued commitment and support.

Anthony Peter Lombardo
Chairman

Kelvin Chow
Chief Executive Officer

Board of Directors

Audit and Risk Committee
● Chairman
○ Member

Nomination and Remuneration Committee
● Chairman
○ Member

Mr Anthony Peter Lombardo ○

Chairman and Non-Independent Non-Executive Director

Age: 46
Date of appointment as a director:
21 January 2019
Length of service as a director (as at 30 June 2020):
1 year 5 months

Academic & professional qualification(s):
Bachelor of Business Accountancy, Royal Melbourne Institute of Technology
Chartered Accountant, Chartered Accountants Australia and New Zealand

Current directorships
Lendlease Asia Holdings Pte. Ltd.
Lendlease Aurum 1 Asset Management Pte. Ltd.
Lendlease Aurum 1 Property Pte. Ltd.
Lendlease Aurum 2 Property Pte. Ltd.
Lendlease Aurum Asset Management Pte. Ltd.
Lendlease Aurum Property Holdings Pte. Ltd.
Lendlease DC Holdings Trustee Pte. Ltd.
Lendlease Global Commercial (AU) Pte. Ltd.
Lendlease Global Commercial (IT) Pte. Ltd.
Lendlease Global Commercial (SG) Pte. Ltd.
Lendlease International Asia Holdings Pty Limited
Lendlease Investment Management Pte. Ltd.
Lendlease LQ Residential 1 JR Pte. Ltd.
Lendlease LQ Residential 1 Pte. Ltd.
Lendlease LQ Residential 2 JR Pte. Ltd.
Lendlease LQ Residential 2 Pte. Ltd.
Lendlease LQ Residential 3 JR Pte. Ltd.
Lendlease LQ Residential 3 Pte. Ltd.
Lendlease LQ Retail Pte. Ltd.
Lendlease Plot 2 Holdings JR Pte. Ltd.
Lendlease Plot 2 Holdings Pte. Ltd.
Lendlease Plot 2 Hotel And Retail Pte. Ltd.
Lendlease Plot 2 Residential Pte. Ltd.
Lendlease Proptech Investments Pte. Ltd.
Lendlease R&H Holdings JR Pte. Ltd.
Lendlease R&H Holdings Pte. Ltd.
Lendlease Senior Living Property Company Pte. Ltd.
Lendlease Sunbird Pty Limited
Lendlease TRX Hotel Pte. Ltd.
LQ Residential 1 Sdn. Bhd.
LQ Residential 2 Sdn. Bhd.
LQ Residential 3 Sdn. Bhd.
LQ Retail Sdn. Bhd.
Plot 2 JV Holdings Sdn. Bhd.
Plot 2 JV Development Sdn. Bhd.
Sunbird Wings Pty Limited
Toridage Pty Ltd

Major appointments (other than directorships):
Chief Executive Officer, Asia, Lendlease

Past directorships held over the preceding five years (from 1 July 2015 to 30 June 2020)
Lendlease Asian Retail Investment Fund 1 Limited
Lendlease Asian Retail Investment Fund 2 Limited
Lendlease Asian Retail Investment Fund 3 Limited
Lendlease Asian Retail Investment Fund 4 Limited
Lendlease Asian Retail Investment Fund 5 Limited
Lendlease China Investment Pte. Ltd.
Lendlease IMT (Armadale) Pty Limited
Lendlease IMT (GCAT) Pty Limited
Lendlease IMT (Menai Marketplace) Pty Limited
Lendlease IMT (Northgate) Pty Limited
Lendlease IMT (Settlement City) Pty Limited
Lendlease IMT (Southlands Boulevard) Pty Limited
Lendlease Finance Limited
Lendlease Senior Living 1 (Shanghai) Co., Ltd.
Lendlease Senior Living 2 (Shanghai) Co., Ltd.
Lendlease Senior Living Service (Shanghai) Co., Ltd.
Lendlease Sustainability Solutions Pty Limited
Milano Holdings JV Ltd
Roma Holdings JV Ltd
Verona Holdings JV Ltd

Dr Tsui Kai Chong ● ○

Lead Independent Non-Executive Director

Age: 64
Date of appointment as a director:
29 August 2019
Length of service as a director (as at 30 June 2020):
10 months

Academic & professional qualification(s):
MPhil and PhD (Finance), New York University
Chartered Financial Analyst

Current directorships
Intellectual Property Office of Singapore

Major appointments (other than directorships):
Member, Human Capital and Organisation Development Committee, National Council of Social Services
Member, Social Service SkillsFuture Tripartite Taskforce

Past directorships held over the preceding five years (from 1 July 2015 to 30 June 2020)
IP Academy
Keppel Land Limited
National Council of Social Services

Mr Simon John Perrott ○ ○

Independent Non-Executive Director

Age: 62
Date of appointment as a director:
29 August 2019
Length of service as a director (as at 30 June 2020):
10 months

Academic & professional qualification(s):
Bachelor of Science, University of Melbourne
Master of Business Administration, University of New South Wales

Current directorships
AIN Pty Ltd
Baybright Pty. Ltd.
Lendlease Real Estate Investments Limited
Perrott Properties Pty. Ltd.
Retirement Benefit Fund Pty Limited
The Wayside Chapel

Major appointments (other than directorships):
NIL

Making A Mark

LREIT is headed by an effective board of directors who are collectively responsible and work with the Manager for the long-term success of the REIT.

Past directorships held over the preceding five years (from 1 July 2015 to 30 June 2020)

Australian Cancer Research Foundation
CIMB Capital Markets (Australia) Pty Ltd
DMC1 Limited
DUET Company Limited
DUET Investment Holdings Limited
Lendlease Funds Management Limited
Makape Properties Pty. Ltd.
Personal Capital Corporation Pty Ltd
TC Advisors Australia Advisory Services Limited
TC Advisors Australia Holdings Pty Limited

Mrs Lee Ai Ming

Independent Non-Executive Director

Age: 65
Date of appointment as a director:
29 August 2019
Length of service as a director (as at 30 June 2020):
10 months

Academic & professional qualification(s):
Bachelor of Laws (Honours), National University of Singapore

Current directorships
Keppel Telecommunications & Transportation Ltd
Temasek Life Sciences Laboratory Limited

Major appointments (other than directorships):
Justice of the Peace
Member, Board of Inspection and Visiting Justices
Vice Chair, Institutional Discipline Advisory Committee, Ministry of Law & Home Affairs
Member, Reformation Training Committee, Ministry of Law & Home Affairs
Councillor, ASEAN Intellectual Property Association

Past directorships held over the preceding five years (from 1 July 2015 to 30 June 2020)

Addvison Pte Ltd
Agri-Food & Veterinary Authority of Singapore
Hwa Tat Lee Holdings Limited (now known as HTL International Holdings Pte. Ltd.)
Keppel Land Limited
K-REIT Asia (now known as Keppel REIT)
Rodyk & Davidson LLP (now known as Dentons Rodyk & Davidson LLP) (Partner)
Visodand Pte. Ltd.

Ms Ng Hsueh Ling

Non-Independent Non-Executive Director

Age: 53
Date of appointment as a director:
21 January 2019
Length of service as a director (as at 30 June 2020):
1 year 5 months

Academic & professional qualification(s):
Bachelor of Science (Estate Management), National University of Singapore
Fellow, Singapore Institute of Surveyors and Valuers
Licensed appraiser for Lands and Buildings, Inland Revenue Authority of Singapore

Current directorships
Lendlease Asian Retail Investment Fund 1 Limited
Lendlease Asian Retail Investment Fund 2 Limited
Lendlease Asian Retail Investment Fund 3 Limited
Lendlease DC Holdings Trustee Pte. Ltd.
Lendlease Global Commercial (AU) Pte. Ltd.
Lendlease Global Commercial (IT) Pte. Ltd.
Lendlease Global Commercial (SG) Pte. Ltd.
Lendlease Investment Management Pte. Ltd.
Lendlease PP Office Pte. Ltd.
Lendlease PP Retail Pte. Ltd.
Lendlease Retail Pte. Ltd.
Lendlease Singapore Holdings Pty Limited
Lendlease Singapore Pte. Ltd.
LL Investment Holdings Ltd
LL JV Ltd
Milano Central Holdings Ltd
Milano Central Pte. Ltd.
Milano Holdings JV Ltd
Parkway Parade Partnership Pte. Ltd.
Prime Asset Holdings Limited
Quintique Investment Pte. Ltd.
Roma Central Holdings Ltd
Roma Central Pte. Ltd.
Roma Holdings JV Ltd
Singapore Hokkien Huay Kuan
Space Lab Holding Pte. Ltd.
Space Lab One Pte. Ltd.
Triple Eight Investment Holdings Limited
Triple Eight JV Ltd
Verona Central Holdings Ltd
Verona Central Pte. Ltd.
Verona Holdings JV Ltd

Major appointments (other than directorships):
Managing Director, Singapore and Chief Investment Officer, Asia, Lendlease

Past directorships held over the preceding five years (from 1 July 2015 to 30 June 2020)
Bergen Residential Development Pte. Ltd.
Bergen Residential Holdings Pte. Ltd.
Bergen Residential Investment Pte. Ltd.
BFC Development Limited Liability Partnership
Central Boulevard Development Pte. Ltd.
Keppel REIT (Australia) Pte. Ltd.
Keppel REIT (Bermuda) Ltd
Keppel REIT Fin. Company Pte. Ltd.
Keppel REIT Management Limited
Keppel REIT MTN Pte. Ltd.
Lendlease Asian Retail Investment Fund 4 Limited
Lendlease Asian Retail Investment Fund 5 Limited
Lendlease Windmill Commercial Pte. Ltd.
Lendlease Windmill Residential Pte. Ltd.
Mirvac (Old Treasury) Pty Limited
Mirvac 8 Chifley Pty Limited
Ocean Properties LLP (Representative of Management Committee and Manager)
One Raffles Quay Pte. Ltd.
Schagen Commercial Development Pte. Ltd.
Schagen Commercial Holdings Pte. Ltd.
Schagen Commercial Investment Pte. Ltd.
Singapore Dance Theatre Limited

The Manager

Kelvin Chow
Chief Executive Officer

Mr Chow was appointed CEO of Lendlease Global Commercial Trust Management Pte. Ltd. in 2019. He has over 27 years of experience in finance and accounting matters, tax and treasury and capital management, of which more than 16 years are in direct real estate investments and fund management. Prior to this appointment, Mr Chow was the Managing Director of Lendlease Investment Management in Asia from 2018 where he managed the overall performance of the Asia funds platform and asset management function. Before joining Lendlease, he was the Chief Financial Officer of various REITs where he played a vital role to oversee the companys' financial activities.

Mr Chow holds a Master of Business Administration from Universitas 21 Global. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.

Joshua Liaw
Executive General Manager, Finance

Mr Liaw was appointed Executive General Manager Finance of Lendlease Global Commercial Trust Management Pte. Ltd. in 2019. He has over 15 years of experience in real estate finance and banking. He was previously a General Manager, Finance of Lendlease in Singapore, where he was responsible for the finance functions across Lendlease's operating businesses in Singapore. Mr Liaw joined Lendlease as its Head of Treasury, Asia in 2014, where he was responsible for all debt capital management and treasury activities for the Asia region. Prior to joining Lendlease, he had ten years of banking experience as a real estate coverage banker in Standard Chartered Bank and Citibank.

Mr Liaw holds a Bachelor of Science in Economics (Summa cum Laude) from the Singapore Management University and a Bachelor of Business (Transport & Logistics Management) with Distinction from the Royal Melbourne Institute of Technology.

Victor Shen
Senior Finance Manager

Mr Shen joined Lendlease Global Commercial Trust Management Pte. Ltd. as a Senior Finance Manager in November 2019. He has approximately 15 years of experience in financial reporting, consolidation and audit. Prior to joining the Manager, he was a Finance Manager with Mapletree Logistics Trust Management Ltd responsible for its consolidation and reporting function.

Mr Shen holds a Bachelor of Business in Accountancy from the Singapore Institute of Management (RMIT University) and is a Certified Public Accountant with CPA Australia.

Julia Chew
Deputy Fund Manager

Ms Chew was appointed Deputy Fund Manager of Lendlease Global Commercial Trust Management Pte. Ltd. in 2019. She was previously a Commercial Manager with Lendlease in Singapore. where she was responsible for optimising the returns of a key real estate development asset within the Lendlease portfolio. Prior to joining Lendlease, Ms Chew was a Manager in the Group Strategic Investments department at CapitaLand Limited responsible for exploring and executing corporate finance initiatives.

She holds a Bachelor of Business Management (Magna Cum Laude) from the Singapore Management University and is a Chartered Financial Analyst with the CFA Institute.

Making A Mark
LREIT has a dedicated team with in-depth local knowledge, offering enduring value to investors.

Ling Bee Lin
Investor Relations Manager

Ms Ling joined Lendlease Global Commercial Trust Management Pte. Ltd. as an Investor Relations Manager in December 2019. She has approximately eight years of experience in investor relations and corporate communications. Prior to joining the Manager, she was handling investor relations and corporate communications at another business trust listed on the SGX-ST.

Ms Ling holds a Bachelor of Commerce Degree in Management and Hospitality & Tourism Management from Murdoch University.

Mark Yong
Senior Analyst, Investment and Investor Relations

Mr Yong was appointed Senior Analyst, Investments and Investor Relations of Lendlease Global Commercial Trust Management Pte. Ltd., in 2019. He is responsible for evaluating and executing investment strategies for the REIT, in addition to providing support to the Investor Relations function. Prior to joining the Manager, Mr Yong was an Investment Analyst involved in the management of private equity funds and investment mandates under Lendlease Investment Management in Asia.

Mr Yong holds a Bachelor of Science (Real Estate) with Honours (Highest Distinction) from the National University of Singapore.

Property Managers

313@somerset

Jenny Khoo
Head of Asset Operations

Ms Khoo is responsible for the strategic management of Lendlease mixed development portfolios in Singapore. She develops, manages, oversees and implements asset business plan for these assets. Ms Khoo oversees leasing activities and tenant relationship management. She also ensures that the malls are leased at optimal market rents and occupancy to meet the commercial and financial targets for the portfolio.

Ms Khoo joined Lendlease in 2001 and has over 18 years of experience in asset management. She holds a Bachelor of Business in Management & Marketing from Monash University.

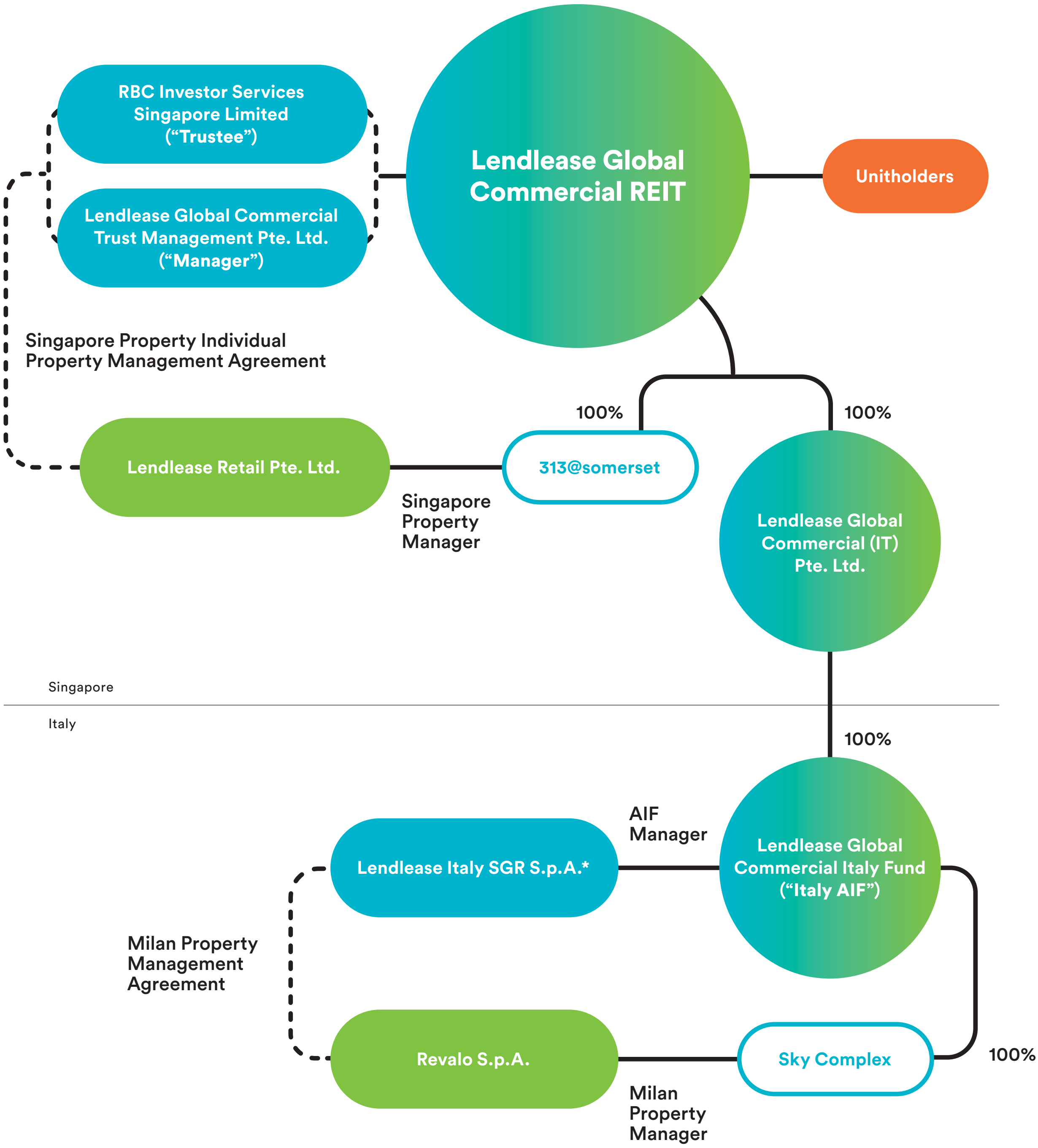
Sky Complex

Revalo S.p.A.
Property Manager

Revalo S.p.A. ("Revalo") is the property manager for Sky Complex responsible for property building and project management services as well as construction supervision services at Sky Complex.

Revalo is a third-party professional property manager that is unrelated to the Sponsor. It is owned by the management of Revalo and Elaia, a real estate asset management company. Revalo has an asset management of approximately €6.1 billion as at end June 2020.

Trust Structure



* With effect from 1 September 2020.

Corporate Information

Stock Exchange Quotation

SGX Stock Code: JYEU
Bloomberg Stock Code: LREIT SP
ISIN Code: SGXC61949712

Manager

Lendlease Global Commercial Trust Management Pte. Ltd.
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(Appointment date: 8 January 2020)

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Chairman and Non-Independent Non-Executive Director

Dr Tsui Kai Chong
Lead Independent Non-Executive Director

Mr Simon John Perrott
Independent Non-Executive Director

Mrs Lee Ai Ming
Independent Non-Executive Director

Ms Ng Hsueh Ling
Non-Independent Non-Executive Director

Audit and Risk Committee

Dr Tsui Kai Chong
Chairman

Mr Anthony Peter Lombardo
Member

Mr Simon John Perrott
Member

Mrs Lee Ai Ming
Member

Nomination and Remuneration Committee

Mrs Lee Ai Ming
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Ms Ng Hsueh Ling
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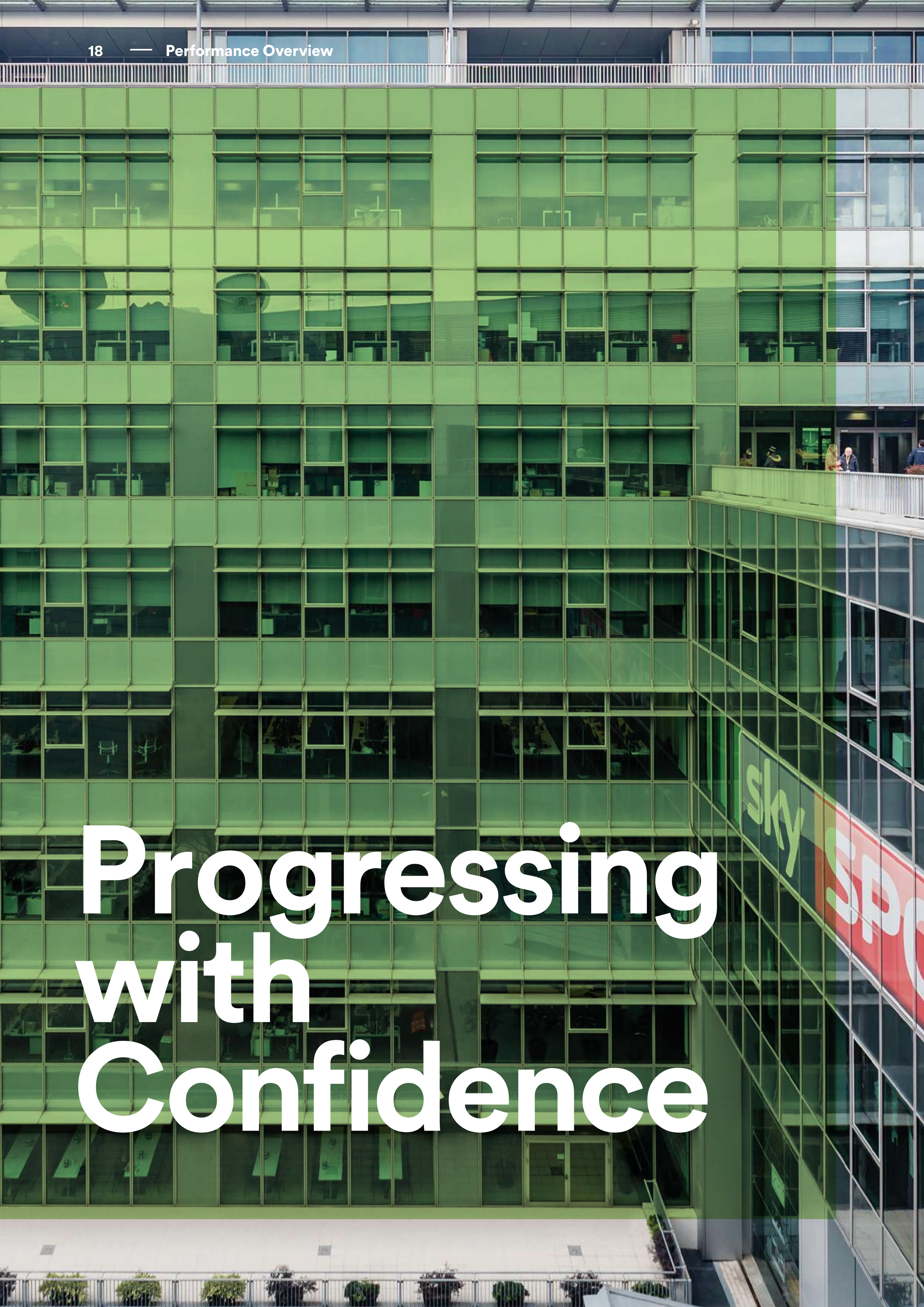


Progressing with Confidence

Sky Complex has large and efficient floor plates that could meet the needs of global organisations seeking to establish progressive workplaces.

As the demand for commercial real estate evolves, our portfolio of office and retail assets is strategically positioned to appeal to a broad demographic. Staying relevant in a changing market is the key to driving our performance and progressing with confidence.

Independent Market Review

By Colliers International

SG Singapore Retail Market

Economic Growth

Singapore is one of the most highly industrialised, open and diverse market economies in the world. Owing to its strategic location, world-class infrastructure and competitive tax environment, the city-state is one of the world's key global trade, logistics and financial hubs and the primary business centre in ASEAN. Singapore is consistently ranked by the World Bank Group as one of the best places in the world to do business due to its efficient government and streamlined administrative processes. The city-state is also ranked as one of the most innovative economies in the world according Bloomberg's Innovation Index, with research and innovation being a key component of the country's long-term economic resiliency strategy.

According to data from the Ministry of Trade and Industry and the Department of Statistics, Singapore's gross domestic product ("**GDP**") at current market prices totalled S$507.6 billion in 2019, with real GDP growth up 0.7% year-on-year from 2018. Global trade tensions – including between China and the United States – have considerably impacted the world's economy in 2019, causing a slowdown in global demand on which Singapore's open economy depends closely. Notwithstanding this temporary economic slowdown, Singapore remains on track to pursue its long-term growth trajectory once the trade tensions have been resolved. The Singapore economy grew by an average of 2.9% per year in real terms over the past five years, a higher rate of growth than most developed economies. Furthermore, Singapore's GDP per capita stood at S$88,991, being the eighth highest in the world in 2019.

The Remaking of Orchard Road

The Urban Redevelopment of Authority ("**URA**"), the Singapore Tourism Board ("**STB**") and the National Parks Board unveiled their plans to rejuvenate Orchard Road as a lifestyle and entertainment precinct. The regeneration scheme is being developed in close collaboration with local stakeholders, including the Orchard Road Business Association, property owners and government agencies. Significant government investments are expected in the coming years to implement the action plan and deliver the Orchard Road regeneration strategy.

The purpose of the strategy is to strengthen Orchard Road's position as a "must-visit lifestyle destination", in order to remain at the forefront of consumer trends and stay relevant to local and international visitors in face of increasing competition and evolving retail landscape. Through private and public sector collaboration, the strategy aims to bring in innovative concepts and exclusive retail offerings to maintain the vibrancy of Orchard Road as an "exceptional experience beyond retail".

The Somerset Precinct, to which 313@somerset belongs, will undergo an exciting transformation to position itself as a youth-oriented entertainment precinct under the plan. The Ministry of Culture, Community and Youth and the National Youth Council, in consultation with more than 40,000 youths, have developed a vision for the precinct in the form of the Somerset Belt Masterplan. The realisation of the plan will create a lifestyle and leisure destination for youth communities to come together and pursue collective aspirations or just simply engage each other. To complement this, the redevelopment of car park at Grange Road which has been awarded to LREIT, will be transformed into a new dedicated multi-purpose event space supported with a variety of dining and entertainment uses. The Somerset precinct will form a cluster of lifestyle offerings which will complete the Design Orchard showcase across the street. Adjacent public spaces will also be enhanced and linked with spectacular sculptural canopies to create a signature node on Orchard Road.

Colliers International believes that considerable growth opportunities will arise from the proposed rejuvenation of Orchard Road and Somerset precinct. The injection of additional "non-retail" experiential activities and uses will significantly contribute to increase in liveliness, repeat visitation, dwell times and discretionary spending within the precinct. The transformation will also enhance the positioning and differentiation of the precinct relative to other retail and entertainment destinations in Singapore, at a time when several other commercial precincts in Singapore are developing place-making strategies. Colliers is of the opinion that this strategy will help Orchard Road regain its status as Singapore's most visited and preferred destination for both locals and tourists, which in turn will materially benefit adjacent retail malls.

SG Key Retail Trends

The global retail sector is undergoing considerable transformations and the Singapore retail landscape is no exception. Key ongoing trends are driving material and rapid changes in consumers preferences and expectations.

Continued Rise of E-commerce

Singapore's e-commerce market continues its rapid growth trajectory, expanding 9.4% year-on-year in 2019 relative to 2018, with a compounded average growth rate of 17.2% per year since 2015. The share of total sales generated by e-commerce platforms increased considerably from about 3.2% in 2015 to 5.9% in 2019 and is expected to continue growing to reach a similar level as that of the United States at about 11% as at 2019. According to Colliers International, Singapore currently has the highest online shopping penetration rate in Southeast Asia, with 26% of Singaporeans shopping online at least once a week. The 25 to 44 age group has the highest propensity to shop online and are a driving force in the current retail environment. Brick-and-mortar grocers and retailers are increasingly leveraging on e-commerce platforms and omni-channel strategies to improve their in-store sales, including through "Click-and-Collect" options and omni-channel marketing strategies which are proving to be popular among consumers and effective in driving in-store sales.

Shifting Tenant Mix with Food & Beverage Businesses Anchoring Malls

F&B continues to be a major growth driver of the retail sector, reinforced by the strong growth in sales recorded in 2019. Supported by a shift in spending patterns toward food-related retail categories among customers, the share of F&B businesses in the tenancy mix is rising in malls across Singapore. Several existing malls have added new F&B components or are repositioning their tenancy mix in favour of F&B outlets, with as much as 35% to 40% of total net lettable area, to improve their F&B offering and provide new experiences to consumers.

Meanwhile, new malls such as Paya Lebar Quarter Mall, Funan Mall and Jewel Changi Airport are also intensively betting on F&B operators to add value to their tenant mixes and enrich the overall shopping experience.

More Experiential and Community-based Activities in Malls

Singapore retail malls are attracting activity-based tenants and activities to entice repeat visitation and extend dwell time among patrons. Diverse lifestyle and experience-based operators, including gyms, fitness studios, education centres, entertainment operations, social kitchens, makerspaces and other concepts are growing in popularity across Singapore. Several malls also increasingly feature family-friendly and community-oriented tenants and amenities. Post-COVID-19, experiential retail will likely continue with more stringent preventive measures in place such as disinfecting public areas more frequently and registration before entering these areas to facilitate contact tracing.

Prevalence of Malls as Main Socialisation Locales in Singapore

Shopping malls prevail as the primary form of meeting, entertainment and community spaces. Given their strategic locations and controlled environments, shopping malls play a key role in the social fabric of Singapore, both in the primary shopping areas such as Orchard Road and in the suburban areas. As a result, online-only platforms are looking for offline channels in Singapore shopping malls, because while online engagement will continue to increase, a physical presence is still very effective in the Singapore context.

Independent Market Review

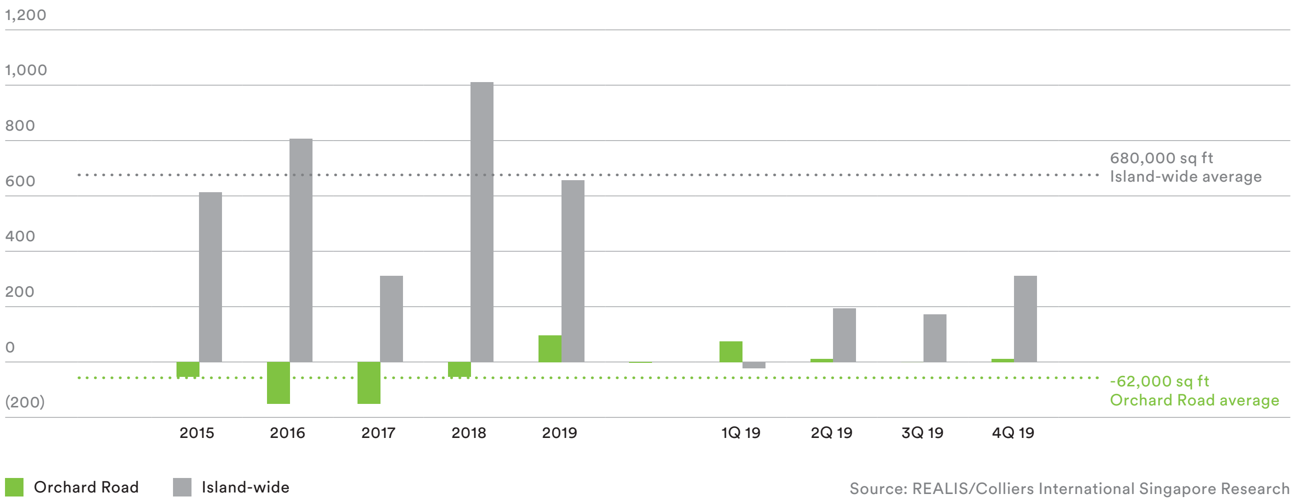
SG Retail Property Market

Supply

Past supply trends

The average net new supply over the past five years (2015 to 2019) stood at 680,000 sq ft per year island-wide and declined by 62,000 sq ft per year in the Orchard Road sub-segment. This could be attributed to the ageing stock of strata-titled retail properties on Orchard Road that underwent redevelopment or conversion from retail use to other uses. The island-wide net new supply of retail space fell by 35% from 1,012,000 sq ft in 2018 to 657,000 sq ft in 2019. The Orchard Road net new supply of retail space rose from a decline of 54,000 sq ft in 2018 to an addition of 97,000 sq ft in 2019, primarily because of the completion of Design Orchard in January 2019 and completion of an asset enhancement initiative at the TripleOne Somerset retail podium in the second half of 2019.

Net New Supply of Retail Space Island-wide and Orchard Planning Area (2015-2019)
'000 sq ft

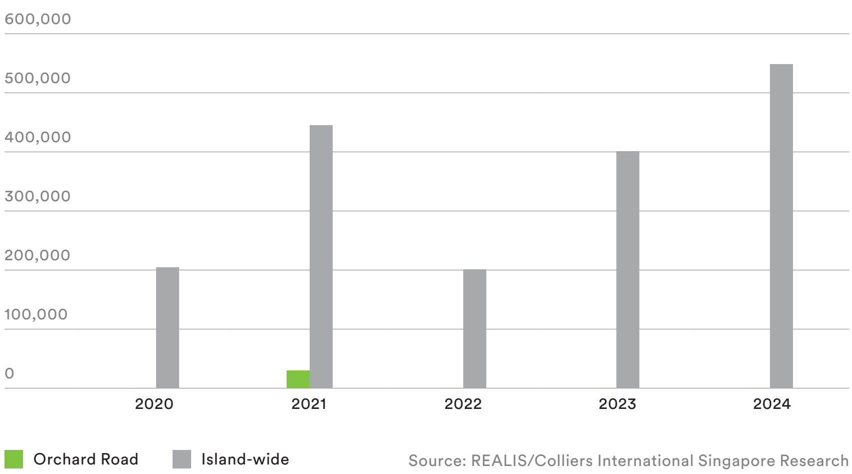


Source: REALIS/Colliers International Singapore Research

Future and potential supply

According to the URA, as of May 2020, there is limited upcoming or planned retail development in the Orchard Road micro-market. Most of the developments currently in the pipeline, such as Boulevard 88 (42,410 sq ft) along Orchard Boulevard to be completed by 4Q 2021 are ancillary retail spaces of mixed-use developments. Other proposed projects envisioned as part of the Orchard Road rejuvenation plans are currently just at the visioning stage and not yet subject to a planning application.

Future Supply of Retail Space Island-wide and Orchard Planning Area
sq ft (by net lettable area)



Source: REALIS/Colliers International Singapore Research

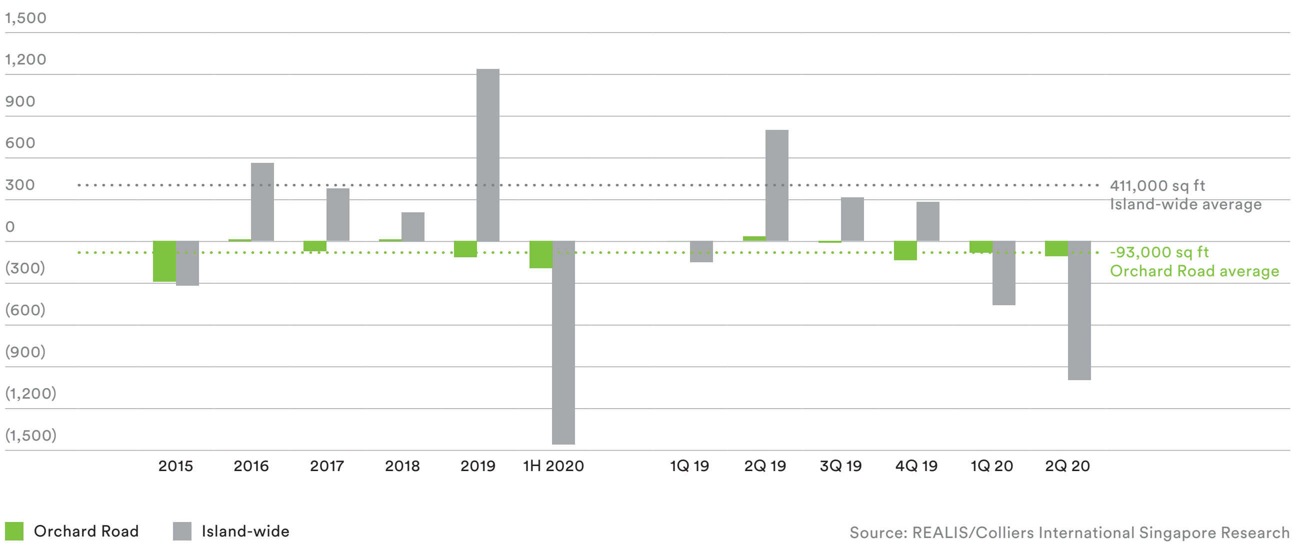
Demand and Occupancy

According to data from the URA, island-wide gross absorption averaged 411,000 sq ft per year during the five-year period (2015-2019), which was lower than the average retail stock growth of 680,000 sq ft recorded during that period. The large new supply of retail space coming to the market island-wide – relative to absorption – over the past six years, is the primary factor explaining the recent decline of retail occupancy.

As a result, the retail occupancy rate decreased from 92.8% in 2015 to 90.4% in Q2 2020. Within the Orchard Planning Area, gross absorption averaged -92,000 sq ft during the five-year period (2015-2019), exceeding the average retail stock decline of -62,000 sq ft. Gross absorption has decreased from 11,000 sq ft in 4Q 2018 to -118,000 sq ft in 4Q 2019. In 1H 2020, the gross absorption in Orchard Road and island-wide stood at -194,000 sq ft and -1,464,000 sq ft respectively. Occupancy rate has accordingly declined from 94.9% in 4Q 2018 to 92.0% in 4Q 2019 due to overall diminished demand related to some global retailers leaving the Singapore market. While these retailers are slowly replaced by newcomers, this has led to an increase in vacancy across the entire retail market. The occupancy rate has fallen further by 3.5% year-on-year from 94.2% in Q2 2019 to 90.7% in Q2 2020.

Gross Absorption (2015-Q2 2020)

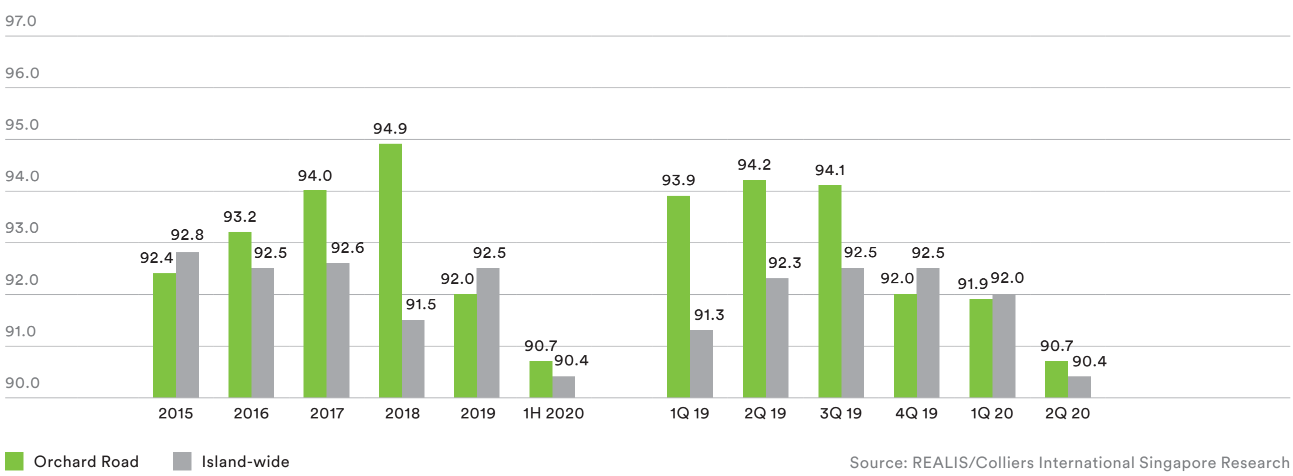
'000 sq ft



Source: REALIS/Colliers International Singapore Research

Average Occupancy Rate (2015-Q2 2020)

%



Source: REALIS/Colliers International Singapore Research

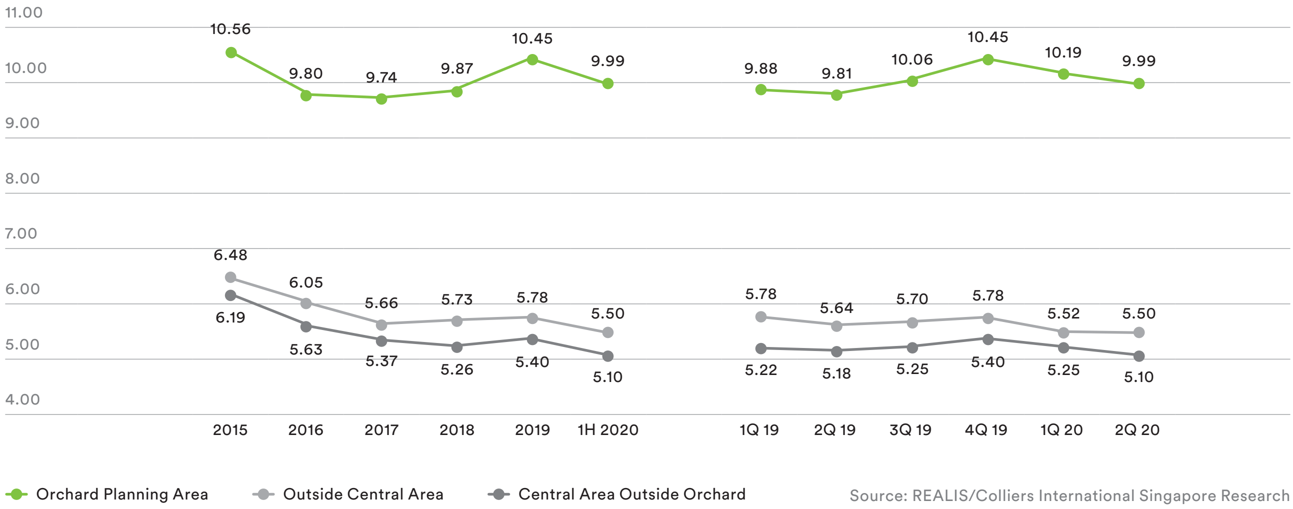
Independent Market Review

Rents

According to data from URA, the median rent for Orchard micro-market rose significantly faster than that of the island-wide average (+0.9% from $5.73 psf pm in 2018 to $5.78 psf pm in 2019). It was an increase of 5.9% from $9.87 psf pm in 2018 to $10.45 psf pm in 2019 amid limited new supply and improved sales performance at Orchard Road due to the rapid increase in tourism arrivals in recent years. The Orchard micro-market rent fell year-on-year by 1.5% from $5.18 psf pm in Q2 2019 to $5.10 psf pm in Q2 2020. The median rent fluctuated slightly over the past five years with new supply being delivered, decreasing from a peak of about $10.56 psf pm in 2015 to a low of $9.74 in 2017 to rise again to its current level as new supply was absorbed.

According to Colliers International's annual rental survey on prime retail rents – based on ground floor / MRT-level of major shopping malls – along Orchard Road and in suburban areas, landlords continued to concede lower rents to attract and retain tenants amid a challenging retail environment in 2019. Average monthly gross rents of prime ground floor retail space in the Orchard Road area fell by 1.3% year-on-year from $41.20 psf pm in 2018 to $40.65 psf pm in 2019 due to lower occupancy at Orchard Road malls and slower retail sales.

Median Rents
S$ psf pm



Source: REALIS/Colliers International Singapore Research

Yields and Transactions

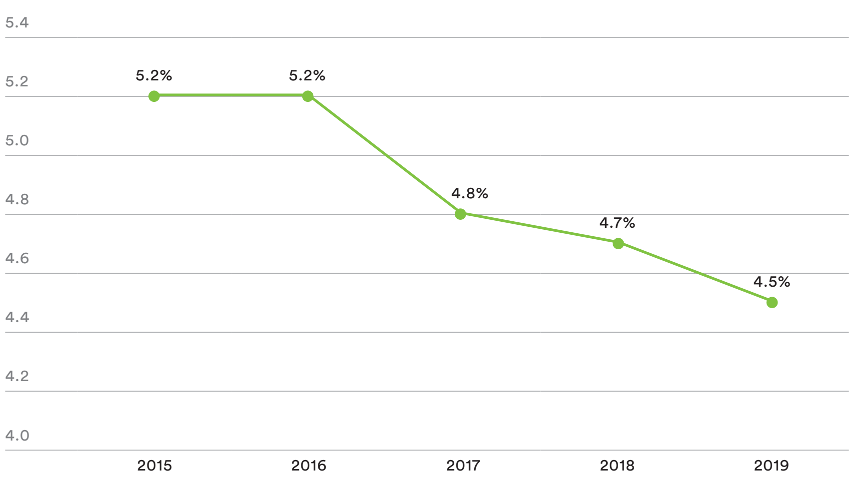
According to Colliers International valuation metrics, prime retail yields at Orchard Road have steadily compressed from 2015 to 2019 to stand at about 4.5% in 2019 amid considerable investment appetitive for prime Singapore assets but a shortage of assets for sale in the market. Capital values have continued to rise considerably and are expected to improve further as interest rates remain low and investors continue to look for attractive yields in safe asset classes, barring a protracted downturn. With prime retail assets in Singapore being tightly held and with relatively limited stock available for sale, capital values are likely to grow in line with global capital's increasing allocations to real estate amidst rising global volatility. Despite an unexciting short-term rental outlook, yields could compress further on the weight of capital allocation and brighter long-term recovery.

Total retail transaction volume island-wide stood at a decade high, increasing by 204% year-on-year to reach $4.1 billion in 2019 from $1.42 billion in 2018. Major transactions in 2019 included the Star Vista, Duo Galleria, Liang Court, Chinatown Point and Rivervale Mall. Notably, the addition of 313@somerset into newly listed LREIT as part of the initial portfolio for $1.0 billion also contributed to the overall transaction volume.

Over the next few years, the market remains conducive for deals given a favourable interest rate outlook, limited new supply and bottoming rents. There was a dearth of retail property transactions in Orchard Planning Area over the past five years. Apart from the injection of 313@somerset into LREIT, key transactions included the injection of Mandarin Gallery into OUE Commercial REIT via the merger of OUE Commercial REIT and OUE Hospitality Trust, the acquisition of the Park Mall by the SingHaiyi Group for $411 million and the acquisition of POMO by Gaw Capital for $143 million. In April 2020, Perennial Group divested its remaining 30% stake in TripleOne Somerset to Shun Tak Holdings based on a property value of $1.14 billion; and sold a 50% stake in AXA Tower based on the property value of $1.68 billion to Alibaba Group in May 2020.

Prime Retail Yields

%



Source: Colliers International, URA

Independent Market Review

SG Outlook

While the COVID-19 outbreak and circuit-breaker has caused a considerable impact to Orchard Road in the first half of 2020, it is important to note that this disruption is supply-led, government-imposed and will be temporary in nature. Given Singapore's solid economic fundamentals, healthy household balance sheet and strong overall economic position, consumer spending will resume promptly and rapid after the end of the outbreak when a treatment or vaccine is found. Evidence from China and Europe indicates that consumer spending spiked following the post-lockdown re-opening of stores. Colliers International expects a similar surge in spending driven by pent-up demand to also occur in Singapore once the circuit-breaker is lifted completely. This is especially true for the Orchard Area with its limited supply in the next five years and 313@somerset is poised to be on the forefront of recovery due to its accessible location atop Somerset MRT.

The long-term growth prospects of the global and regional tourism sector remain bright and Singapore will continue to be a major tourism destination with a thriving visitor economy. The STB is supporting the development of new and exciting tourism attractions and products, for example the remaking of Orchard Road as a leisure and entertainment precinct will support the city-state's attractiveness for many years to come.

313@somerset is expected to remain competitive and to perform well during the post-COVID-19 recovery due to privileged location, diverse trade mix and reliance on a local customer base. With its local mass market and youth-oriented positioning, 313@somerset is expected to remain resilient compared to other malls in the Orchard micro-market which depend much more on affluent shoppers and international tourism spending.

In addition, 313@somerset is well-positioned to take advantage of emerging retail trends and the rejuvenation of Orchard Road in the long-term especially with LREIT's expanded footprint, which includes a redeveloped multi-functional event space at Grange Road. The mall is expected to benefit from the rise of e-commerce due to the presence of existing tenants with strong online strategies and a younger target market who are technologically savvy and well-versed with online retail options. For example, it works with digital marketing consultancies to manage its social media presence in curating Facebook and Instagram accounts, content design and media planning. Furthermore, the mall's experiential and omni-channel tenant mix with a diversified online and brick-and-mortar retail mix such as Love, Bonito and Pomelo, will continue attracting younger shoppers, particularly in the context of the URA's vision to further celebrate the Somerset precinct as a youth-oriented entertainment destination. The redeveloped multi-functional event space at Grange Road will further synergise with the mall's offerings and provide opportunities to explore innovative entertainment and retail concepts. 313@somerset is expected to continue playing its role as the main commercial hub and destination within the Somerset retail precinct and will greatly benefit from the increased activity and footfall that will be generated from the proposed multi-purpose event spaces and integrated development to be developed in the area.

MI Milan Office Market

Economic Overview

Milan's long-term economic prospects remain strong amid solid fundamentals

The Milan Metropolitan City ("**Milan**") is Italy's business and economic powerhouse and the fourth biggest urban economy in the European Union. The city is the largest net contributor to the Italian economy, accounting for 10.2% of the national GDP while its population makes up only 5.4% of the national total. In 2019, Milan had the highest GDP per capita in Italy at €55,780, considerably higher than the national figure of €29,233 per capita, attributed to its well-diversified and vibrant private sector-led economy. Some of Milan's key economic sectors include business services, finance & insurance, fashion, advanced manufacturing and tourism. Milan is home to the corporate headquarters of many large Italian companies, banks, insurance companies, media conglomerates and the Borsa Italiana, Italy's only stock exchange.

Milan has been Italy's bright spot in terms of economic performance. Its GDP has grown faster, unemployment has remained lower and income levels have fared better than nationally. In 2019, Milan had an unemployment rate of about 6.0%, compared to 10.0% across Italy and the average household income was about 30% higher than the national average. Inflation remains low and on par with the national trend, with the consumer price index up just 0.7% year-on-year in 2019.

Overall, Milan's economic fundamentals are generally strong amid a robust private sector, solid household balance sheets and a well-diversified local and regional economy. Colliers International expects that, after the impact of the COVID-19 outbreak has passed, Milan will be among the first regions to fully recover and will continue leading Italy's economic and employment growth in the long-term.

Limited short-term impact on office sector amid COVID-19

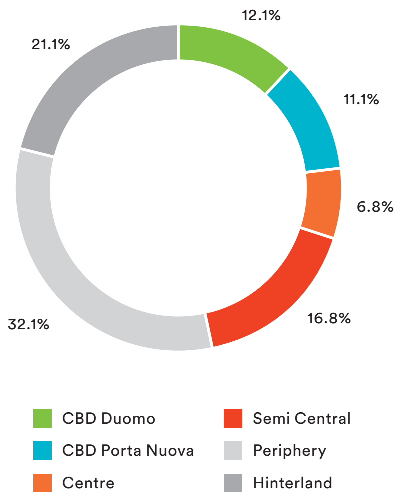
While the Milanese economy suffered from the COVID-19 outbreak, the office sector has seen limited short-term impact as most office functions, including in media and broadcasting, shifted to work-from-home arrangements and remained operational throughout the lockdown. The Italian government relaxed lockdown restrictions on 4 May 2020 as the country entered "phase 2" of the COVID-19 emergency response plan. Businesses and workplaces have been allowed to reopen with social distancing measures in place.

Independent Market Review

MI Milan, A Premier Office Destination

Milan remains the primary headquarter centre for large Italian corporations and a major European hub in the technology, media, fashion, consultancy and professional service sectors. In recent years, Milan emerged as a hotspot for office leasing activity in Europe amid strong occupier demand for new state-of-the-art quality office space, particularly in key sectors such as business services, finance & insurance, information & communication and co-working space operators. Milan is also attracting significant international investor attention, particularly in the office sector. As of Q1 2020, Colliers International estimates that approximately 35% of office property investments were from outside of Italy.

Milan Office Stock by Submarket in 2019



Large Corporations Increasing Presence in the Periphery Market

In 2019, the Periphery submarket, where Sky Complex is located, had a total office stock of approximately 4.0 million sq m, accounting for 32.1% of the total Milan office stock. Over the past ten years, the submarket emerged as an attractive office development location given its land availability, accessibility to the Milan Linate International Airport, high-speed rail services and other good public transport infrastructure. The Periphery submarket is increasingly popular with diverse sectors, including media & communication, business services, technology and financial & insurance services. Large corporations and MNCs who favour grade A and modern spaces have increased their presence in the Periphery market amid the availability of large office floorplates at a lower cost than in the prime CBD areas.

Office Market Recorded Stellar Performance in 2019

In 2019, the Milan office market recorded a particularly stellar performance on the back of sustained occupier demand and investor appetite for good quality office assets. Supported by strong pre-letting commitments and large leasing transactions, office market activity recorded a new all-time high amid limited new supply, resulting in a substantial decline in the vacancy rate and healthy lease rates across the entire Milan office market.

Key Indicators

	Milan		Periphery Submarket	
'000 sq m	**2018**	**2019**	**2018**	**2019**
Total Stock	12,399.0	12,419.5	3,982.71	3,982.71
Stock Change	-36.0	20.5	23.6	0
Vacancy Rate (%)	12.0	10.0	16.2	13.8
Take-up	370.0	462.1	119.9	131.3
Absorption	175.2	264.9	85.7	96.3
Prime Rent (€/sq m)	550	590	280	280
Prime Net Yield (%)	3.40	3.25	5.75	5.75
Transaction Value (€ million)	2,078.0	3,663.0	415.6	732.6

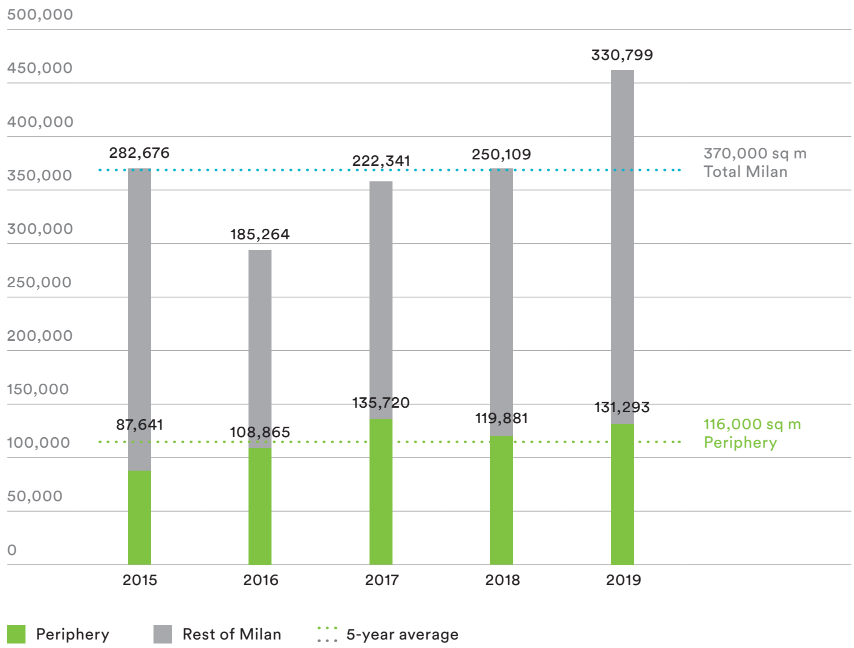
Source: Colliers International. "Take-up" refers to total leasing activity in a given year, notwithstanding changes in supply and vacancy in the broader market whereas "absorption" refers to total change in occupied space and reflects changes in supply and vacancy/occupancy in the overall market.

Take-up and Absorption

Key office trends have continued throughout 2019 and have played a key role in supporting office market activity. The volume of pre-leasing transactions in new or renovated properties remains high, accounting for 36% of the total city-wide transacted volume in 2019. The quality of the office space and its location, especially proximity to the metro and train network, are becoming two key determining factors for office selection and relocation.

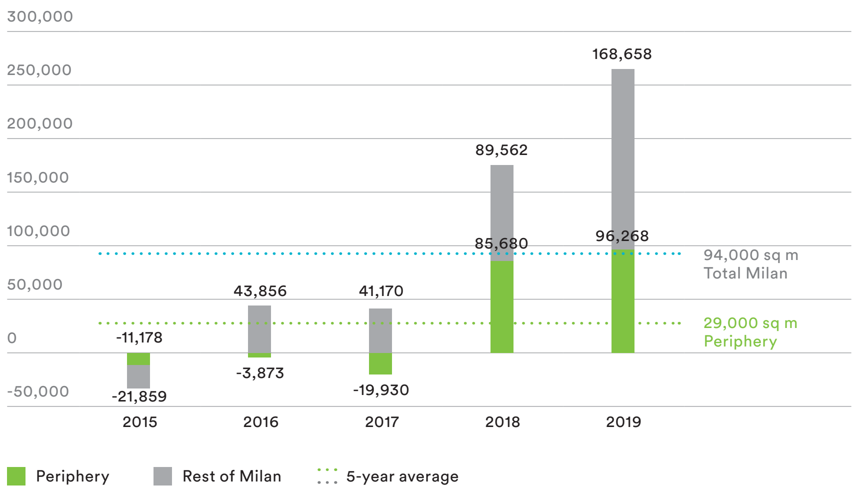
During 2019, the Periphery submarket accounted for the lion's share of the total office take-up across Milan (28.4%), with 131,000 sq m of space leased due to a large number of transactions exceeding 5,000 sq m. Take up rates of modern Grade A office spaces tend to be higher compared to lower quality office grades and available supply remains low in the Periphery submarket. Strong absorption in the Periphery submarket accelerated in 2019 amid limited new supply, large available office inventory, and strong occupier demand for new good quality peripheral office spaces.

Total Office Take-up in Milan and Periphery (2015-2019)
sq m



Source: Colliers International. "Take-up" refers to total leasing activity in a given year, notwithstanding changes in supply and vacancy in the broader market.

Total Office Absorption in Milan and Periphery (2015-2019)
sq m



Source: Colliers International. "Absorption" refers to total change in occupied space and reflects changes in supply and vacancy/occupancy in the overall market.

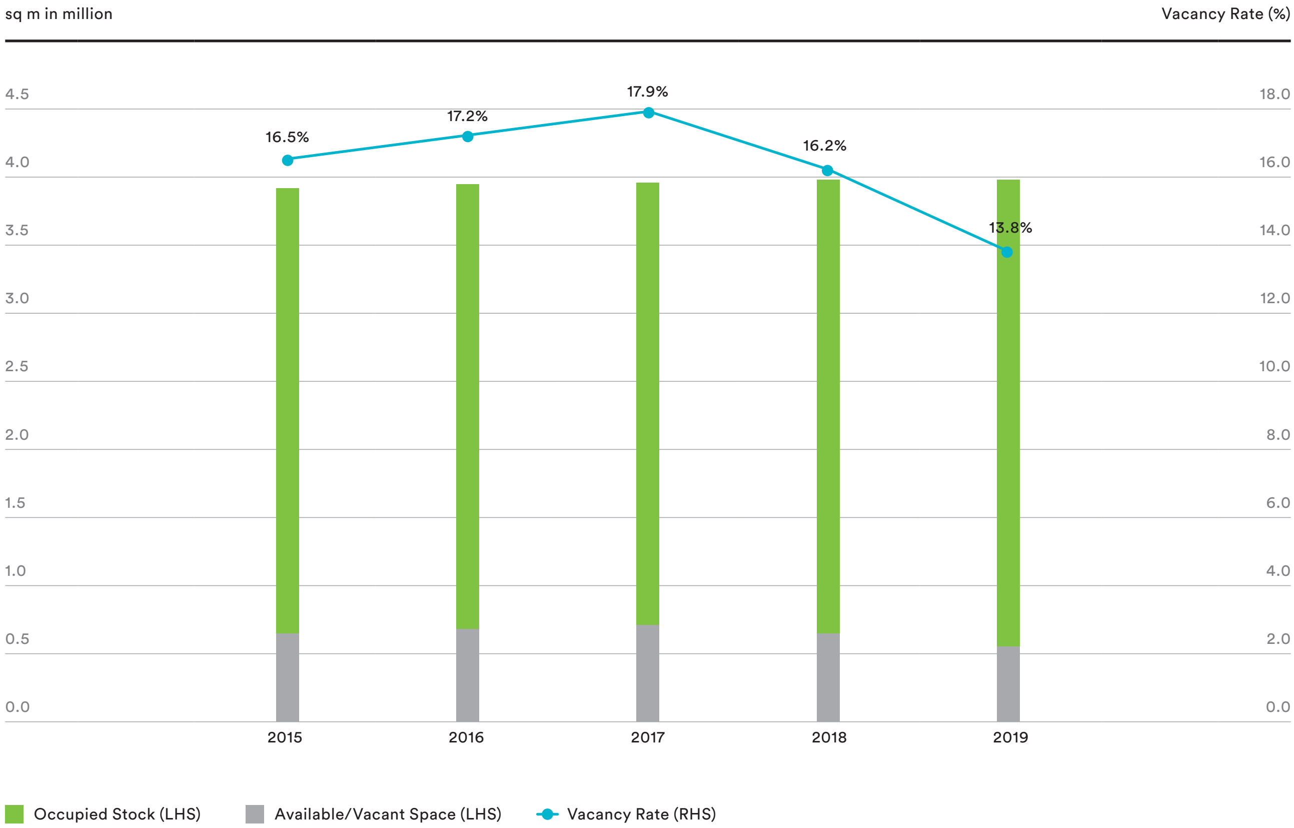
Independent Market Review

Supply and Vacancy

Office vacancy has decreased in the Milan market over the past five years amid limited net new supply, the renovation, refurbishment and conversion of ageing stock, and strong occupier demand. This strong level of demand exceeding net new supply led to a reduction in the office vacancy rate across Milan, from 12.6% in 2015 down to 10.0% in 2019. The fastest year-on-year reduction in vacancy occurred during 2019, where the total amount of vacant space declined from about 1.49 million sq m in 2018 to 1.24 million sq m by the end of 2019.

In the Periphery submarket, absorption (average of 29,400 sq m per year) has also exceeded net new supply (average of 15,600 sq m per year) over the past five years, causing the vacancy rate to decline from 16.5% in 2015 to 13.8% by the end of 2019. It is important to note that the higher office vacancy rate in Periphery submarket – relative to city-wide – is related to the large proportion of Grade B and C office spaces located away from a metro or train station which exhibit relatively low occupancy levels compared to Grade A office buildings located near key transit nodes.

Total Office Stock and Vacancy in Periphery (2015-2019)



Source: Colliers International. "LHS" refers to left-hand side axis and "RHS" refers to right-hand side of the axis.

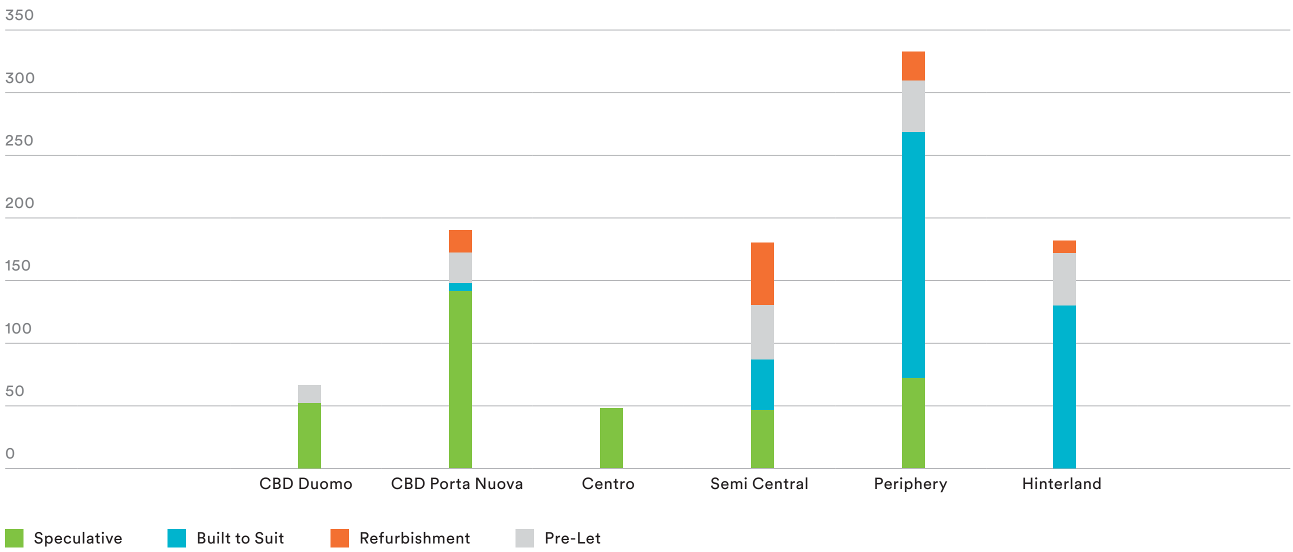
New Supply and Projects in the Pipeline

In the Periphery submarket, there is a pipeline of approximately 330,000 sq m of gross land area ("**GLA**"), accounting for some 33% of Milan's total pipeline, of which about 60% will be developed as build-to-suit. The COVID-19 is expected to delay the delivery of all projects by at least six months and to delay the launch of some speculative projects.

As of Q1 2020, there were approximately 246,000 sq m of new office space in projects under construction or planned in the southeastern part of the Periphery and Hinterland submarket. The three buildings at The Sign project at Via Schievano 1 totalling 25,400 sq m are expected to be completed in 2020 and are almost entirely fully committed by major occupiers. In 2021 and 2022 and beyond, approximately 85,600 sq m and 135,100 sq m of new office space is anticipated respectively. Within the Milano Santa Giulia district where the Sky Complex is located, there are two office projects expected to be delivered over the next three years or so. The Spark One & Two (50,000 sq m) and the Connecto projects (40,000 sq m) are located within 200 metres away from the Sky Complex and upon completion, are expected to consolidate the Milano Santa Giulia as a major, conveniently located, metro-accessible prime office district in South Milan.

Upcoming New Office Supply in Milan

'000 sq m



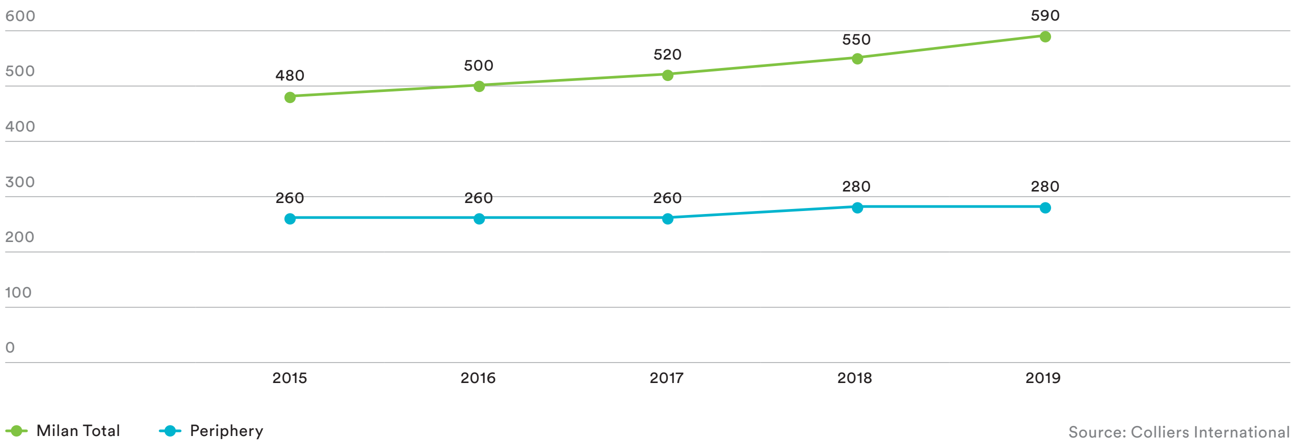
Location	Property Name	Status	Expected Completion Year	GLA (sq m)
Via Schievano 1	The Sign-Building A, B and C	Under construction	2020	25,400
Viales Ortles	Symbiosis	Under construction	2021	9,400
Viale Alcide De Gasperi	6° Palazzo Uffici	Under construction	2021	56,000
Milanofiori Nord U3	Milanofiori Nord U3	Under construction	2021	10,100
Milanofiori Nord U1	Milanofiori Nord U1	Under construction	2021	10,100
Viale Luigi Russolo	Spark One & Two	Under construction	2022 and beyond	50,000
Via dei Pestagalli	Connecto	Planned	2022 and beyond	40,000
Milanofiori Nord	Milanofiori Nord Ux	Planned	2022 and beyond	10,100
Via Rizzoli	Novalis	Planned	2022 and beyond	35,000

Source: Colliers International

Independent Market Review

Office Average Prime Rent (2015-2019)

€/sq m per year



Source: Colliers International

Rents

The tightening of supply and demand conditions in the Milan office market put upward pressures on rents in recent years, both in central and peripheral areas of the city. The reduction of the available vacant supply across the city made it more challenging for occupiers to secure large floor plates in high-quality Grade A buildings, particularly in well-located locations in established business districts and near metro and rail stations. The average rent of prime Grade A office locations in Milan rose from €480 per sq m per year in 2015 to €590 per sq m per year in 2019, a compounded annual growth rate ("**CAGR**") of 5.3% over the four-year period.

In the Periphery submarket, average prime rents rose more moderately from €260 per sq m per year in 2015 to €280 per sq m per year in 2019 – a 1.9% CAGR – amid a larger stock of available space due the large influx of new supply over the past five years. Given that majority of the good quality office stock in the Periphery market has been developed in the past ten years, a large number of tenants are first occupiers in the building and remain on original lease terms subject to Italy's rent adjustment control regulations. Rent increases are expected in years to come as the occupier flight to good quality peripheral space continues, supply-demand dynamics continue to tighten, and the submarket becomes more established as a Grade A office location.

Yields and Transactions

The Milan prime office market transitioned to a two-tier investment yield system in recent years. The first tier includes office assets located in prime central district such as CBD Duomo and CBD Porta Nuova which command a valuation premium, with a net yield of about 3.25% as of 2019. This tier of assets recorded a rapid yield compression over the past five year (about 27%) amid the low interest rate environment, the limited number of assets on the market and increased participation from foreign investors. The second tier includes good quality assets in well-connected peripheral locations with considerable development potential, such as the Periphery submarket where yields for good quality office properties compressed more moderately (by 16.6%) since 2015, from 6.90% to 5.75%.

The total investment volume in the Milan office market totalled €3.7 billion in 2019, up 76.3% year-on-year from 2018, the highest level ever recorded. In the Periphery submarket, Colliers estimates based on information available publicly that €732.6 million worth of office property assets were transacted in 2019. Two notable Grade A office transactions include the acquisition of the Sky Italia Complex by LREIT and the Vodafone Village 1 by Meritz Financial Group.

MI Outlook

While leasing and transaction activity is expected to remain soft as a result of the COVID-19 outbreak, the long-term prospects are bright for the Milan office market. In the coming years, Colliers International expects the Periphery submarket to further raise its profile as a key office location for major occupiers interested in good quality office facilities located near rapid transit at a lower price point than the prime CBD areas. The office vacancy rate in the Periphery will continue decreasing gradually in the coming years as large occupiers pursue space rationalisation and office decentralisation strategies. The limited space availability in central and semi-central areas will also generate demand spill-over from these districts to the Periphery submarket, particularly in locations easily accessible by metro and train. As such, office locations near a metro and train station will continue to outperform those located further away and will attract increasing interest from developers for potential office developments. The Periphery submarket will continue to be a preferred location for major occupiers interested in built-to-suit office solutions, particularly in the context of the development land scarcity in the central and semi-central areas of Milan.

While considerable new supply is expected in the vicinity of the Sky Complex in years to come, the development of a new arena in Milano Santa Giulia will consolidate the district and raise its profile as an emerging mixed-use destination. New developments are expected to be fully pre-let prior to completion, which will not materially affect the performance of the Sky Complex. In fact, new nearby office developments could push the landlords and the Milano Municipality to accelerate the rejuvenation of the area and further establish the Milano Santa Giulia district as one of Milan's key decentralised office and mixed-use destinations. Sky Complex will considerably benefit from the enhanced status of Milano Santa Giulia given its strategic location near the area's main transit node and its good quality office space, with lease rates and capital values expected to increase amid growing occupier and investor interest.

Property Summary

Key Statistics
(as at 30 June 2020)

Location
313 Orchard Road, Singapore 238895

Title/Tenure
Leasehold 99 years from 2006

Ownership
100%

Number of tenants
142

Car park lots
220

Purchase price
S$1,003 million[1]

Valuation
S$1,008 million

Net lettable area
288,277 sq ft

Gross revenue for FY2020
S$36.8 million

Net property income for FY2020
S$23.4 million

Committed occupancy
97.8%

[1] The property was acquired from Lendlease Retail Investments 1 Pte. Ltd.

Singapore

313@somerset

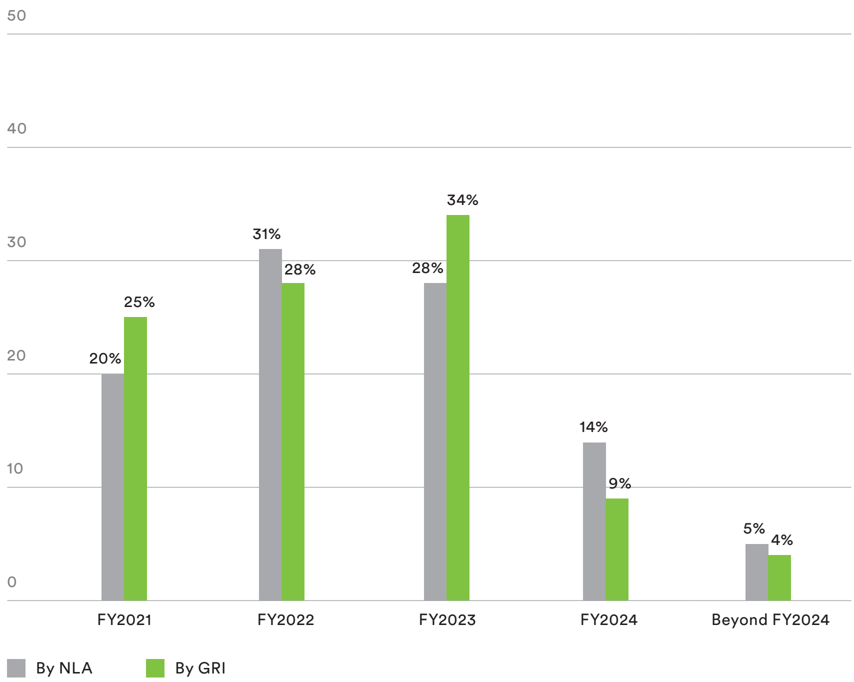
313@somerset is strategically situated along Orchard Road, the major shopping district and tourist attraction in Singapore. The mall boasts direct access from Somerset MRT Station through an underground walkway and enjoys prominent street frontage view with high visibility from both Orchard Road and Somerset Road.

313@somerset is a differentiated lifestyle destination mall with a curated tenancy mix, which spans across eight retail levels, comprising three basement levels and five levels above ground. The "Discovery Walk" at the ground level is impeccably designed to be a walking street that reflects the relaxed ambience and provides peaceful tranquillity juxtaposed to the bustling streets of Orchard Road.

Lease Expiry Profile

The lease expiry profile for 313@somerset remained evenly spread out as at 30 June 2020, with approximately 25% and 28% of the leases by gross rental income ("**GRI**") due for renewal in FY2021 and FY2022, respectively. The mall has a weighted average lease expiry ("**WALE**") profile of 1.8 years by GRI and 1.9 years by net lettable area ("**NLA**").

Lease Expiry Profile by NLA and GRI



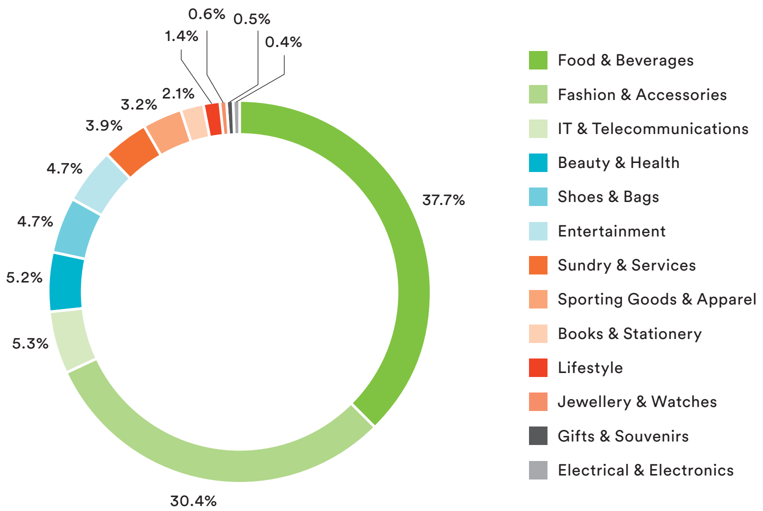
Trade Sector Analysis

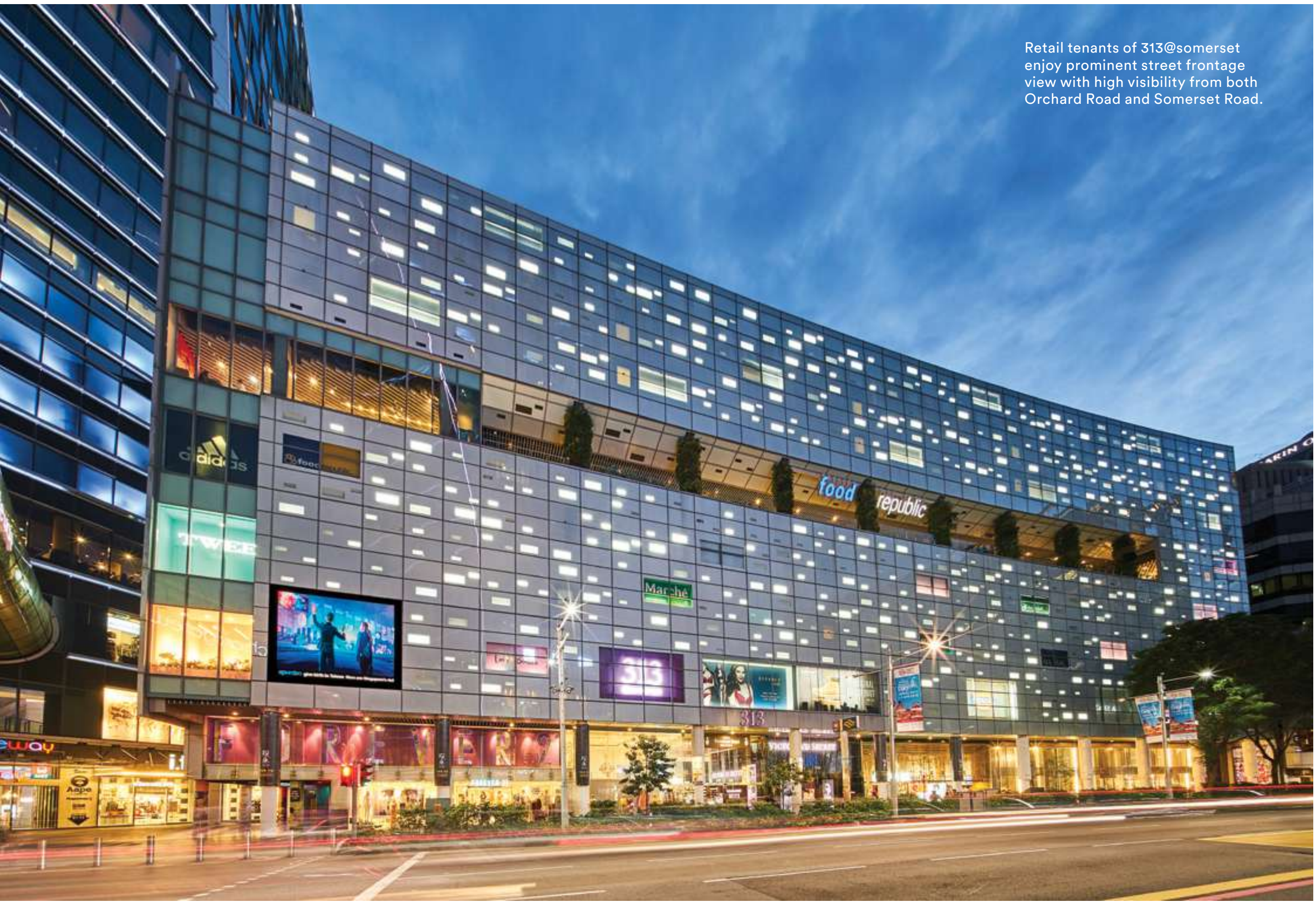
As at 30 June 2020, 313@somerset housed 142 tenants across 13 trade sectors. Food & beverage remained the largest contributor to GRI at 38% of 313@somerset, while fashion & accessories was the second largest contributor to GRI at 30%.

Making A Mark

313@somerset is a vibrant youth-focused mall with exciting F&B options and stylish fashion stores.

Trade Sector Breakdown by Gross Rental Income





Retail tenants of 313@somerset enjoy prominent street frontage view with high visibility from both Orchard Road and Somerset Road.

Property Summary

Key Statistics
(as at 30 June 2020)

Location
Via Monte Penice 7 and Via Luigi Russolo 9, 20138, Milan, Italy

Title/Tenure
Freehold

Ownership
100%

Car park lots
501

Purchase price
€262.5 million[1]

Valuation
€277.7 million

Net lettable area
985,967 sq ft

Gross revenue for FY2020
S$18.7 million

Net property income for FY2020
S$16.9 million

Committed occupancy
100%

Milan

Sky Complex

Sky Complex comprises three Grade A office buildings completed in 2008 (buildings 1 and 2) and in 2015 (building 3). All three office buildings have Grade A office building specifications and are designed in accordance with energy saving criteria and high use flexibility. The buildings are connected by a multilevel bridge suspended above ground level allowing for ease of access between the buildings. Building 3, the newest of the three buildings, has a LEED Gold Certification.

Sky Complex has excellent accessibility via the public transport system, located 150 metres away from the Rogoredo subway station and 7.5 kilometres away from both the Duomo and Linate International Airport. It is strategically located within the Milano Santa Giulia district, an emerging key office location in the Periphery submarket in recent years. The district is conceived as an area where various facilities, services and land-uses would integrate, connect and create synergies and as a place where people interact and engage with each other.

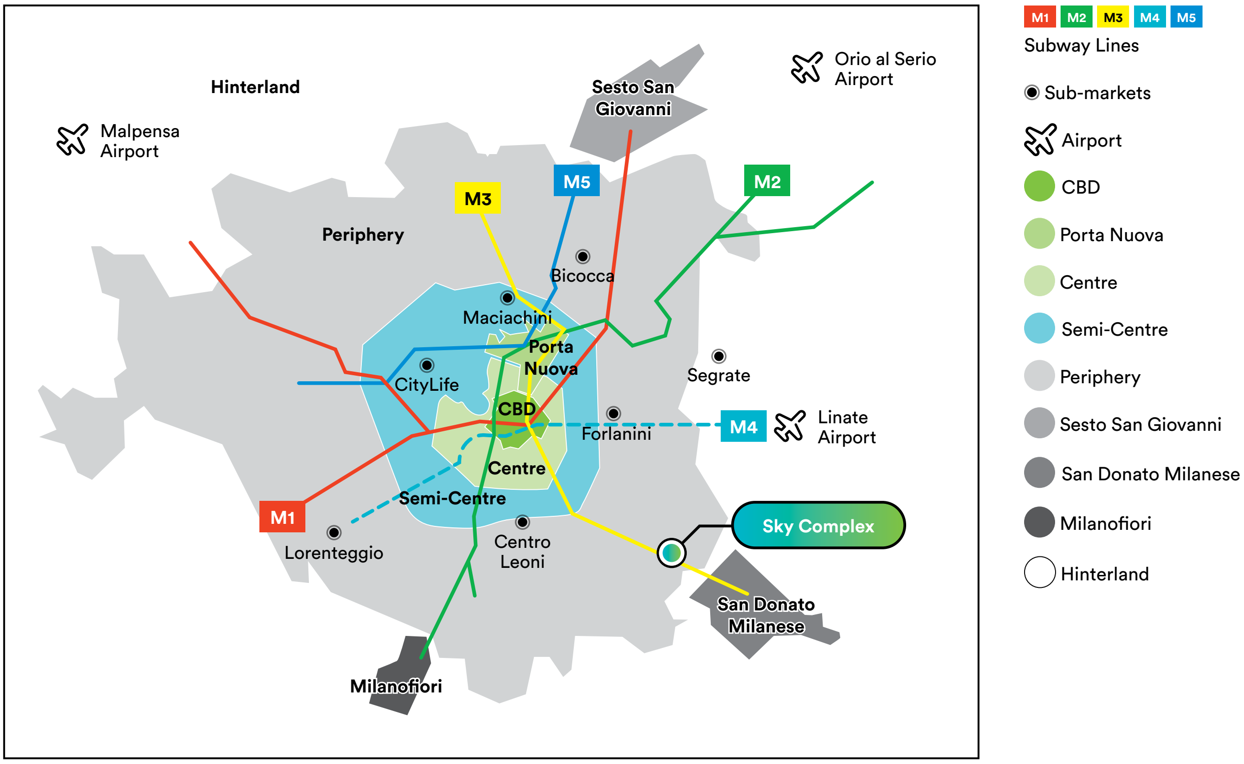
Sky Complex is fully leased to Sky Italia, a subsidiary of Comcast Corporation company, for a term of 12 + 12 years with a lease expiry in May 2032[2]. Comcast Corporation is a global media and technology company.

Key Characteristics

- **Triple net lease structure that minimises operational costs and risks for LREIT**
- **Annual rental step-up based on 75% of ISTAT[3] consumer price index variation**
- **Large and efficient floor plates to meet the regional needs of global organisations seeking to establish progressive workplaces**
- **Long lease term that provides stable income**

1 The property was acquired from Sviluppo Comparto 3 S.r.l..
2 Assuming that Sky Italia does not exercise its break option in 2026.
3 ISTAT: The Italian National Institute of Statistics.

Location Map
Milano Santa Giulia



The three Grade A buildings of Sky Complex are fully leased to Sky Italia.

Operations Review

Making A Mark

Redevelopment of the 48,200 sq ft Grange Road open-air car park into a vibrant event space is an exciting and complementary building block of the wider rejuvenation story of Singapore's Somerset precinct.

Proactive Asset Management

Through the Manager's proactive asset management strategy, LREIT's portfolio boasts a high committed occupancy, well-staggered lease expiry profile as well as high-quality and well-diversified tenant base.

The Manager will undertake asset enhancement works, where appropriate, to ensure that LREIT's buildings and amenities meet tenants' evolving business needs. Under the Master Plan 2019, which was officially gazetted on 27 November 2019, 313@somerset has been granted an increase in plot ratio from 4.9+ to 5.6, resulting in a potential increase of up to 1,008 sq m of space. The Manager will look to deploy and reconfigure existing gross floor area ("**GFA**") to NLA to enhance value in the near future.

These strategies aim to strengthen and enhance LREIT's assets in the portfolio, paving way for stable returns.

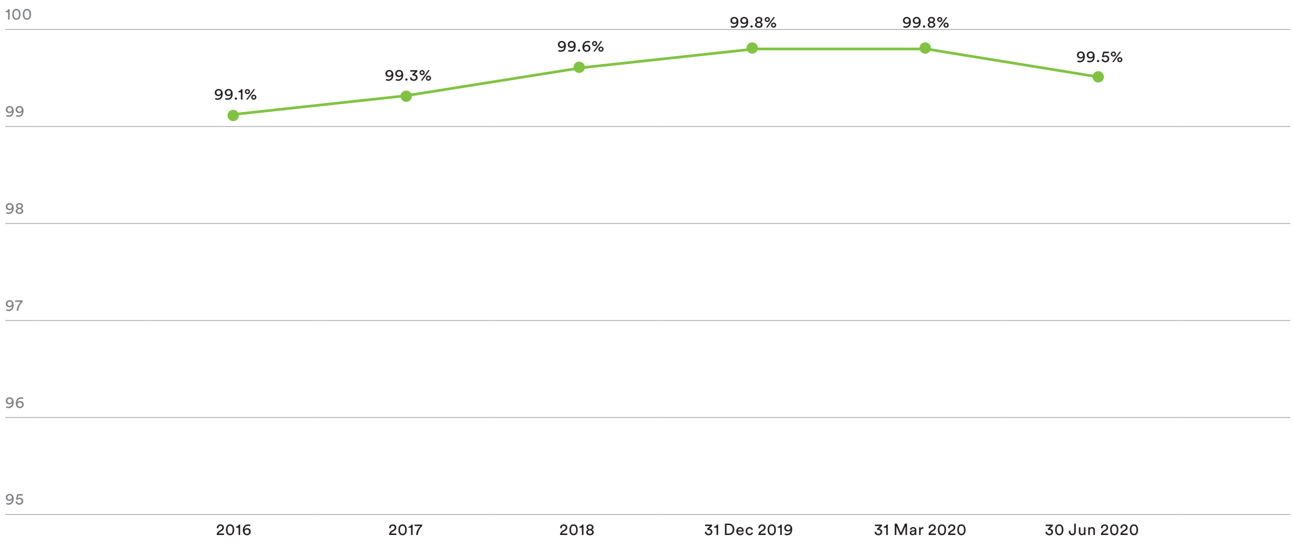
Expanding Footprint in the Somerset Area

LREIT was awarded the tender to redevelop the 48,200 sq ft car park at Grange Road on 9 June 2020. The site, to be redeveloped into a multi-functional event space, will maximise its full potential and create synergy with the "Discovery Walk", which is linked to 313@somerset. With a combined NLA of approximately 330,000 sq ft, it enlarges and strengthens LREIT's retail presence in the Somerset precinct. The space is envisioned to be an experiential innovative lifestyle destination that features creative use of communal spaces and themed events to promote social networking and wellness.

The Grange Road car park is expected to cease operations before the end of 2020, with redevelopment works commencing soon after and taking about two years.

An artist's impression. The multi-functional event space will create synergy with the "Discovery Walk", which is linked to 313@somerset.

Portfolio Occupancy
%



Committed Occupancy

Portfolio committed occupancy was 99.5% as at 30 June 2020, compared to 99.9% as at 30 June 2019 as disclosed in the Prospectus. As at 30 June 2020, 313@somerset's overall committed occupancy was 97.8%, while Sky Complex is fully leased to a single tenant, Sky Italia. The high committed occupancy at 313@somerset compared favourably to Orchard Road's average occupancy of 90.7%[1] at 2Q 2020.

The high tenant retention rate of 86.6% at 313@somerset as at 30 June 2020 underscores our collaborative and long-lasting relationship with our retail tenants. The Manager will continue to take a proactive approach towards marketing activities and build strong relationships with tenants. Given the uncertain times ahead, the Manager will place emphasis on tenant retention and seek to improve operational and cost efficiencies.

Sky Complex is 100% leased to Sky Italia since 2008 for a long lease term of 12+12 years. Its current lease term extends until 2032[2], which assists in underpinning the income stability of LREIT. As at 30 June 2020, committed office rent for Sky Complex was at €178[3] psm per annum.

[1] Colliers Independent Market Research Report.
[2] Assuming that Sky Italia does not exercise its break option in 2026.
[3] Rent is reviewed annually in May and based on positive consumer price index variance in April. As at 30 April 2020, it was a zero variance in ISTAT consumer price index variation.

Operations Review

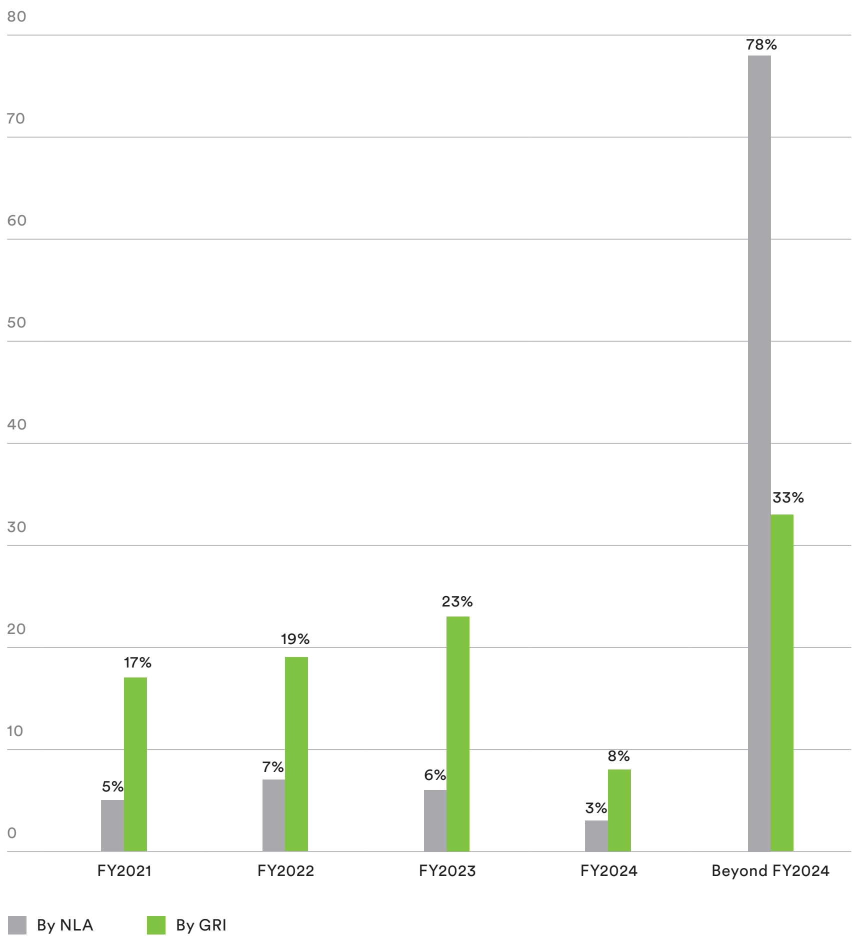
Lease Structure and Portfolio Lease Expiry Profile

As at 30 June 2020, more than 90% of LREIT's portfolio by NLA has rental step-up embedded in their lease structures. These leases provide stability in earnings growth as 78.1% of such leases have rental escalation pegged to the consumer price index variance with a fixed rate floor. The remaining 21.9% of LREIT's portfolio comprises retail tenants, typically on three-year leases.

The Manager endeavours to achieve stable and sustainable rental growth and proactively manages the lease expiry profiles for 313@somerset to mitigate the concentration of lease expiries in any given year. LREIT has a well-spread lease expiry profile with a WALE of 4.9[2] years by GRI and 9.7[2] years by NLA. The WALE (by GRI) of new leases which commenced in FY2020, based on the date of commencement of the leases, was 7.8[4] years, and these leases account for approximately 54.6% of the total leases by GRI. Approximately 17% and 19% of the leases by GRI will expire in FY2021 and FY2022, respectively. The rental rates for leases are marked-to-market upon expiry, which provide an opportunity for increase in earnings in an upmarket.

[4] Includes renewal, replacement tenants, as well as tenants on short-term leases. The single lease with Sky Complex is also included as the first term of the lease concludes in May 2020. As disclosed in the prospectus, the tenant has waived the option to vacate the property on the first lease expiry, the next lease expiry is on 15 May 2032.

Lease Expiry Profile by NLA and GRI

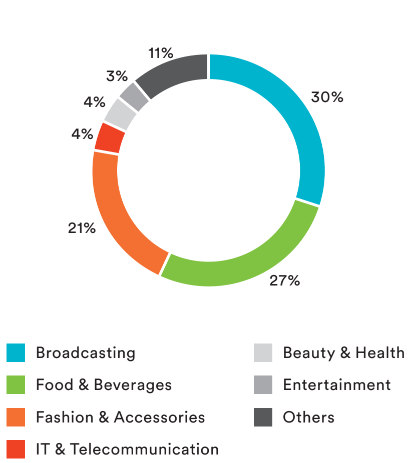


Tenant Trade Sector

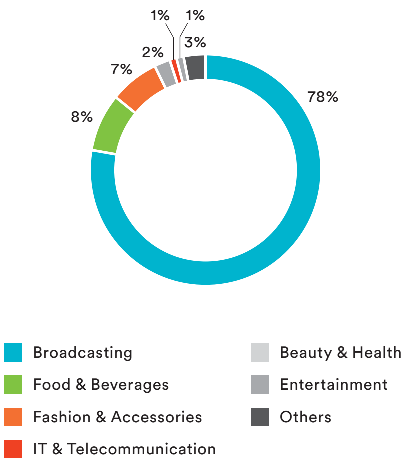
The Manager aims to maintain a diverse tenant trade sector profile to mitigate concentration risk from one industry. By trade sectors, broadcasting sector contributed 30% to GRI while the food & beverage and fashion sectors contributed 27% and 21%, respectively, to the GRI.

As at 30 June 2020, the portfolio comprises 143 tenants across 14 trade sectors and the top ten tenants contributed approximately 53.8% of the total GRI for the month of June 2020. The portfolio retains a high quality and well-diversified tenant base that generates steady revenue streams across different trade sectors.

Trade Sector Breakdown by GRI



Trade Sector Breakdown by NLA



Top 10 Tenants by GRI

1	Sky Italia	30.3%[5]
2	Food Republic	4.1%
3	Cotton On	3.4%
4	Zara	3.1%
5	Marche	2.8%
6	Sony	2.8%
7	Forever 21	2.2%
8	Hai Di Lao	1.9%
9	TEMT	1.7%
10	Hotwind	1.5%

Top 10 Tenants by Total NLA

1	Sky Italia	77.4%
2	Food Republic	2.2%
3	Zara	1.3%
4	Marche	1.1%
5	K Bowling Club	1.0%
6	Hai Di Lao	1.0%
7	Sony	0.8%
8	TEMT	0.7%
9	Fat Cat Arcade	0.7%
10	Hotwind	0.5%

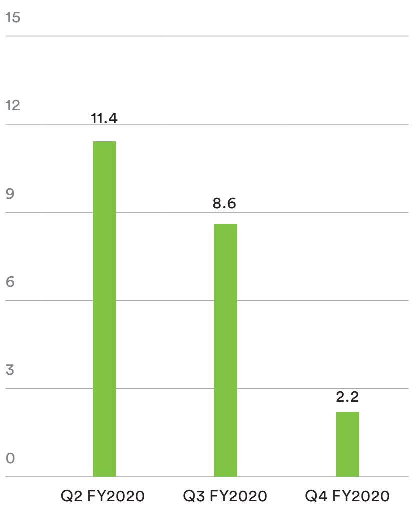
[5] Based on the estimated GRI for Sky Italia for the month of June 2020, being one-twelfth of the estimated annual passing rent.

LREIT's proactive asset management strategies aim to strengthen and enhance its assets in the portfolio.

Operations Review

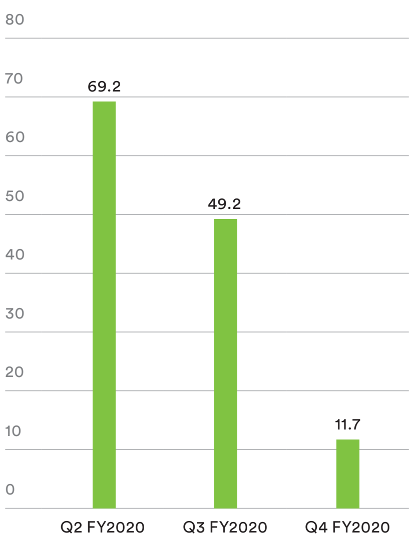
Shopper Traffic

Millions



Tenants' Sales

Millions



Shopper Traffic and Tenants' Sales

Shopper traffic at 313@somerset decreased by 26.9%[5] in FY2020 compared to the preceding year as consumer activities declined since the beginning of 2020, when the Singapore government restricted local movements to contain the spread of COVID-19. Approximately 70% of the mall was not in operation during the circuit-breaker between 7 April and 1 June.

Tenants' sales declined in tandem. As at 30 June 2020, tenants' sales slipped 23.9%[5] year-on-year. Nevertheless, as activities gradually resumed in Phase 1 and 2 of post-circuit-breaker, tenants' sales for the month of June increased 4.5 times and shopper traffic was 2 times higher, compared to May.

While part of 313@somerset's rental structure comprises gross turnover rent, which is pegged to tenants' sales, gross turnover rent accounts for less than 5% of LREIT's gross revenue – ensuring the stability of the portfolio income.

Navigating Through the Downturn Amid COVID-19 Situation

Considering the various business disruptions from the COVID-19 pandemic, LREIT had rolled out a series of measures to help its retail tenants to cope with the impact to their businesses.

Before Singapore entered the circuit-breaker in April 2020, marketing initiatives such as complimentary parking and up to triple bonus points for Lendlease Plus members were launched to bring shoppers back to the mall and spur spending. Tenants were also given the flexibility to shorten operating hours to help reduce operating costs.

To continue supporting affected businesses, the Singapore government has introduced an amendment bill to the COVID-19 (Temporary Measures) Act 2020 ("**COVID-19 Act**") in June to provide further rental relief for small and medium-sized enterprises. Under the COVID-19 Act, tenants are able to seek temporary relief from paying rent and other obligations under their leases for a period of six months from April to October. This period may be extended for up to a year depending on the COVID-19 situation.

The Manager has communicated to the tenants on additional relief measures to ease cashflow pressures. These include passing on the full property tax rebates savings to tenants ahead of them receiving it from the Inland Revenue Authority of Singapore, rental rebates of up to two months were given to tenants, and the option to draw down security deposit to offset tenants' rental payments.

As the nation eases its circuit-breaker measures progressively, the Manager remains committed to navigate through this challenging business climate together with all its retail tenants.

[5] Based on 12 months preceding 30 June 2020.

Building 3 of Sky Complex, certified LEED Gold by the U.S. Green Building Council.

Financial Review

In its first year of operations, LREIT experienced challenges posed by the spread of the COVID-19 pandemic. Despite reporting solid financial results in the earlier quarters, the onset of the pandemic has impacted LREIT's overall performance in FY2020.

Notwithstanding these challenges, LREIT's strong balance sheet and the stable revenue from Sky Complex has helped to mitigate the financial effects of the pandemic.

Note: Any discrepancies included in this Annual Report between the listed amounts and the totals thereof are due to rounding.

Gross Revenue

The gross revenue for FY2020 was S$55.5 million, 13.1% lower than the original IPO forecast ("**Forecast**") due to lower gross rental income arising from the rent waivers provided to retail tenants affected by COVID-19 as well as lower gross turnover rent and other property income during the circuit-breaker period. The decline was partially mitigated by the stable revenue contribution from Sky Complex.

Property expenses of S$15.2 million for FY2020 was 5.8% better compared to Forecast, mainly attributable to lower maintenance, operating and utility costs.

Retail revenue of S$36.8 million for FY2020 was 18.9% under Forecast, largely due to the rent waivers provided to retail tenants in the fourth quarter. Excluding the fourth quarter, revenue for the first two quarters[1] was S$30.7 million, 1.9% above Forecast due to higher rental income and lower property expenses.

Office revenue of S$18.7 million for FY2020 was 1.2% ahead of Forecast due to the stronger Euro against the Singapore dollar.

FY2020[2]	Actual (S$ million)	Forecast (S$ million)	Variance (%)
313@somerset	36.8	45.4	(18.9)
Sky Complex	18.7	18.5	1.2
Gross Revenue	**55.5**	**63.9**	**(13.1)**

Net Property Income

As a result of a lower gross revenue contribution from 313@somerset, LREIT's net property income ("**NPI**") for FY2020 was S$40.3 million, 15.6% lower than Forecast. Similarly, this was partially offset by the stable revenue contribution from Sky Complex.

FY2020[2]	Actual (S$ million)	Forecast (S$ million)	Variance (%)
313@somerset	23.4	31.1	(24.6)
Sky Complex	16.9	16.7	1.3
NPI	**40.3**	**47.7**	**(15.6)**

[1] For the period 2 October 2019 to 31 March 2020.
[2] For the period 2 October 2019 to 30 June 2020.

Management Fee

The Manager's base fee and performance fee are based on LREIT's deposited property and NPI, respectively, so as to better align the interests of the Manager and Unitholders. Under the Trust Deed, the Manager is entitled to receive a base fee of 0.3% per annum of the value of LREIT's deposited property and the Manager is entitled to receive a performance fee of 5.0% per annum of LREIT's NPI.

The Manager's base fee was 2.7% higher than Forecast as a result of the increase in LREIT's deposited property. Performance fee for the Manager was 15.6% lower than Forecast due to the lower NPI attributed from the effect of the circuit-breaker.

Finance Expenses and Other Trust Expenses

Finance costs were S$0.9 million or 10.8% lower than Forecast, mainly due to lower effective interest cost achieved through hedging. Other trust expenses of S$1.2 million were 9.2% higher than Forecast.

Loss after Income Tax

Loss after income tax of S$8.6 million was lower than Forecast mainly due to higher fair values from LREIT's investment properties.

Distributable Income and Distribution Per Unit

LREIT's distributable income of S$35.7 million[3] for FY2020 was 20.1% lower than Forecast mainly due to the rent waivers given to its retail tenants.

A distribution per unit ("**DPU**") of 3.05 cents, representing 100.0% of distributable income, was declared for the FY2020. This equates to an annualised distribution yield of 6.0% based on the unit closing price of S$0.68 as at 30 June 2020.

Assets

As at 30 June 2020, the total assets for LREIT were approximately S$1.6 billion compared with S$1.5 billion at the Initial Public Offering ("**IPO**")[4]. LREIT's investment properties were independently assessed by CBRE Pte. Ltd. (for 313@somerset) and Savills Advisory Services Limited (for Sky Complex), and were revalued at gains of S$40.3 million. The increase in LREIT's valuation was underpinned by the positive office investment interest in Milan as well as the increase in plot ratio for 313@somerset from 4.9+ to 5.6, resulting in a potential increase of up to 1,008 sq m of GFA.

An increase in cash and cash equivalent of S$49.9 million also contributed to the increase in total assets.

As at 30 June 2020, LREIT's net asset value per unit was at S$0.85, approximately 5% higher than at IPO[4].

	Valuation as at 30 June 2020 (S$ million)	Valuation Reported at IPO[4] (S$ million)	Percentage Change in Valuation (%)
313@somerset	1,008.0	1,002.0	0.6
Sky Complex	434.6[5]	400.3	8.6
Total	**1,442.6**	**1,402.3**	**2.9**

The table below shows LREIT's total operating expenses in absolute terms and as a percentage of LREIT's NAV as at end of the financial period.

	FY2020
Total operating expenses[6], including all fees, charges and reimbursable costs paid to the Manager and interested parties (S$'000)	22,068
Net Assets as at 30 June 2020 (S$'000)	992,250
Total operating expenses as percentage of net assets (%)	2.2

[3] Includes Singapore property tenant incentive reimbursement of S$800,000.
[4] LREIT was listed on the SGX-ST through an Initial Public Offering on 2 October 2019.
[5] Conversion of € to S$ is based on S$1.565 for €1 as at 30 June 2020.
[6] Includes property operating expenses, Manager's fee, other management fee, Trustee's fee and other trust expenses.

Financial Review

Capital Management

The Manager adopts a proactive and prudent approach towards capital management, and will endeavour to optimise the LREIT's capital structure by employing an appropriate mix of debt and equity instruments to fund future acquisitions and asset enhancement initiatives within LREIT's properties. During these unprecedented times due to the COVID-19 pandemic, the Manager will remain vigilant in maintaining a strong balance sheet and prudent cashflow management.

Key Indicators	As at 30 June 2020
Gross borrowings	S$545.3 million
Gearing	35.1%
Weighted average debt maturity	3.1 years
Weighted average running cost of debt[7]	0.86% p.a
Interest coverage ratio[8]	9.0 times

Proactive Risk Management

LREIT hedged 100.0% of its floating rate debt to fixed rate through interest rate swaps and options on its gross borrowing of S$545.3 million. To mitigate foreign currency risks, LREIT has substantially hedged its projected Euro-denominated income for FY2021. LREIT has achieved natural hedge against its Euro capital investment in Sky Complex via a Euro term loan facility.

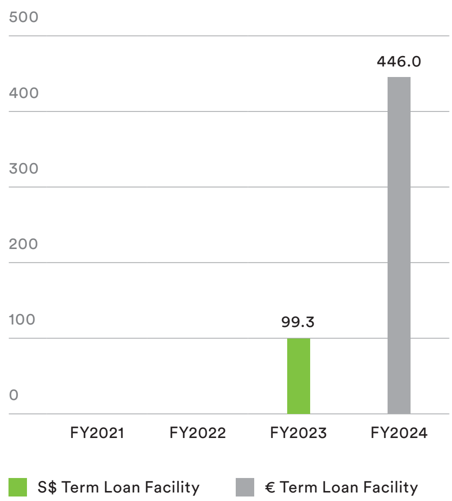
LREIT's exposure to these derivatives financial instruments are further detailed in the Financial Statements. The fair value of LREIT's derivatives financial instruments assets and derivatives financial instruments liabilities were S$0.1 million and S$4.4 million, respectively. The net derivatives financial liabilities of S$4.3 million represented 0.4% of the net asset of LREIT as at 30 June 2020.

No Near-term Refinancing Risk

The weighted average running cost of debt was 0.86% per annum. LREIT has a weighted average maturity of 3.1 years as at 30 June 2020, with no refinancing requirements until FY2023.

LREIT has diverse sources of funding from a lending group of well-rated financial institutions. All of LREIT's debt is unsecured debt, ensuring that it has balance sheet flexibility where all of its assets are unencumbered.

Debt Maturity Profile
S$ million



Debt	Loan Amount (million)	Loan Term (years)	Interest Rate[7] (% p.a.)
Singapore dollar term loan facility	S$99.3	3	2.09
Euro term loan facility	€285.0 (S$446.0)[5]	4	0.58

Strong Liquidity Position

As at 30 June 2020, LREIT's cash and cash equivalent was S$83.7 million. In addition, LREIT has uncommitted undrawn debt facilities of approximately S$97.0 million[9] equivalent.

LREIT's gearing was 35.1% as at 30 June 2020, well below the regulatory limit of 50.0% under the Code on Collective Schemes, allowing more debt headroom for future growth. Its interest coverage ratio was 9.0 times in accordance with requirements in its debt agreements, and 4.6 times in accordance with the Property Funds Appendix of the Code on Collective Schemes.

LREIT's strong liquidity and financial position is expected to ensure its continued resilience and positions it to take advantage of potential investment opportunities as they arise.

Cash Flow

Net cash generated from operating activities for FY2020 was S$36.4 million, largely from its NPI received, partially offset by net working capital requirements.

Net cash used in investing activities for FY2020 was S$1,451.2 million. The cash was largely used to acquire investment properties at IPO.

Net cash generated from financing activities was S$1,498.3 million. Proceeds raised from the issuance of new IPO units during the listing was S$1,027.8 million and borrowings from external banks amounted to S$534.2 million.

Use of Proceeds

The use of proceeds raised from the IPO and the issuance of the Lendlease SREIT Sub-Trust Units[10], the Cornerstone Units[11] and the IPO Acquisition Fee Units[12], as well as the debt amount drawn down from the IPO debt facilities[13], is in accordance with the stated uses and amounts allocated as disclosed in the Prospectus, and is set out below:

	Actual (S$ million)	Amount as Disclosed in Prospectus (S$ million)	Variance (S$ million)
Acquisition of initial portfolio[14]	1,397.5	1,397.2	(0.3)
Stamp duty and other acquisition costs[15]	64.2	64.5	0.3
Transaction costs and other fees[15, 16]	60.2	66.2	6.0
Working capital[17]	33.8	33.8	–
Total	**1,555.7**	**1,561.7**	**6.0**

7 Excludes amortisation of debt-related transaction costs.

8 The interest coverage ratio of 9.0 times is in accordance with requirements in its debt agreements, and 4.6 times in accordance with the Property Funds Appendix of the Code on Collective Schemes.

9 Uncommitted undrawn debt facilities comprise S$50 million and €30 million.

10 Lendlease SREIT Sub-Trust Units refer to Units issued to Lendlease SREIT Pty Limited, in its capacity as trustee of Lendlease SREIT Sub Trust.

11 Cornerstone Units refer to the units issued to cornerstone investors. Please refer to IPO Prospectus for the list of cornerstone investors.

12 IPO Acquisition Fee Units refer to the Units issued to the Manager in payment of the acquisition fee for the acquisition of 313@somerset.

13 Facilities refer to the unsecured debt facilities consisting of a 3-year S$99.3 million term loan and a 4-year €285.0 million term loan.

14 The variance is mainly due to a stronger Euro against the Singapore Dollar.

15 The variance is mainly due to lower than expected other acquisition costs & IPO related costs. These savings have been reallocated for working capital purposes.

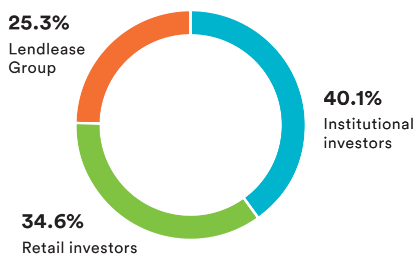
16 Transaction costs and other fees include S$11.5m for the payment of acquisition fee paid/payable to the Manager on listing of LREIT and S$1.2m for the prepayment of Italy management fee.

17 Working capital relates mainly to repayment of finance costs for the term loans and other general and administrative expenses.

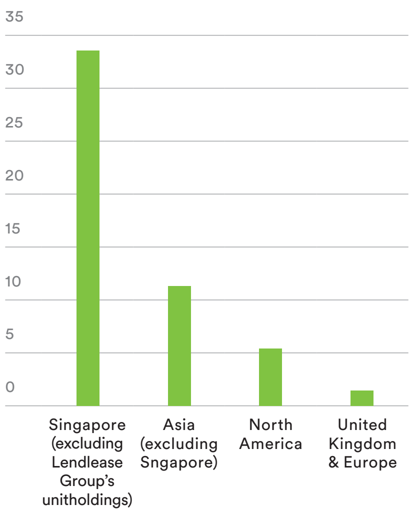
Investor Relations

The Manager remains committed to upholding high standards of corporate governance and transparency.

Unitholdings by Investor Type



Unitholdings by Geography



Information on unitholdings statistics was as at 30 June 2020.

The Manager believes in proactive engagement with all its stakeholders to provide them with a better understanding of LREIT's performance and growth strategies. In particular, the Manager connects with investors, fund managers, analysts and media through regular meetings and conferences, as well as other investor relations ("**IR**") activities so as to position LREIT for top-of-mind recall within the investment community.

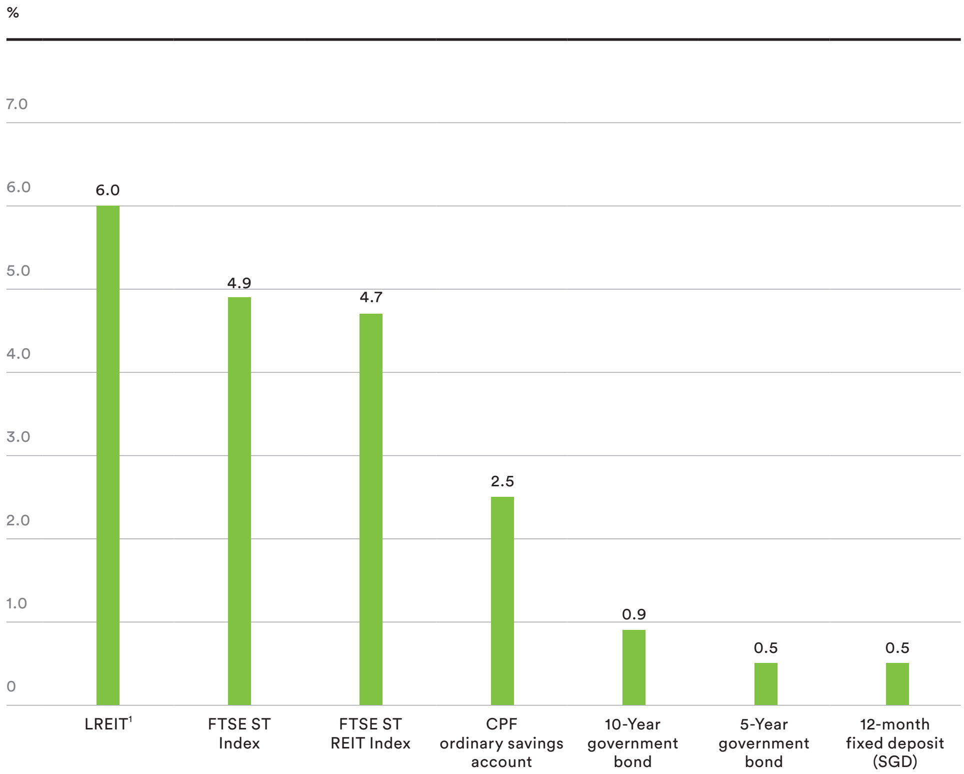
The IR team works closely with the finance, asset management and investment teams to communicate LREIT's business strategy and developments to analysts, the investment community and other stakeholders via various communication channels. The Manager's efforts are guided by a clearly defined set of principles and practices set out in its IR policy, which is available on LREIT's corporate website and reviewed regularly to ensure relevance and effectiveness.

Despite the challenges brought upon by COVID-19 pandemic, LREIT continues to engage with the investment community via both private and public forums. Since listing, the Manager has conducted teleconferences with over 200 institutional and retail investors through participation in one-on-one virtual conferences, post-results investor briefings and non-deal roadshows. The Manager also participated in selected IR events, such as SGX-REITAS webinar, Citi Virtual Pan Asia Regional Investor Conference and SGX-Credit Suisse Real Estate Corporate Day to increase profiling of LREIT amongst the investment community. LREIT is a member of the REIT Association of Singapore and the Investor Relations Professionals Association of Singapore.

On 29 May 2020, LREIT was included in the MSCI Singapore Small Cap Index. The inclusion comes seven months following the listing of LREIT and is an important leap to reach out to a larger pool of investors. In addition to the MSCI Singapore Small Cap Index, LREIT has also entered the FTSE ST Small Cap Index, FTSE ST Singapore Shariah Index and GPR/APREA Investable REIT 100 Index.

Moving forward, the Manager remains committed to upholding high standards of corporate governance and transparency. General information on LREIT, corporate and financial announcements, including press releases, presentations and annual reports will continue to be uploaded onto SGXNet in a timely and widely accessible manner. The announcements are made available on the websites of SGX and LREIT. Investors are encouraged to sign up for email alerts to receive the latest updates on LREIT.

Attractive Yield Compared to Other Investments (as at 30 June 2020)



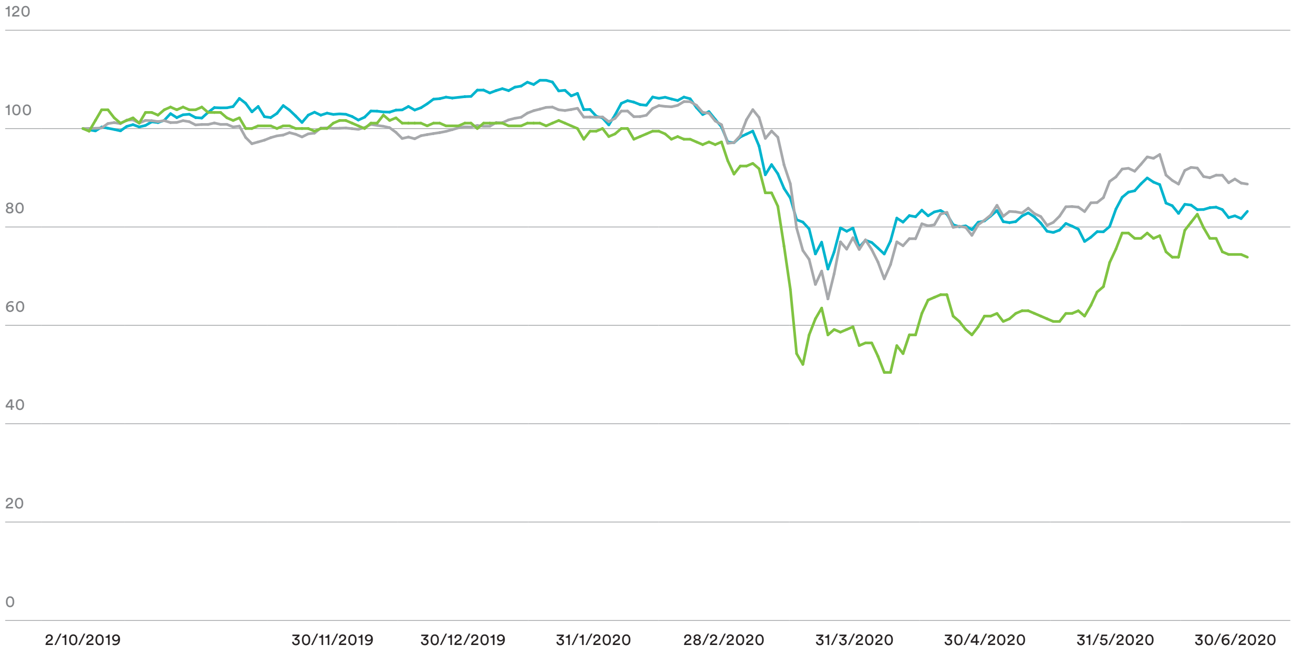
[1] Based on LREIT's DPU of 3.05 cents for the Financial Period and the market closing price per unit of S$0.68 as at 30 June 2020.

Sources: Bloomberg, Monetary Authority of Singapore and Central Provident Fund

Trading Performance Since Listing	FY2020
Opening price as at first trading day – 2 October 2019 (S$ per unit)	0.935
Closing price as at last trading day – 30 June 2020 (S$ per unit)	0.680
Highest closing price (S$ per unit)	0.960
Lowest closing price (S$ per unit)	0.465
Average closing price (S$ per unit)	0.794
Trading volume (billion units)	1.3
Market capitalisation as at 30 June 2020 (S$ million)	796.8

Investor Relations

LREIT Unit Price Performance Versus FTSE REIT Index and FTSE Real Estate Index (for the period from 2 October 2019 to 30 June 2020)
Base = 100 on 2 October 2019



Sources: Bloomberg

Constituent of Key Indices:

MSCI Singapore Index
FTSE ST Small Cap Index
FTSE ST Singapore Shariah Index
GPR/APREA Investable REIT 100 Index

Unitholders' Enquiries

If you have any enquiries or would like to find out more about LREIT, please contact the IR team at:

t +65 6671 7374
e enquiry@lendleaseglobalcommercialreit.com
w www.lendleaseglobalcommercialreit.com

IR Calendar FY2020

Feb

10
- 2Q FY2020 Analysts Briefing
- 2Q FY2020 Post Results Investor Luncheon by Citi

Mar

17 – 20
- Non-deal Roadshow Teleconference Hosted by DBS Bank

Apr

01
- Non-deal Roadshow Teleconference Hosted by DBS Bank for Thai Investors

09
- Non-deal Roadshow Teleconference Hosted by Macquarie Bank

14
- SGX-REITAS Webinar

May

05
- 3Q FY2020 Analysts Briefing

06
- 3Q FY2020 Post Results Investor Teleconference by GCS-CIMB

13
- SGX-Bank of Singapore Webinar: Weathering the Outlook Ahead

19 – 20
- Citi Virtual Pan Asia Regional Investor Conference

Jun

17
- SGX-Credit Suisse Singapore Virtual Corporate Days

Enriching People and Places

313@somerset clinched the top spot for the third year running in the Asia Retail category of the GRESB rankings, which is recognised as the global ESG benchmark for real estate investments.

With a reputation for putting sustainability at the core of our business, we remain committed to our purpose of enriching people and places. We benchmark our performance against global sustainability frameworks, creating long-term value for our unitholders and investors with ESG mandates.

Sustainability Report

About This Report

This marks Lendlease Global Commercial REIT's ("**LREIT**") first sustainability report, which has been prepared in accordance with the sustainability reporting requirements of the SGX-ST Listing Rules 711A and 711B and the Global Reporting Initiative Sustainability Reporting Standards ("**GRI Standards**"): Core option. The GRI Standards were selected as it is an internationally recognised reporting framework that covers a comprehensive range of sustainability disclosures and is suited to LREIT's industry and business model. GRI's Reporting Principles are applied in guiding the development of this report.

This sustainability report presents detailed information on LREIT's sustainability policies, practices, performance and commitments during the period from 2 October 2019 (listing date of LREIT) to 30 June 2020 ("**FY2020**").

The scope of the report covers:

- LREIT;
- Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**");
- Lendlease Retail Pte. Ltd. (the "**Property Manager**"); and
- LREIT's property, 313@somerset (the "**Property**"), over which the Manager has operational control.

The abovementioned entities and property are located in Singapore. LREIT's other property, Sky Complex in Milan, is excluded from the scope as the Manager does not have operational control of the property during the reporting period.

For performance related to energy, water, waste and greenhouse gas ("**GHG**") emissions, the data disclosed covers the Property. Employee-related performance data disclosed in this report covers the employees of the Manager and the relevant employees of the Property Manager.

The Manager welcomes feedback as it continuously improves LREIT's sustainability performance and reporting. Feedback on this report and any of the issues covered can be directed to enquiry@lendleaseglobalcommercialreit.com.

Board Statement

Despite the magnitude of the COVID-19 pandemic, the Manager recognises that efforts in responding to the climate crisis cannot be delayed.

The Board of Directors (the "**Board**") is pleased to present LREIT's inaugural sustainability report. This report highlights collective efforts from the Manager and the Property Manager to demonstrate excellence in sustainability across all areas of their value chain, while outlining their direction for sustainability going forward. As wholly owned subsidiaries of Lendlease (the "**Group**"), the Manager and Property Manager uphold the Group's sustainability approach and commitment. They acknowledge their role in minimising impact on the environment and creating resilient places and communities.

Although FY2020 has been a year of unique challenges for LREIT's business, the Group's Sustainability Framework stands as a guiding lighthouse as LREIT remains true to the Group's three central imperatives of Sustainable Economic Growth, Vibrant and Resilient Communities and Cities, and Healthy Planet and People.

The Manager is responding to the COVID-19 pandemic by working alongside LREIT's key stakeholders and ensuring it maintains a successful business that drives positive impact. To ensure the viability of LREIT's tenants and the long-term occupancy of the Property, it provides support to its tenants by easing the near-term cashflow pressures they are facing and increasing its marketing efforts to drive footfall back to the Property. As health and safety of LREIT's shoppers, tenants and employees are of utmost importance, the Property Manager has stepped up on the cleaning and disinfection regime of the Property while adhering to governmental guidelines and regulations. The Manager has devoted itself to safeguarding the livelihoods and wellbeing of LREIT's employees and supporting local communities through fund-raising efforts.

Despite the magnitude of the COVID-19 pandemic, the Manager recognises that efforts in responding to the climate crisis cannot be delayed. The Manager acknowledges the importance of the climate crisis on both LREIT's business and its stakeholders. Accordingly, the Manager continuously looks for opportunities to mitigate impact on LREIT, whilst taking the lead in understanding and disclosing LREIT's exposure to climate-related risk.

While the Manager has taken priority in responding to the world's climate and public health challenges, LREIT has performed well across its material environmental, social and governance factors ("**ESG**"). The Manager and the Property Manager incorporate internationally recognised best practices in environmental design and performance into the Property and align to commitments of the United Nations Global Compact ("**UN GC**"), a global pact for sustainable and socially responsible corporate governance. As a result of their concerted efforts, the Property clinched the top spot for the third year running in the Asia Retail category of the Global Real Estate Sustainability[1] in FY2020.

All of these initiatives and responses have been driven through the tireless endeavours of LREIT's Sustainability Working Committee ("**SWC**"), which comprises members of the Manager's and the Property Manager's management teams and senior representatives across the Group's core functions.

The Board has approved the material ESG factors and determined them to be relevant for the current year. The Board diligently oversees the work of the SWC to ensure that ESG factors are monitored and managed.

The Board's focus in FY2021 is to continue driving LREIT's sustainability performance through the SWC while strengthening its business resilience. The Board will also continue to embed practices of good governance to ensure LREIT's employees understand their responsibility in building a positive influence on society and contributing to LREIT's wider developmental goals. This dynamic strategy drives LREIT's commitment in creating long-term value for its stakeholders.

[1] Assessment period for 2019 was between 1 January 2018 and 31 December 2018, which the Property was held under one of Lendlease-managed funds. The Property is wholly owned by LREIT with effect from 2 October 2019.

Sustainability Report

Sustainability Approach

LREIT intends to deliver a sustainable future for its stakeholders by striving towards economic, social and environmental progress. As a signatory to the UN GC, the Manager and the Property Manager are committed to deliver inclusive, healthy and adaptable places that can thrive through change.

The Manager recognises its fiduciary duty to LREIT's stakeholders and stewardship role in the management of its property portfolio. To integrate ESG factors as a part of the Manager's processes, it abides by the Group's four guiding principles that support its strategy – Safety, Sustainability, Diversity and Inclusion and Customer Focus. In line with the Group's signatory commitment under the UN supported Principles for Responsible Investment, the Manager is committed to creating value for LREIT's stakeholders by delivering positive economic, environmental and social outcomes whilst operating in an incident and injury free environment.

LREIT's approach towards sustainability is anchored in the Group's Sustainability Framework, which was developed through extensive consultation with customers, investors, employees and other stakeholders on their key area of interest. This Sustainability Framework is centred around three key imperatives, supported by environmental and social focus areas.

Sustainability Framework

Sustainability Imperatives

SUSTAINABLE ECONOMIC GROWTH

How LREIT creates long term value for its stakeholders; grow the business and overall industry economic health by building capacity and expertise through skills, training and employment; and be innovative and responsible in its use of materials and resources

VIBRANT AND RESILIENT COMMUNITIES AND CITIES

How LREIT plans and creates vibrant and resilient communities that are adaptive and resilient to change, socially inclusive and valued by the communities

HEALTHY PLANET AND PEOPLE

How LREIT creates natural environments to promote community and environmental health and wellbeing

Social Focus

ECONOMIC PROSPERITY

- Support fair and just employment
- Provide learning, skilling and workforce participation opportunities

COMMUNITY INCLUSION

- Enable resilient and inclusive communities
- Facilitate place activation and accessbility
- Respect and engage stakeholders

WELLBEING

- Create places that are safe and secure
- Enhance indoor environment quality
- Provide programmes to support mental and physical wellbeing

Environmental Focus

RESOURCES AND MATERIALS

- Eliminate waste
- Conserve water

CLIMATE ACTION

- Mitigate climate impacts: improve energy efficiency, use of renewable energy, reduce carbon emission
- Create resilient places and adapt to climate change

NATURE AND POLLUTION

- Enhance biodiversity of fauna and flora in the places LREIT creates
- Eliminate pollution on air, water and land

Sustainability Governance

The Board oversees the management of LREIT's sustainability performance, with support from the SWC. The SWC is composed of the Manager's Chief Executive Officer, Executive General Manager, Finance and key representatives from its Asset Management, Property Management, Property Retail, Investor Relations and Sustainability team.

In consultation with the Group's Sustainability Committee, the SWC develops sustainability objectives and strategy as well as managing, monitoring and driving overall sustainability performance in accordance with the Group's Sustainability Framework and approach towards sustainability. The SWC reports LREIT's sustainability progress to the Board annually.

Stakeholder Engagement

LREIT is committed to safeguard its stakeholders' interests. To do so, it maintains transparent and effective two-way communication with its stakeholders on their concerns and expectations as outlined below. It engages its stakeholders throughout the year via various engagement methods.

Key Stakeholders	Key Area of Interest	How LREIT Engages with the Stakeholders
Tenants	• Quality of facilities and services • Health and safety • Shopper traffic	• Tenant engagement events • Annual tenant satisfaction surveys • Green Leases[a]
Retail shoppers	• Range and quality of retail offerings, amenities and services • Health and safety • Access to public transport	• Customer service • Customer satisfaction surveys • Online communication platforms including social media • Marketing and promotional events
Investment community (institutional and retail investors)	• Business performance and strategies • Good corporate governance • Timely and transparent reporting	• Quarterly results briefings to analysts • SGXNet announcements • Annual report • Teleconferences and meetings • Site tour at the Property
Employees	• Career development • Health and safety • Equal opportunity and inclusion	• Annual performance appraisal • Training and development programmes • Team meetings • Team bonding activities
Business partners (suppliers, service providers, banks)	• Fair and reasonable business practices • Corporate governance • Health and safety	• On-boarding risk assessment for contractors • Supplier Code of Conduct • Meetings • Annual report
Regulators and industry associations	• Regulatory compliance • Corporate governance • Local retail industry performance	• Meetings, briefings and consultations with regulators and industry associations including REIT Association of Singapore ("**REITAS**") and Singapore Business Federation ("**SBF**")
Local community	• Community investments • Impact of business on the environment and society	• Corporate social responsibility ("**CSR**") activities

[a] Green Lease is a commercial lease that incorporates clauses whereby the landlord and the tenant undertake specific responsibilities with regards to the sustainable operation, such as energy efficiency measures, waste reduction/management and water efficiency.

Sustainability Report

Materiality Assessment

In line with the GRI Standard's Principle of Materiality, the SWC conducted a materiality assessment to determine the ESG topics that are material to both LREIT's business and stakeholders. The materiality assessment process and results are summarised in the diagram below.

Materiality Assessment Process and Results

1 Identify Material ESG Factors

Conducted background research on global trends, peers' disclosures and LREIT's internal risk assessment

2 Prioritise Material ESG Factors

Identified ESG factors that are of priority to the business and stakeholders through a materiality workshop attended by the SWC

3 Validate Material ESG Factors

Sought approval from the Board on the prioritised material ESG factors

4 Results: Top Material ESG Factors

Economic

- Economic performance and customer experience

Environmental

- Resource efficiency (water and waste)
- Energy efficiency, climate change mitigation, adaptation and resilience building

Social

- Health and safety
- Our people (employment practices, training and development, diversity and equal opportunity)
- Local communities

Governance

- Anti-corruption
- Regulatory compliance
- Customer privacy

Economic Performance and Customer Experience

Despite an unprecedented global COVID-19 pandemic, LREIT has presented a credible set of results for the financial year. For details of the financial results and performance, please refer to the following sections of this Annual Report: Key Highlights (page 3), Financial Review (page 44 to 47) and Financial Statements (page 119 to 163).

To remain economically resilient, LREIT's strategy is underpinned by the commitment towards tenants and shoppers. An annual survey, Customer Experience Research, is conducted at the Group level to track tenant and shopper satisfaction. The survey, conducted in February 2020, reflected the concerns of LREIT's tenants regarding rentals and footfall at the Property amid uncertainties surrounding COVID-19. To ensure the viability of its tenants, LREIT has provided support to them by easing the cashflow pressures and increasing its marketing efforts to drive footfall back to the Property.

To enhance shopping experience for their customers, LREIT is stepping up its online presence to assist its tenants in the changing consumer landscape brought about by the pandemic. There has been increased digital marketing to engage the online community through various campaigns such as the 313 Friyay Instagram Giftaway, as well as features of LREIT's tenants' products and services on the Lendlease Plus App, Instagram, Facebook and the Property's website.

LREIT will continue to explore opportunities to ensure its business stays relevant by differentiating its services and commitment to deliver strong ESG performance.

FY2020 Customer Experience Research	Tenants	Shoppers
Number of tenants/shoppers surveyed	61	200
Overall Satisfaction (%)	42%	77%

FY2021 Target

To achieve higher scores for tenant and shopper satisfaction

Sustainability Report

Environmental

LREIT recognises its interdependence with the environment and strives to minimise the environmental footprint of its operations at the Property. It abides by the Group's Environment Policy, which includes the assessment and management of its activities and operations with respect to climate change, pollution prevention, biodiversity protection, water conservation and recognition of resource scarcity.

The SWC monitors and reports the Property's performance in accordance with the Group's integrated Environment, Health & Safety ("**EHS**") framework and the International Organization for Standardisation ("**ISO**") 14001:2015 standard on environmental management. To ensure LREIT's adherence to ISO 14001, external audits are conducted annually by a third-party accredited certification body. In addition, the Property Manager works with LREIT's tenants to reduce their environmental footprint through Green Leases[a].

The Group's Supplier Code of Conduct sets out the expectations for third-party suppliers, consultants and contractors when supplying goods and services to the Property. They are expected to limit environmental harm to the extent that is reasonably practicable and appropriate, through efficient use of energy, water and raw materials and minimising pollution, GHG emissions and waste.

The Property Manager monitors the Property's energy, water, waste and GHG emissions performance on a monthly basis through a sustainability reporting software, which also assists them in data analysis and implements strategies for improvement. As part of the Group's annual reporting process, an external assurance is conducted on the energy, water, waste and GHG emissions performance[b].

The Property has maintained its Building and Construction Authority ("**BCA**") Green Mark Platinum certification during the year. Going forward, LREIT aims to maintain the said certification for the Property.

Resource Efficiency

Waste

LREIT is committed to managing the waste generated at the Property in a responsible manner. By working alongside its tenants to reduce waste and through constant sharing of knowledge with them on recycling, an extensive amount of waste materials was recycled at the Property in FY2020. These include used cooking oil, metals, plastics, glass, paper and cardboard. To facilitate recycling efforts at the Property, refuse bins were used to separate liquid from solid waste. For greater public awareness, food waste reduction posters are placed at the Property's lobby and staff pantry. The disposal methods[c] of the total (non-hazardous) waste is shown below.

In addition, the Property was awarded Distinction in the National Environment Agency ("**NEA**") 3R Awards for Shopping Malls for the second time in September 2019.

In the coming year, LREIT plans to install a food waste management system to continually improve its waste management performance.

FY2020 Performance	Total
Waste recycled (tonnes)	65
Waste incinerated (tonnes)	1,386
Total waste	1,451

FY2021 Targets

Improve on recycling to achieve a recycling rate of 10%[d]

Continue to encourage recycling throughout value chain through various initiatives and campaigns

Water

LREIT adheres to the Singapore Standard SS 577 on water efficiency management systems, and targets to convert to ISO 46001 on water efficiency management systems in FY2021 as per regulatory requirement. The Property has obtained the Public Utilities Board ("**PUB**") Water Efficient Building re-certification in April 2020 which is valid until April 2022. Water audits are carried out annually to identify savings opportunities along with frequent monitoring and leak detection.

LREIT's initiatives to conserve water include using water-efficient equipment, fittings and fixtures, installing motion sensor equipment, maintaining equipment according to schedule and replacing ageing equipment. It also harvests rainwater for certain operations such as toilet flushing as well as irrigation of green columns at the Sky Terrace and the landscaping along "Discovery Walk". Recycled water ("**NEWater**") is used for its cooling towers. In addition, the Property Manager encourages its employees, tenants and shoppers at the Property to reduce water usage. This includes the use of educational posters on water-saving measures and encouraging tenants to use 3-ticks water-efficient fittings during the new tenant induction programmes.

In FY2020, the Property withdrew 54,705 m^3 of freshwater[e], of which 93% was NEWater sourced from the PUB (recycled and treated wastewater). By using NEWater, the Property reduces the need to withdraw freshwater and redirects wastewater streams into beneficial use.

FY2020 Performance	Total
PUB potable water consumption (m^3)	3,223
PUB NEWater consumption (m^3)	50,882
Rainwater collected (m^3)	600
Total water withdrawal (m^3)	54,705
Water intensity (m^3/m^2)[f]	1.371

FY2021 Target

Achieve 21% reduction in water intensity from baseline year of 2016[g]

[b] The energy, water, waste and GHG emissions data for the fourth quarter of FY2020 have yet to undergo external assurance as at the date of publication of this report. Performance measured was for the period 2 October 2019 to 30 June 2020.

[c] The waste disposal methods have been determined based on information provided by the waste disposal contractor.

[d] In baseline year 2016, the Property achieved a waste recycling rate of 6%.

[e] Based on GRI Standards (2018), freshwater is defined as water with concentration of total dissolved solid equal or below 1,000 mg/L.

[f] Resource consumption may vary subject to the impacts of the COVID-19 pandemic and the ensuing business disruptions. Nevertheless, LREIT intends to continue its efforts on good energy, water and waste management practices and will continue to explore resource efficiency improvements at the Property.

[g] In baseline year 2016, the Property consumed:

- Total energy (landlord provisions) of 10,329 MWh with an energy intensity at 259 kWh/m^2.
- Total water withdrawal of 130,663 m^3 with a water intensity at 3.27 m^3/m^2.

Sustainability Report

Energy

LREIT recognises its duty to manage energy consumption of the Property responsibly, and continuously looks to improve its energy efficiency and increase its usage of renewable energy wherever possible.

A solar system is installed on-site to convert solar energy into usable electricity. The Property Manager has implemented a number of energy saving initiatives including daylight optimisation in the Property through the atrium space, using low emissivity double glazed glass to optimise heating, ventilation and air conditioning loads, having energy efficient lifts, motion sensor escalators that will switch to eco-mode operation automatically and the integrated design of a rooftop car park as a natural heat shield into the Property.

In FY2020, the Property Manager is progressively repairing or replacing ageing equipment in the Property. In addition, it is encouraging its employees and tenants to play their part in reducing energy usage. This is done through posters and a green kiosk that is accessible to the public. The tenants are engaged via e-mail to keep them informed of energy saving initiatives and encourage their participation in campaigns including Earth Hour.

FY2020 Performance	Landlord provisions	Tenant[h]	Total
Electricity consumption (MWh)	5,840	7,092	12,932
Solar energy consumption (renewable) (MWh)	43	-	43
Total energy consumption (MWh)	5,883	7,092	12,975
Energy intensity (kWh/m^2)[i]	147[j]	265	325

FY2021 Target

Achieve 11% reduction in energy intensity (landlord provisions) from baseline year of 2016[f, h]

Energy Efficiency, Climate Change Mitigation, Adaptation and Resilience Building

LREIT is committed to do its part in mitigating climate change and building its resilience against the potential negative impacts, while remaining cognisant of the opportunities that could arise from climate change.

Since 2018, the Group has committed to disclose the climate-related risks and opportunities under the Task Force for Climate-related Financial Disclosures ("**TCFD**") framework in respect of its businesses, including the Manager. The Group has adopted scenario planning to holistically test its strategic resilience across environmental and social sustainability outcomes, response to key trends and align its business strategies with the Sustainability Framework and vision to create the best places.

The Group's Sustainability Framework has provided guidance for LREIT to focus on climate action by continuously improving its energy efficiency, using renewable energy, etc. LREIT engages and works with its tenants to reduce carbon in operations through the implementation of Green Leases[a]. Tenants are required to adopt the minimum sustainability standards stated in the Green Lease[a] for their store fit-out. This includes lighting electrical load and the use of materials.

FY2020 Performance	Landlord provisions (Scope 2)	Tenant[k] (Scope 3)	Total
GHG emissions (tCO_2e)	2,759	3,333	6,093
GHG emissions intensity ($kgCO_2e/m2$)[f]	69[l]	125	153

FY2021 Target

Reduce Scope 2 GHG emissions intensity (landlord provisions) by 11% from baseline year of 2016[m]

[h] Using the operational control approach, tenants' energy consumption is considered energy consumption outside of the organisation where LREIT has no control over.

[i] The intensity measurement is based on gross floor area ("**GFA**"), which is the sum of space shared by all building users and space leased to tenants (sum of floor area for common areas and occupied net lettable area).

[j] Landlord provisions energy intensity is calculated against total GFA as the electricity consumption includes air condition provisions to tenancy areas.

[k] Using the operational control approach, tenants' GHG emissions are considered Scope 3 since we have no operational control over them.

[l] Landlord provisions GHG emissions intensity is calculated against total GFA as the energy consumption includes air condition provisions to tenancy areas.

[m] GHG emissions may vary subject to the impacts of the COVID-19 pandemic and the ensuing business disruptions. Nevertheless, LREIT intends to continue our efforts in reducing our GHG emissions at the Property. In baseline year 2016, 313@somerset accounted Scope 2 emissions of 4,890 tCO_2e with an emissions intensity at 123 $kgCO_2e/m^2$.

Sustainability Report

Social

Health and Safety

Creating a healthy and safe environment at the Property for employees, suppliers, tenants and visitors is crucial for LREIT's business continuance. LREIT's occupational safety and health ("**OSH**") management system is aligned with the Group's EHS framework and the Singapore Standard SS506 on OSH management systems. A bi-annual internal audit and an annual audit is conducted for the Group's EHS framework. LREIT is BizSAFE Partner certified and the Property has attained Workplace Safety and Health Performance award in FY2020 in recognition of the Property Manger's effort in safety and health through the implementation of sound safety and health management systems.

In compliance with the Workplace Safety and Health ("**WSH**") regulations, a Risk Management team is formed and comprises the Property Manager's management staff, maintenance personnel and WSH personnel. A joint management-worker health and safety committee, comprising the General Manager, Heads of Department (Marketing, Leasing, Property, Concierge and Retail Design Management), Operational Assurance Manager and the Property team (Building Executive, Property Executive and Building Supervisor), meets every quarter to discuss improvements needed for the OSH management system.

New employees of the Manager and the Property Manager undergo the Group's Global Minimum Requirements ("**GMR**") course and are trained in first aid. The GMR sets out minimum environment, health and safety standards designed to control risks associated with the Group's operations. Relevant employees are required to undergo the risk management course. Furthermore, quarterly in-house health and safety trainings are conducted for all employees, security and cleaning contract workers as well as tenants. The trainings include work-at-height training and confined space training as required by their job scopes. Annual medical check-ups and medical insurance are provided to the Group's employees.

The Group has in place Safe Work Method Statement ("**SWMS**") to identify work hazards based on activity to determine its risk level and the likelihood of occurrence. Risks are subsequently reduced using the hierarchy of controls: Elimination, Substitution, Engineering, Administration and Personal Protective Equipment ("**PPE**"). This risk assessment is conducted by the project leads who have completed the pre-requisite risk management course and submitted for the Operational Assurance Manager or Property Manager's review. The SWMS documents are reviewed annually. In the event of work-related incidents, Root Cause Analysis process will be used to investigate and determine corrective actions. A Risk Control Plan is created to implement improvements to the SWMS and risk assessments.

Based on the Group's assessments, LREIT has identified working at heights greater than two metres as one work-related hazard that pose a risk of high-consequence injury[n]. To mitigate this risk, all relevant workers are required to attend work-at-height training courses. A work-related hazard that pose a risk of ill health is noise-induced deafness. This risk is minimised using administrative actions including training, signage and PPE such as earmuffs.

In FY2020, there were no incidents of non-compliance with regulations and voluntary codes concerning health and safety at the Property. The following table shows the number and rate of work-related injuries and ill health for the employees[o] in FY2020.

FY2020 Performance

Recorded **zero** work-related fatalities
Recorded **zero** work-related high consequence injuries[n]
Recorded **zero** work-related injuries[p]
Recorded **zero** work-related ill health[q]

FY2021 Targets

To achieve zero work-related injuries and ill health

To maintain zero incidents of non-compliance with regulations and voluntary codes

Tenants

The Property Manager has included clauses on compliance with health and safety laws and regulations within its tenancy agreements to ensure tenants' compliance. It conducts safety inspections within tenant premises twice a year. Tenants are informed of non-compliances and a deadline is given to make rectifications.

Vendors and Contractors

To ensure that proper health and safety processes are in place, all vendors and contractors must obtain a permit prior to commencing work and adhere to SWMS. Awarded vendors and contractors must also meet the minimum bizSAFE level 3 standard.

Measures Against COVID-19

Against the backdrop of COVID-19, LREIT has stepped up its vigilance in maintaining the health and safety of its people and the public and have been taking guidance from Singapore government. The Property Manager provides sufficient PPE, such as surgical masks and gloves for employees and in-house vendors who face members of the public. Hand sanitisers have also been made available at high-touch places and at all entrances. To assist with contact tracing, digital check-in system, SafeEntry, is set up at the entry and exit points of the Property. Safe distancing of one metre is implemented at places where queues may occur in the Property. To minimise the risk of transmission of the COVID-19 virus in the workplace, the Property's Centre Management Office staff are required to work from home. They have been given laptops and remote access to support them in the transition. In addition, for staff who are required to work on-site at the Property, mandatory temperature taking is conducted twice a day and daily health and travel declaration are required from the staff.

[n] A high-consequence workplace injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months.

[o] The above relates to all employees of the Manager and relevant employees of the Property Manager, as well as our vendors and contractors.

[p] A recordable work-related injury is a workplace injury that results in at least 24 hours of hospitalisation or three days of medical leave due to a single work-related accident (whether consecutive or not), as per reported to the Ministry of Manpower.

[q] A recordable work-related ill health relates to occupational diseases reported to the Ministry of Manpower.

Sustainability Report

Our People

The Group's people are the greatest contributors to its success, and it seeks to build an inclusive workplace that enables a diverse and capable workforce to thrive. Its ambition is to create a work environment that:

- Values and cares for its people, with safety and wellbeing as its priority;
- Has inspirational leaders who others aspire to emulate;
- Is team-oriented, inclusive and diverse; and
- Fosters a unique culture that balances innovation, knowledge sharing and risk management.

To support LREIT's growth ambitions, it taps on the Group's people strategy that is focused on developing leadership excellence, codifying and sharing knowledge globally, creating a consistent positive employee experience and developing talent through multiple channels.

Commitment to Building Capabilities and Developing Talent

As the scale of the Group's portfolio grows, it continues to invest in developing the capability of its people to support its growth aspirations. The investment is across all career stages, from the Group's global graduate program to leadership development for its senior leaders.

The Group provides extensive learning programs for its employees and works with both internal subject-matter experts and external partners to develop learning programs relevant to its employees' roles and career development. In addition, the Group invests substantially in talent programs such as the Global Graduate Programme, Aspire, Inspire, the Talent Export Program and mentoring, to provide accelerated developmental pathways for its talents at all stages of their career journey and to build the leadership pipeline.

The Group also supports the development of its employees who wish to pursue, at their own initiative, further academic qualifications through education assistance and course sponsorships.

The Group's dedicated online learning platform provides all employees with access to an extensive suite of digital courses and learning resources with over 8,000 topics available for just-in-time learning. Even with the disruption caused by the COVID-19 pandemic, the Group has continued to support its employees in their professional and personal development. The Group has developed targeted programmes to equip employees with the skills to prepare, adapt and build resilience for the future post-pandemic.

Employee Experience and Total Rewards Framework

The employee experience

Listening to its people helps the Group to create an environment and experience that support employees. It provides an environment where its people are recognised and rewarded for living its values and building the culture that the Group needs to succeed and create a great place for all to work.

The Group continuously communicates and engages with its people in designing and evolving the way it works, to foster greater enterprise-wide collaboration, continuous learning and open and transparent dialogues.

As part of this open dialogue, the Group measures the engagement level of its employees and the effectiveness of its leadership through Our People Survey, conducted once every six months. During the year, the Group also embarked on a targeted Leadership Excellence Programme to build leadership capability. This focused on direction setting, leading effective teams and regular and open communications.

In the latest Our People Survey conducted in May 2020, Lendlease Singapore, which includes the Manager and the Property Manager, outperformed Singapore's top quartile company norms by scoring 13 percentage points higher than the Singapore national average; with increases across all component indices, including Organisational Effectiveness and Diversity & Inclusion. With the roll-out of the Leadership Excellence Programme in FY2020, the Group is also particularly pleased to see a 14-point increase in its Leadership Effectiveness Index.

Total rewards and performance-based

The Group has in place a robust performance management framework comprising regular conversations throughout the year on performance, wellbeing and career development. This enables the Manager and Property Manager to better recognise and reward the people based on their performance and drive a high-performing and growth culture. The Group, which includes the Manager and the Property Manager, adopts a total rewards framework that does not only focus on remuneration. In addition to salaries and performance-related bonuses, its people are also recognised and rewarded through various other opportunities including career progression, promotion, learning and development opportunities, and overseas assignment exposure. All opportunities are provided based on contributions, experience and potential, which optimises employees to achieve individual and collective goals, thereby creating long-term value.

Health and mental wellbeing

Health and mental wellbeing of its employees is a key priority focus for the Group and LREIT. The Group has long had a focus on the health and wellbeing of its people and developed a holistic framework and initiatives to promote and support this focus. Various communication and support channels are available to ensure that the workforce is able to get access to comprehensive support when needed so that they are able to live well and work productively. These include being provided with a variety of support options including reaching out to trained mental health first aiders via our Friend In Need Programme and access to the Employee Assistance Programme that provides employees and their family members with confidential and professional counselling services.

Regular feedback from employees is sought throughout the year and concerns can be raised through a confidential reporting hotline. Leaders within the Group are required to attend a mental health first aid program to raise awareness and understanding.

Health and wellbeing response to COVID-19

In response to COVID-19, on top of enhancing the Group's existing healthcare programmes with more frequent communications on support available, it has also put in place a range of new measures to support its people's health and wellbeing.

Lendlease Hardship and Wellbeing Fund

The Lendlease Hardship and Wellbeing Fund was established to support the Group's employees and their families who may be impacted by COVID-19 and who need short term help to cover the essentials and expenses of everyday life. This includes mortgage or rental payment, groceries, utilities and medical expenses.

Rollout of virtual doctors

The ability to consult doctors virtually was introduced in Lendlease Singapore at the beginning of COVID-19 as the first line of support for employees and dependants. With this service, employees and dependants can seek online video medical consultation and treatment at their choice of time and location, without having to visit a physical clinic. On top of the convenience of online medical consultation, prescribed medications can also be delivered to the employees' doorsteps upon purchase. This provides a greater sense of assurance and safety. The ability to consult doctors virtually was subsequently rolled out to all other operations in Lendlease Asia.

Sustainability Report

Equal Opportunity and Diversity

The Group ensures fairness, parity and inclusiveness throughout the employee experience, including recruitment, performance management, remuneration, promotions and development opportunities.

Hiring practice

The Group's focus on diversity and inclusion starts in the way it hires so that its workforce represents the diversity in society. When hiring, the Group's equal opportunity policy strictly enforces non-discrimination, ensuring a diverse hiring slate during the recruitment and selection process. The hiring managers are also provided with training to eliminate unconscious bias.

Flexible work for all

Supporting diversity and attracting and retaining talent – the Group focuses on three areas: policies and procedures to support flexible working, encouraging open dialogue between managers and employees about flexible working, and considering flexibility and hours of work when it establishes work scope and customer commitments.

Gender equity

The Group ensures that its people, regardless of their gender, are given equal opportunities. For the year ended 30 June 2020, the Group undertakes annual gender pay reviews to eliminate any gender-based pay gaps.

An inclusive workplace

In creating a safe and inclusive workplace, the Group ensures that accessible places for the employees are planned as part of the workplace design.

The workplace provided for the employees of the Manager is BCA-HPB Green Mark for Healthier Workplaces Platinum certified and has been designed to foster a healthy workplace culture and behaviour, combining a mix of workspaces and technology to flexibly suit personal preferences and needs from sit-stand office neighbourhoods and focus areas to more open, collaborative café areas, kitchens and lounges. Other facilities to support and promote employee wellbeing include a mother's room with three cubicles which is fully equipped with dedicated fridge and comfortable seating, a prayer room in respect of religious needs, wellness room providing first aid amenities and a place for contemplation, flexible meeting spaces that can also be converted to large spaces to facilitate group exercises for a healthier lifestyle.

The vicinity also facilitates a healthy lifestyle with the provision of end of trip facilities enabling active commuting. Other inclusive designs that have been incorporated include wide corridors to accommodate wheelchairs, adjustable height workstations, braille signages and tactile flooring.

In FY2020, the diversity profiles of the Manager's Board of Directors and employees of the Manager and Property Manager are shown below.

	Number	Percentage
Board Diversity – By Gender		
Male	3	60%
Female	2	40%
Board Diversity – By Age Group		
30 - 50 years old	1	20%
> 50 years old	4	80%

Employee Diversity per Employee Category – By Gender

		Total	Percentage
Senior Management[r]	Male	3	50%
	Female	3	50%
Middle Management[s]	Male	2	20%
	Female	8	80%
Non-management[t]	Male	12	39%
	Female	19	61%

Employee Diversity per Employee Category – By Age Group

		Total	Percentage
Senior Management	30 - 50 years old	6	100%
	> 50 years old	0	0%
Middle Management	< 30 years old	0	0%
	30 - 50 years old	9	90%
	> 50 years old	1	10%
Non-management	< 30 years old	12	39%
	30 - 50 years old	18	58%
	> 50 years old	1	3%

FY2021 Targets

Retention of key talent across all talent programs

Effective succession planning to demonstrate the depth of capable talent ready to progress into leadership and critical roles

Measure the effectiveness of the Group's leaders' and employees' engagement through Our People Survey

Commit to having a diverse and inclusive workforce and provide fair opportunities based on merit

[r] Senior management refers to the Manager's Chief Executive Officer ("**CEO**") and Executive General Manager, Finance and the Property Manager's Head of Asset Operations (Singapore), Head of Property (Singapore), Leasing Director and General Manager relevant to LREIT.

[s] Middle management refers to all managerial levels of the Manager and Property Manager relevant to LREIT.

[t] Non-management refers to all other employees of the Manager and Property Manager relevant to LREIT.

Sustainability Report

Local Communities

LREIT believes that being a responsible corporate citizen and building lasting relationships with its communities is critical to the long-term viability of its business. It works towards its imperatives of creating Vibrant and Resilient Communities and Cities and enabling a Healthy Planet and People through a myriad of initiatives throughout the year.

Community Relief Efforts for COVID-19

In affirmation of LREIT's commitment to build and support resilient communities, it has provided targeted assistance to COVID-19 relief efforts for communities in Singapore.

In support of The Sayang Sayang Fund established by the Community Foundation of Singapore for frontline healthcare workers and vulnerable communities, the Group, LREIT and its employees, through a dollar-for-dollar matching arrangement, raised $14,888 collectively.

In addition, there was the procurement of 200 care packs that include hand sanitisers, hand wash and multi-purpose cleaners that were donated to the beneficiaries of Tembusu Senior activity Centre in partnership with South East Community Development Council. 300 hand sanitisers were also donated to Geylang Serai Community Club for distribution to the local community.

The Group also provided an option in the Lendlease Plus App and loyalty programme for Lendlease Plus members to donate their reward points to Willing Hearts which it matched dollar-for-dollar. Willing Hearts is a non-profit organisation that provides meals to the elderly, persons with disability, low-income Singaporeans and migrant workers.

Community Outreach and Public Awareness

Since 2011, the Property has been hosting the Green and Gorgeous Fashion Swap annually. Instead of disposing old clothes and accessories, visitors are given a platform to swap them with other participants. Due to the COVID-19 pandemic, the event was held on a virtual platform in FY2020. Nevertheless, a total of 3,110 items were received and 2,631 garments and accessories were swapped through the virtual green campaign. Educational tours were hosted for the communities who are interested in the sustainable features of the Property. For Earth Hour 2020, LREIT partnered with NEA and PUB to create awareness on energy conservation by switching off its façade and non-essential lighting in the Property for two hours.

Given the COVID-19 situation, many in-person volunteering attempts were curtailed for FY2020, but LREIT will continually seek opportunities to provide support for its communities.

FY2021 Target

Continue to support the local community through proactive engagements

Gardens by the Bay Visit with APSN Katong School

Group photo taken at Gardens by the Bay.

In October 2019, the Manager conducted its first community day outreach programme in partnership with the Association for Persons with Special Needs (“**APSN**”), a social service agency providing special education for persons with mild intellectual disability.

Together with volunteers from the Group, the Manager brought 24 Secondary Two students from APSN Katong School to Gardens by the Bay for a field trip where they visited two exhibitions – Flower Dome and Cloud Forest. This mutually enriching experience allowed the students to benefit from invaluable out-of-class learning and gave LREIT’s employees the opportunity to befriend and interact with the students.

Sustainability Report

Governance

LREIT is committed to driving good governance, acknowledging it as an important foundation to cultivate sustainable growth.

Anti-Corruption

Fraud and corruption are risks to the continuity of business and undermines fair business practices. LREIT has zero-tolerance stance for any fraud, corruption and other unethical behaviour.

The following policies encompass the standards and procedures taken at LREIT:

Policies and Procedures	Details
Lendlease Group Employee Code of Conduct	Standards expected of all employees relating to appropriate behaviours, including how employees should conduct business and maintain all business relationships. The Group's employees are required to complete an annual "How We Work in Lendlease" online module as a refresher on the Group's Code of Conduct. Please refer to the Corporate Governance Section for more details.
Lendlease Group Conduct Breach Reporting	Policy supporting the reporting of illegal or improper conduct occurring in the Group's business, including behaviour that does not accord with its Core Values, Employee Code of Conduct or Supplier Code of Conduct.
Lendlease Group Corporate Sponsorship and Partnership Policy	Policy relating to any proposed sponsorships/ partnerships using the Group's brand. It also applies to all projects, assets under management and joint ventures.
Lendlease Group Political Donations Policy	Policy relating to the Group's political donation governance and approval framework in order to protect its reputation as an ethical and responsible organisation and to ensure that employees are fully aware of their responsibilities in this area.
Entertainment and Gifts from Third Parties Policy	Procedures established by the Manager on the acceptance of gifts and entertainment requiring prior approval from the Manager's CEO or the CEO of Lendlease Asia (depending on threshold) and the Head of Compliance. The policy is reviewed annually by the Manager's Audit and Risk Committee ("**ARC**") and adopted by the Board. The effectiveness of the ARC terms of reference is also reviewed on an annual basis. For details of the ARC terms of reference, please refer to the following section of this Annual Report: (page 102).
Conflict of Interest Policy	Procedures established by the Manager to prevent and deal with potential conflicts of interest issues. Please refer to the Corporate Governance Section for more details.

Policies and Procedures	Details
Whistleblowing Policy	Provision of an independently-monitored, confidential channel for employees, service providers and associates to report any suspected wrongdoing or dangers at work without fear of reprisals. The Policy also provides guidelines for independent investigation of any reports and appropriate follow-up action. All whistleblowing reports will be directed to the relevant parties at the Senior Management level of the Manager and the ARC who will take the appropriate follow-up actions. Please refer to the Corporate Governance Section for more details.
Anti-Money Laundering Manual	Assists the Manager in understanding the legal and regulatory obligations under Singapore law as well as the internal policies and procedures instituted by the Manager when conducting its business.

The Manager's employees and directors are also required to provide a Fit and Proper Criteria Declaration at their onboarding and on an annual basis. Further, it is mandatory for all new employees that are licenced representatives to attend anti-money laundering trainings within the year they join LREIT. Existing employees are also required to attend anti-money laundering trainings at least once every two years. Employees that are licenced representatives are also required to attend courses (which may include anti-money laundering/counter terrorism financing topics) each year as part of their continuing professional development requirements.

In FY2020, no public legal cases regarding corruption and fraud were brought against LREIT, the Manager and its employees, and there were no confirmed incidents of corruption.

FY2020 Performance

Recorded **zero** incidents of corruption

FY2021 Target

Maintain zero confirmed incidents of corruption

Sustainability Report

Regulatory Compliance

LREIT is committed to comply with all applicable laws and regulations. As LREIT is operating in a highly regulated industry, non-compliance will result in hefty fines and reputational damage and affect business operations.

Policies and processes are established to minimise regulatory and compliance risks, including Compliance Manual, Anti-money Laundering Manual and Securities Trading Policy which ensures the Group's personnel's compliance with legal obligations relating to dealings in securities while they are in possession of non-public inside information.

LREIT has put in place a robust compliance monitoring programme, which consists of the completion of compliance checklists on a quarterly basis by the legal counsel of the Manager. The Compliance Manual and compliance checklists are reviewed annually. To keep abreast of applicable laws and regulations, trainings are conducted where required and email bulletins from the Group's legal advisers on topical subjects are circulated to its employees.

In FY2020, LREIT had zero incidents of non-compliance with relevant laws and regulations that resulted in significant fines or non-monetary sanctions.

FY2020 Performance

Recorded **zero** incidents of non-compliance with environmental laws and regulations that resulted in significant fines or non-monetary sanctions
Recorded **zero** incidents of non-compliance incidents with laws and regulations in the social and economic areas that resulted in significant fines or non-monetary sanctions

FY2021 Target

Maintain zero incidents of non-compliance with relevant laws and regulations that result in significant fines or non-monetary sanctions

Customer Privacy

Keeping customers' data safe and protected is of utmost importance to LREIT as its customers, both tenants and shoppers, entrust it with sensitive and confidential data. It aims to continue securing customers' confidence and trust by preventing any breaches of customer privacy.

LREIT is guided by the Group's Information Security Policy, which defines acceptable behaviours and approach to protecting the confidentiality of information and Information Technology resources and its Privacy Policy, which outlines how personal data is used, stored and shared. Personal data collected and processed will only be kept for as long as is necessary for the purpose for which it was collected and will either be deleted completely or anonymised, for example by aggregation with other data so that it can be used in a non-identifiable way for statistical analysis and business planning.

At the Property Manager level, there is a standard operating procedure ("**SOP**") in place to manage any complaints received with respect to personal data issues. The SOP includes reviewing the complaint, investigating the complaint if it has been escalated to the Data Protection Officer, responding to the complainant, monitoring the situation and keeping records. Training on the Personal Data Protection Act is provided to the employees of the Property Manager at least once every two years.

In FY2020, LREIT had zero substantiated complaints concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data.

FY2020 Performance

Recorded **zero** substantiated complaints concerning breaches of customer privacy
Recorded **zero** identified leaks, thefts, or losses of customer data

FY2021 Target

Maintain zero substantiated complaints received concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data

GRI Content Index

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Universal Standards			
GRI 102: General Disclosures	**Organisational Profile**		
	102-1	Name of the organisation	Sustainability Report, Board Statement, page 55
	102-2	Activities, brands, products, and services	Corporate Profile, page 1
	102-3	Location of headquarters	Sustainability Report, About This Report, page 54
	102-4	Location of operations	Sustainability Report, About This Report, page 54
	102-5	Ownership and legal form	Trust Structure, Statistics of Unitholdings, page 16, 166 and 167
	102-6	Markets served	Corporate Profile, page 1
	102-7	Scale of the organisation	Sustainability Report, About This Report, Our People, page 54, 66 to 69
	102-8	Information on employees and other workers	Sustainability Report, Our People, page 66 to 69
	102-9	Supply chain	Sustainability Report, Sustainability Approach, Environmental, Social – Health and Safety, page 56, 60, 64
	102-10	Significant changes to the organisation and its supply chain	Letter to Unitholder, page 9 to 11
	102-11	Precautionary principle or approach	Risk Management, page 109 to 112
	102-12	External initiatives	LREIT adopts ISO 14001:2015 for environmental management, Singapore Standard SS 506 for OSH management system, responds to the Global Real Estate Sustainability Benchmark annually, maintains BCA Green Mark Platinum certification, SS 557:2012 Water Efficiency Management System (WEMS).
	102-13	Membership of associations	REIT Association of Singapore, Financial Industry Disputes Resolution Centre (FIDReC) and Singapore Business Federation
	Strategy		
	102-14	Statement from senior decision-maker	Sustainability Report, Board Statement, page 55
	Ethics and Integrity		
	102-16	Values, principles, standards, and norms of behaviour	Strategy and Mission, page 7 Sustainability Report, Sustainability Approach, page 56

Sustainability Report

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
GRI 102: General Disclosures	**Governance**		
	102-18	Governance structure	Sustainability Report, Sustainability Governance, page 72 to 74
	Stakeholder Engagement		
	102-40	List of stakeholder groups	Sustainability Report, Stakeholder Engagement, page 57
	102-41	Collective bargaining agreements	N/A
	102-42	Identifying and selecting stakeholders	Sustainability Report, Stakeholder Engagement, page 57
	102-43	Approach to stakeholder engagement	Sustainability Report, Stakeholder Engagement, page 57
	102-44	Key topics and concerns raised	Sustainability Report, Stakeholder Engagement, page 57
	Reporting Practice		
	102-45	Entities included in the consolidated financial statements	Investment in Subsidiaries, page 142 Sustainability Report, About This Report, page 54
	102-46	Defining report content and topic boundaries	Sustainability Report, About This Report, Materiality Assessment, pages 58
	102-47	List of material topics	Sustainability Report, Materiality Assessment, page 58
	102-48	Restatements of information	There are no restatements of information as this is the first year of sustainability reporting for LREIT.
	102-49	Changes in reporting	There are no changes in reporting as this is the first year of sustainability reporting for LREIT.
	102-50	Reporting period	Sustainability Report, About This Report, page 54
	102-51	Date of most recent report	This is the first year of sustainability reporting for LREIT.
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	Sustainability Report, About This Report, page 54
	102-54	Claims of reporting in accordance with GRI Standards	Sustainability Report, About This Report, page 54
	102-55	GRI content index	GRI Content Index, page 75 to 79
	102-56	External assurance	The Group has obtained external assurance services over its energy, water, waste and GHG emissions performance data. The Property's performance data is included as a part of the Group's external assurance engagement.

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Management Approach and Topic-specific Standards			
Economic Performance			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Sustainability Approach – Sustainability Framework, Economic Performance and Customer Experience, page 56, 59
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	
Resource Management			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Environmental – Resource Efficiency, page 60 to 62
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 302: Energy	302-1	Energy consumption within the organisation	
	302-3	Energy intensity	
GRI 303: Water and Effluents (2018)	303-1	Management approach: Interactions with water as a shared resource	
	303-2	Management approach: Management of water discharge-related impacts	
	303-3	Water withdrawal	
GRI 306: Effluents and Waste	306-2	Waste by type and disposal method	
Emissions			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Environmental – Energy Efficiency, Climate Change Mitigation, Adaptation and Resilience Building, page 63
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 305: Emissions	305-2	Energy indirect (Scope 2) GHG emissions	
	305-4	GHG emissions intensity	

Sustainability Report

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Health and Safety			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Health and Safety, page 64 and 65
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 403: Occupational Health and Safety (2018)	403-1	Management approach: Occupational health and safety management system	
	403-2	Management approach: Hazard identification, risk assessment, and incident investigation	
	403-3	Management approach: Occupational health services	
	403-4	Management approach: Worker participation, consultation, and communication on occupational health and safety	
	403-5	Management approach: Worker training on occupational health and safety	
	403-6	Management approach: Promotion of worker health	
	403-7	Management approach: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-9	Work-related injuries	
	403-10	Work-related ill health	
GRI 416: Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
Our People			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Our People, page 66 to 69
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 404: Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Local Communities			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Local Communities, page 70 and 71
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments,and development programs	
Anti-corruption			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Governance – Anti-corruption, page 72 and 73
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	
Regulatory Compliance			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Governance – Regulatory Compliance, page 74
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	
Customer Privacy			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Governance – Customer Privacy, page 74
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	

Success through Stewardship

Success and continuity comes from stewardship and from aligning the interests of our many stakeholders. To our unitholders and investors, to our tenants and strategic business partners and to our own people and those we serve, our governance frameworks ensure the resilience of our business.

Corporate Governance

The Board and Management of Lendlease Global Commercial Trust Management Pte. Ltd., the manager of Lendlease Global Commercial REIT ("**LREIT**", and the manager of LREIT, the "**Manager**"), are fully committed to good corporate governance as they firmly believe that it is essential in protecting the interests of the unitholders of LREIT (the "**Unitholders**"). Good corporate governance is also critical to the performance and success of the Manager.

The Manager adopts the Code of Corporate Governance 2018 (the "**2018 Code**") as its benchmark for corporate governance policies and practices. This report sets out LREIT's corporate governance practices for the financial period from 2 October 2019 (listing date) to 30 June 2020 ("**FY2020**") with specific reference to principles of the 2018 Code.

The Manager is pleased to report that it has complied with the 2018 Code in all material respects and to the extent that there are any deviations from the 2018 Code, the Manager will provide explanations for such deviation and details of the alternative practices which have been adopted by LREIT which are consistent with the relevant principle of the 2018 Code.

The Manager of LREIT

The Manager has general powers of management over the assets of LREIT. The Manager's main responsibility is to manage LREIT's assets and liabilities for the benefit of Unitholders. The Manager will set the strategic direction of LREIT and give recommendations to RBC Investor Services Trust Singapore Limited, as trustee of LREIT (the "**Trustee**"), on the acquisition, divestment, development and/or enhancement of assets of LREIT in accordance with its stated investment strategy.

The Manager uses its best endeavours to carry on and conduct its business in a proper and efficient manner, and to conduct all transactions with, or for LREIT, at arm's length. The Manager is also responsible for the capital and risk management of LREIT. Other key functions and responsibilities of the Manager include:

- developing LREIT's business plans and budget so as to manage the performance of LREIT's assets;
- ensuring compliance with applicable requirements, laws and regulations, such as those set out in the listing manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**", and the listing manual of the SGX-ST, the "**Listing Manual**"), the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore (the "**MAS**") (including Appendix 6 of the CIS Code (the "**Property Funds Appendix**")), the Capital Markets Services Licence ("**CMS Licence**") for real estate investment trust ("**REIT**") management issued by the MAS, the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), the Securities and Futures (Licensing and Conduct of Business) Regulations (the "**SF(LCB) Regulations**"), the 2018 Code and the Alternative Investment Fund Managers Directive ("**AIFMD**"), as well as ensuring that the Manager's obligations under the Trust Deed are properly carried out; and
- establishing a framework of prudent and effective controls which enable financial, operational and compliance risks to be assessed and managed.

LREIT, which is constituted as a trust, is externally managed by the Manager and therefore has no personnel of its own. The Manager has an experienced and well-qualified management team ("**Management**") to run the day-to-day operations of LREIT. All directors (the "**Directors**") and employees of the Manager are remunerated by the Manager, and not by LREIT.

The Manager was appointed in accordance with the terms of the trust deed dated 28 January 2019 (as amended, restated or supplemented from time to time) (the "**Trust Deed**"). The Manager was issued a CMS Licence pursuant to the SFA on 13 September 2019.

The Board's Conduct of Affairs

Principle 1:

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board of Directors of the Manager (the "**Board**") is responsible for the overall management and corporate governance of the Manager, including establishing goals for Management and monitoring the achievement of these goals. The Manager is also responsible for the strategic business direction and risk management of LREIT. All Board members will participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of the Directors.

The key roles of the Board are to:
- guide the corporate strategy and direction of the Manager;
- ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; and
- oversee the proper conduct of the Manager.

All Directors are fiduciaries who act objectively in the best interests of LREIT, and hold Management accountable for performance. The Board sets an appropriate tone from the top and desired organisational culture, and ensures proper accountability within the Manager. The Board is entrusted with the responsibility for the overall management and corporate governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board has in place a framework for the management of the Manager and LREIT, including a system of internal audit and control and a business risk management process. In respect of matters in which a Director or his associates has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director.

To assist the Board in the discharge of its oversight function, the Audit and Risk Committee (the "**ARC**") and the Nomination and Remuneration Committee (the "**NRC**", and together with the ARC, the "**Board Committees**") have been constituted with clear written terms of reference, setting out their respective compositions, authorities and duties, including reporting back to the Board. They play an important role in ensuring good corporate governance and the responsibilities of the Board Committees are disclosed in the Appendix hereto.

The Board meets at least quarterly, or more often if necessary, to review the Manager's key activities, including its business strategies and policies for LREIT, proposed acquisitions and divestments, the annual budget, the performance of the business and the financial performance of LREIT and the Manager.

The Board also reviews and approves the release of the financial results. In addition, the Board will also review the business risks of LREIT, examine liability management and act upon any comments from the auditors of LREIT.

Board and Board Committee meetings are scheduled and circulated to the Directors prior to the start of the financial year to allow Directors to plan ahead to attend and actively participate in such meetings, so as to maximise participation. The Manager's constitution permits Board meetings to be held by way of conference via telephone or any other similar communication equipment by which all persons participating are able to hear and be heard by all other participants. Directors with multiple directorships are expected to ensure that sufficient time and attention can be and is given to the affairs of the Manager in managing the assets and liabilities of LREIT for the benefit of Unitholders.

The number of Board and Board Committee meetings held in FY2020, as well as the attendance of each Board member at these meetings, are disclosed in the following table:

Director	Board Meetings	ARC Meetings	NRC Meetings
Mr Anthony Peter Lombardo	2	2	-
Dr Tsui Kai Chong	2	2	1
Mr Simon John Perrott	2	2	1
Mrs Lee Ai Ming	2	2	1
Ms Ng Hsueh Ling	2	-	1
No. of meetings held in FY2020	**2**	**2**	**1**

Corporate Governance

Management provides the Directors with complete, adequate and timely information prior to Board and Board Committee meetings and on an on-going basis. This enables the Directors to make informed decisions and discharge their duties and responsibilities. If a Director is unable to attend a Board or Board Committee meeting, he or she still receives all the papers and materials for discussion at that meeting. He or she will review them and will advise the chairman of the Board (the "**Chairman**") or the chairperson of the Board Committee of his or her views and comments on the matters to be discussed so that they can be conveyed to other participants present at the meeting.

The Manager has adopted a set of internal guidelines which sets out the financial authority limits for investment/business acquisition and divestment, operating/capital expenditure, capital management, leasing, disposal and write-off of assets and corporate matters that require the approval of the Board. Transactions and matters which require the approval of the Board are set out in the internal guidelines, and these are clearly communicated to Management in writing. Appropriate delegations of authority and approval sub-limits are also provided at Management level to facilitate operational efficiency.

Upon appointment, a formal letter will be sent to newly-appointed Directors explaining their duties and obligations as Director. All newly-appointed Directors will undergo induction, training and development programmes which include management presentations on the business, operations, strategies, organisation structure, responsibilities of Chief Executive Officer ("**CEO**") and other persons having authority and responsibility for planning, directing and controlling the activities of the Manager ("**key management personnel**"), and financial and governance practices. These programmes are provided to existing Directors as well and may include visits to LREIT's properties. Through these programmes, the new Director also gets acquainted with members of Management which facilitates their interaction at Board meetings. New Directors, who have no prior experience as a director of a public listed entity listed on the SGX-ST, will undergo training in the roles and responsibilities of a director of a public listed entity in Singapore as prescribed by the SGX-ST.

Changes to laws, regulations, policies, accounting standards and industry-related matters are monitored closely. Where the changes have an important and significant bearing on LREIT and its disclosure obligations, the Directors are briefed either during Board meetings, at specially convened sessions or via circulation of Board papers. The Directors will also be provided with opportunities for developing and maintaining their skills and knowledge and continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), and the CIS Code, and industry-related matters, so as to update and refresh them. This allows the Directors to understand the Manager's business as well as their directorship duties (including their roles as non-executive and independent directors) and also promotes active engagement between the Board and the key executives of the Manager. The cost of such continuing education shall be borne by the Manager.

The Directors also have separate and independent access to Management and the company secretary of the Manager (the "**Company Secretary**"). The Company Secretary keeps himself abreast of relevant developments. He has oversight of corporate secretarial administration matters and advises the Board, the Board Committees and the Management on corporate governance matters. The Company Secretary attends Board meetings and assists the Chairman/Chairwoman in ensuring that Board procedures are followed. The appointment and the removal of the Company Secretary is subject to the Board's approval.

The Directors, whether individually or collectively as the Board, are also entitled to have access to independent external professional advice where necessary, at the Manager's expense.

Board Composition and Guidance

Principle 2:
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board consists of five members, all of whom are non-executive directors and three of whom are also independent Directors. The Board determines on an annual basis, taking into account the views of the NRC, whether or not a Director is independent, bearing in mind the 2018 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a Director not to be independent, as well as the independence criteria under the SF(LCB) Regulations.

Under the 2018 Code, for LREIT, an "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the Manager, its related corporations, its substantial shareholders, or its officers or substantial unitholders of LREIT that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of LREIT. In addition, under the Listing Manual and the SF(LCB) Regulations, an independent Director is one who:

(i) is independent from the Management of the Manager and LREIT;
(ii) is independent from any business relationship with the Manager and LREIT;
(iii) is independent from every substantial shareholder of the Manager, and every substantial unitholder of LREIT;
(iv) is not a substantial shareholder of the Manager, or a substantial unitholder of LREIT;
(v) has not served as a director of the Manager for a continuous period of nine years or longer; and
(vi) is not employed or has been employed by the Manager or LREIT or any of their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Manager or LREIT or any of their related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Board.

The NRC is of the view that, taking into account the nature and scope of LREIT's operations, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of LREIT. In addition, the size of the Board and each Board Committee is appropriate and facilitates effective decision-making.

The nature of the Directors' appointments on the Board and details of their membership on the Board Committees are set out in the Appendix hereto.

The Manager has in place a Board diversity policy that sets out the Board's philosophy on and approach to achieve diversity on the Board. Board diversity embraces differences in skills, knowledge, business experience, gender, age, ethnicity and culture, geographical background and nationalities, religion and tenure of service. These differences are taken into account in determining the optimal composition of the Board and where possible should be balanced appropriately. All director appointments will be based on merit and take into account the benefits of diversity and needs of the Board. As of 30 June 2020, the Board composition reflects the philosophy as set out in the Board diversity policy. The policy will be reviewed from time to time as appropriate, to ensure its effectiveness.

The NRC is satisfied that the Board and its Board Committees comprise Directors who as a group provide an appropriate balance and mix of skills, knowledge, experience, perspectives, and other aspects of diversity such as gender and age, required for the Board and Board Committees to be effective and avoid groupthink.

The composition of the Board is also determined using the following principles:

(i) the Chairman of the Board should be a non-executive Director of the Manager;
(ii) the Board should comprise Directors with a broad range of commercial experience including expertise in funds management, legal matters, audit and accounting and the property industry; and
(iii) at least half of the Board should comprise independent Directors if the Unitholders are not given the right to vote to approve the members of the Board.

In FY2020, independent Directors made up a majority of the Board, which is in line with Provision 2.2 of the 2018 Code, as the Chairman is a non-independent Director.

The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board and Management fully appreciate that an effective and robust Board, whose members engage in open and constructive debate and challenge Management on its assumptions and proposals, is fundamental to good corporate governance. For this to happen, the Board, in particular, the independent non-executive Directors, are kept well informed of LREIT's and the Manager's business and affairs and are knowledgeable about the industry in which the businesses operate. For the current financial year, the independent non-executive Directors have constructively challenged and helped to develop proposals on strategy and reviewed the performance of Management. They have unrestricted access to Management, and have sufficient time and resources to discharge their oversight function effectively. On a need basis, it is being considered that at the end of every Board meeting, there would be closed-door discussions between the independent non-executive Directors without the presence of Management which are led by the lead independent Director, Dr Tsui Kai Chong (the "**Lead Independent Director**"), and feedback is provided to the Board and/or the Chairman as appropriate.

Corporate Governance

Chairman and Chief Executive Officer

Principle 3:
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The positions of Chairman and CEO are held by two separate persons in order to maintain effective oversight and an effective check and balance. The Chairman and CEO are not immediate family members. The separation of responsibilities between the Chairman and CEO ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman is responsible for the overall management of the Board so that the members of the Board and the Management work together with integrity and competency, and that the Board engages the Management in constructive debate on strategy, business operations, enterprise risk and other plans.

The Chairman, with the assistance of the Company Secretary, reviews meeting agenda to enable the Board to perform its duties responsibly having regard to the flow of LREIT's operations. He monitors the flow of information from Management to the Board to ensure that all material information is provided in a timely manner to the Board for the Board to make good decisions. At Board meetings, the Chairman encourages a frank exchange of views, drawing out contributions from all Directors so that the debate benefits from the full diversity of views.

The CEO has full executive responsibilities over business direction and operational decisions in the day-to-day management of the Manager. Assisted by Management, the CEO makes strategic proposals to the Board and after robust and constructive Board discussion, executes the agreed strategy, manages and develops LREIT's businesses and implements the Board's decisions.

The clear separation of roles of the Chairman and CEO provides a healthy professional relationship between the Board and Management with clarity of roles and robust deliberations on the business operations of LREIT.

Separately, the Lead Independent Director is available to Unitholders when they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. Questions or feedback can be submitted via email to the Lead Independent Director at enquiry@lendleaseglobalcommercialreit.com.

Board Membership

Principle 4:

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nomination and Remuneration Committee

The NRC has been appointed by the Board to, among other things, make recommendations to the Board on all Board appointments. The NRC comprises four Directors, a majority of whom, including the chairwoman of the NRC, are independent Directors. The Lead Independent Director is a member of the NRC. The members are:

- Mrs Lee Ai Ming (NRC chairwoman)
- Dr Tsui Kai Chong (Member)
- Mr Simon John Perrott (Member)
- Ms Ng Hsueh Ling (Member)

The responsibilities of the NRC are disclosed in the Appendix hereto.

Process for Appointment of New Directors and Succession Planning for the Board

The NRC is responsible for making recommendations to the Board on all appointment and remuneration matters. In this regard, it has put in place a formal process for the renewal of the Board and the selection of new Directors. The NRC leads the process and makes recommendations to the Board as follows:

(a) the NRC reviews the balance and diversity of skills, experience, gender, age and knowledge required by the Board and the size of the Board which would facilitate decision-making;
(b) in light of such review and in consultation with Management, the NRC assesses if there is any inadequate representation in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;
(c) external help (for example, the Singapore Institute of Directors, search consultants, open advertisement) to be used to source for potential candidates if need be. Directors and Management may also make suggestions;
(d) the NRC meets with the shortlisted candidates to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
(e) the NRC makes recommendations to the Board for approval.

The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

Criteria for Appointment of New Directors

All new appointments are subject to the recommendation of the NRC based on the following objective criteria:

(1) integrity;
(2) independent judgment;
(3) diversity – possess core competencies that meet the current needs of LREIT and the Manager and complement the skills and competencies of the existing Directors;
(4) ability to commit time and effort to carry out duties and responsibilities effectively;
(5) track record of making good decisions;
(6) experience in high-performing corporations or property funds; and
(7) financially literate.

Once appointed, the NRC will ensure that new Directors are aware of their duties and obligations. For re-appointment of Directors, the Board assesses the relevant Directors' performance as disclosed under the Appendix and determines if Directors shall be re-endorsed at the annual general meeting ("**AGM**"). The Board seeks to refresh its membership progressively, taking into account the balance of skills and experience, tenure and diversity, as well as benchmarking within the industry, as appropriate.

Unitholders' Endorsement for the Appointment of Directors

Lendlease Singapore Holdings Pty Limited ("**Lendlease Singapore Holdings**"), an indirect wholly owned subsidiary of Lendlease Corporation Limited (the "**Sponsor**"), has on 13 September 2019 provided an undertaking to the Trustee (the "**Undertaking**") to provide Unitholders with the right to endorse the appointment of each of the Directors by way of an ordinary resolution at AGMs of Unitholders. Pursuant to the Undertaking, Lendlease Singapore Holdings has undertaken to the Trustee:

- to procure the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than the third AGM of LREIT after the date LREIT was admitted to the Official List of the SGX-ST, being 2 October 2019;
- to procure the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than every third AGM of LREIT after the relevant general meeting at which such Director's appointment was last endorsed or re-endorsed, as the case may be;
- (where a person is appointed as Director, either to fill a vacancy or as an addition to the existing Board, at any time) to procure the Manager to seek Unitholders' endorsement for his or her appointment as a Director at the next AGM immediately following his or her appointment; and
- to procure any person whose appointment as a Director has not been endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting of LREIT where the endorsement or re-endorsement (as the case may be) for his or her appointment was sought, to resign or otherwise be removed from the Board either (i) within 21 days from the date of the relevant general meeting or (ii) in the event that the Board determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed, and the regulatory approval for such appointment (if any) has been obtained.

The endorsement or re-endorsement from Unitholders of any appointment of any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting of LREIT. The Undertaking shall not restrict the Manager or Lendlease Singapore Holdings from appointing any Director from time to time in accordance with

Corporate Governance

applicable laws and regulations (including any applicable rules of the SGX-ST) and the constitution of the Manager.

The Undertaking shall remain in force for so long as:
- the Manager remains as a wholly-owned subsidiary (as defined in the Companies Act) of Lendlease Singapore Holdings; and
- Lendlease Global Commercial Trust Management Pte. Ltd. remains as the Manager.

Review of Directors' Independence

There is a rigorous process to evaluate the independence of each independent Director. As part of the process:

(i) each independent Director provides information of his or her business interests and confirms, annually, that there are no relationships which interfere with the exercise of his or her independent business judgement with a view to the best interests of the Unitholders as a whole, and such information is then reviewed by the Board; and

(ii) the Board also reflects on the respective independent Directors' conduct and contributions at Board and Board Committee meetings, in particular, whether the relevant independent Director has exercised independent judgement in discharging his or her duties and responsibilities.

Each independent Director is required to recuse himself or herself from the Board's deliberations on his or her independence. In appropriate cases, the Board also reviews the independence of an independent Director as and when there is a change of circumstances involving the independent Director. In this regard, an independent Director is required to report to the Manager when there is any change of circumstances which may affect his or her independence.

The NRC is charged with reviewing the "independence" status of the Directors annually and providing its views to the Board. The following further sets out the assessment of each Director's independence against the requirements under the SF(LCB) Regulations:

	Mr Simon John Perrott[1]	Dr Tsui Kai Chong	Mrs Lee Ai Ming	Mr Anthony Peter Lombardo[2]	Ms Ng Hsueh Ling[3]
had been independent from Management and LREIT during FY2020	●	●	●		
had been independent from any business relationship with the Manager and LREIT during FY2020	●	●	●		
had been independent from every substantial shareholder of the Manager and every substantial unitholder of LREIT during FY2020		●	●		
had not been a substantial shareholder of the Manager or a substantial unitholder of LREIT during FY2020	●	●	●	●	●
has not served as a Director of the Manager for a continuous period of nine years or longer as at the last day of FY2020	●	●	●	●	●

[1] Mr Simon John Perrott is an independent non-executive Director and a member of the Audit and Risk Management Committee of Lendlease Real Estate Investments Limited ("**LLREIL**"), which is a wholly owned subsidiary of the substantial shareholder of the Manager and substantial unitholder of LREIT, namely the Sponsor. As such, during FY2020, pursuant to the SF(LCB) Regulations, Mr Perrott is deemed to be connected to a substantial shareholder of the Manager and a substantial unitholder of LREIT. Taking into consideration (I) Mr Perrott having declared that (a) he serves in his personal capacity as an independent non-executive director and a member of the Audit and Risk Management Committee of LLREIL, and (b) he is not in any employment relationship with the Sponsor, Lendlease Trust and their subsidiaries (the "**Lendlease Group**") and is not under any obligation to act in accordance with the directions, instructions or wishes of the Lendlease Group, and (II) the instances of constructive challenge and probing of management by Mr Perrott at the Board and the Board committee meetings of the Manager, the Board is satisfied that, as at the last day of FY2020, Mr Perrott was able to act in the best interests of all the Unitholders as a whole. As at the last day of FY2020, Mr Perrott was able to act in the best interests of all the Unitholders as a whole.

[2] Mr Anthony Peter Lombardo is the CEO of Lendlease Asia Holdings Pte. Ltd., which is a related corporation of the Sponsor. As such, during FY2020, pursuant to the SF(LCB) Regulations, Mr Lombardo is deemed (i) to have a management relationship with the Manager and LREIT; (ii) to have a business relationship with the Manager and LREIT; and (iii) to be connected to a substantial shareholder of the Manager and a substantial unitholder of LREIT. The Board is satisfied that, as at the last day of FY2020, Mr Lombardo was able to act in the best interests of all the Unitholders as a whole. As at the last day of FY2020, Mr Lombardo was able to act in the best interests of all the Unitholders as a whole.

[3] Ms Ng Hsueh Ling is the Managing Director, Singapore and Chief Investment Officer, Asia of Lendlease Investment Management Pte. Ltd., and also a director of Lendlease Retail Pte. Ltd. (which is the property manager of 313@somerset), both of which are related corporations of the Sponsor. As such, during FY2020, pursuant to the SF(LCB) Regulations, Ms Ng is deemed (i) to have a management relationship with the Manager and LREIT; (ii) to have a business relationship with the Manager and LREIT; and (iii) to be connected to a substantial shareholder of the Manager and a substantial unitholder of LREIT. The Board is satisfied that, as at the last day of FY2020, Ms Ng was able to act in the best interests of all the Unitholders as a whole. As at the last day of FY2020, Ms Ng was able to act in the best interests of all the Unitholders as a whole.

Annual Review of Directors' Time Commitments

The NRC also determines annually whether a Director with other listed company board representations and other principal commitments is able to and has been adequately carrying out his or her duties as a Director of the Manager. The NRC took into account the assessment results in the evaluation of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in making this determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties as Directors notwithstanding their other listed company board representations and other principal commitments.

The NRC also took into account the competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments.

Key Information Regarding Directors

The following key information regarding Directors is set out in the following pages of this Annual Report:

Pages 12 and 13: Academic and professional qualifications, Board Committees served on (as a member or Chairperson), date of first appointment as a Director, listed company and other principal directorships both present and past held over the preceding five years and other major appointments, whether appointment is executive or non-executive, and whether considered by the NRC to be independent; and

Page 167: Unitholdings in LREIT as at 21 July 2020.

Board Performance

Principle 5:
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board has implemented formal processes for assessing the effectiveness of the Board as a whole and its Board Committees, as well as the contribution by each individual Director to the effectiveness of the Board. The evaluation processes and performance criteria are set out in the Appendix hereto.

The Board assessment exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes allow him or her to discharge his or her duties effectively and the changes which should be made to enhance the effectiveness of the Board and/or Board Committees. The assessment exercise also helps the Directors to focus on their key responsibilities.

The Board plans to appoint an external facilitator to facilitate the evaluation process for the Board, the Board Committees and individual Directors once every three years. The Board believes that the use of an external facilitator would enhance the quality and objectivity of the evaluation. For FY2020, no external facilitator was appointed.

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Remuneration Matters

Principle 6:

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No directors is involved in deciding his or her own remuneration.

Principle 7:

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Principle 8:

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The composition of the NRC has been set out under Principle 4 on page 87 of this Annual Report. The NRC comprises four non-executive Directors, a majority of whom, including the chairwoman of the NRC, are independent Directors.

The NRC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and key management personnel. The NRC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate the Directors to provide good stewardship of the Manager and key management personnel to successfully manage LREIT for the long term, and thereby maximise Unitholder value. The NRC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, and grant of units in LREIT ("**Units**")) and the specific remuneration packages for each Director and key management personnel. The NRC also reviews the remuneration of key management personnel of the Manager and will review the administration of the Manager's Unit-based incentive plans once they have been implemented. In addition, the NRC reviews the Manager's obligations arising in the event of termination of the key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The framework for determining the Directors' fees is shown in the table below:

	Chairperson	Director	Member
Main Board	$110,000 per annum	$60,000 per annum	–
Audit and Risk Committee	$40,000 per annum	–	$25,000 per annum
Nomination and Remuneration Committee	$25,000 per annum	–	$10,000 per annum

In FY2020, the Manager did not engage any remuneration consultant with regard to the remuneration of its Directors and key management personnel. The NRC has access to expert advice from external consultants where required.

Annual Remuneration Report

Although the remuneration of the Directors and employees of the Manager is paid by the Manager and not by LREIT, the Manager is disclosing the following information on the remuneration of its Directors and key management personnel.

Additional information on remuneration matters are disclosed in accordance with the AIFMD in compliance with the requirements of the AIFMD.

Policy in Respect of Non-Executive Directors' Remuneration

Each Director is paid a basic fee and an additional fee for services performed on Board Committees, as per the framework above. The Chairman and the chairperson of each Board Committee are paid a higher fee compared with members of the Board and of such Board Committee in view of the greater responsibility carried by that office. The non-executive Directors are also entitled to an attendance fee for attending Board and Board Committee meetings (the "**Attendance Fee**"). The Attendance Fee may differ depending on whether attendance is in person or by telephone or audio or video conference.

In FY2020, each of the Directors (including the Chairperson) will receive 100% of his/her total Directors' fees in cash. The remuneration of the non-executive Directors is benchmarked against market and appropriate to the level of contribution, taking into account the effort, time spent and demanding responsibilities on the part of the Directors in light of the scale, complexity and scope of LREIT's business.

Remuneration Policy in Respect of Key Management Personnel

The Manager advocates a performance-based remuneration system that is highly flexible and responsive to the market, corporate and individual performance.

In designing the remuneration structure, the NRC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in achieving a balance between current versus long-term remuneration and between cash versus equity incentive remuneration.

In FY2020, the NRC approved a total remuneration structure reflecting four key objectives:

(a) alignment of interests: To incorporate performance measures that are aligned to Unitholder's interests;
(b) alignment of horizon: To motivate employees and Management to drive sustainable long-term growth;
(c) simplicity: To ensure that the remuneration structure is easy to understand and communicate to stakeholders; and
(d) retention: To facilitate talent retention.

The total remuneration mix comprises three components – annual fixed pay, annual performance bonus and unit incentive plan. The annual fixed pay component comprises the annual basic salary plus any other fixed allowances which the Manager benchmarks with the relevant industry market data. The size of the Manager's annual performance bonus pot is mainly determined by LREIT's financial and non-financial performance, and is distributed to employees based on individual performance.

There will be two types of Unit incentive plans: the executive short-term incentive plan ("**ExSTI Plan**") and the Management short-term incentive plan ("**MSTI Plan**"). The ExSTI Plan and MSTI Plan (collectively, the "**Unit Plans**") will be put in place to increase the Manager's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term Unitholder value. The Unit Plans also aim to strengthen the Manager's competitiveness in attracting and retaining talented key management personnel and employees. The MSTI Plan applies to a broader base of key position holders while the ExSTI Plan applies to the top Management personnel who are of Executive levels.

A portion of the annual performance bonus for the CEO, key management personnel and key position holders will be granted in the form of deferred Units that are awarded under the Unit Plans. The MSTI Plan comprises a service condition while the ExSTI Plan comprises both a service condition and performance targets, and vests over a longer term horizon. Executives who have greater ability to influence strategic outcomes will be granted deferred Units under the ExSTI Plan and have a greater proportion of their overall remuneration at risk. Eligible employees of the Manager will be granted existing Units in LREIT that are already owned by the Manager. Therefore, no new Units will be issued by LREIT to satisfy the grant of the Units under the ExSTI Plan and/or the MSTI Plan.

The NRC has the discretion not to award variable incentives in any year if an executive is directly involved in a material restatement of financial statements or in misconduct resulting in restatement of financial statements or financial losses to LREIT or the Manager. Outstanding performance bonuses are also subject to the NRC's discretionary review.

The NRC exercises broad discretion and independent judgment in ensuring that the amount and mix of remuneration are aligned with the interests of Unitholders and promote the long-term success of LREIT.

The remuneration structure is directly linked to corporate and individual performances, both in terms of financial and non-financial performances. This link is achieved in the following ways:

(1) by placing a significant portion of executive's remuneration at risk ("**at-risk component**") and subject to a vesting schedule and vesting conditions;
(2) by incorporating appropriate key performance indicators ("**KPIs**") for awarding annual incentives:
    a. there are four scorecard areas that the Manager has identified as key to measuring its performance:
        i. financial;
        ii. process;
        iii. customers & stakeholders; and
        iv. people;
        Some of the key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and controls measures, corporate social responsibility activities, employee engagement, talent development and succession planning;
    b. the four scorecard areas have been chosen because they support how the Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Manager's overall strategic goals. The NRC reviews and approves the scorecard annually;
(3) by selecting performance conditions such as relative total Unitholder return for equity awards that are aligned with Unitholders' interests;
(4) by requiring those KPIs or conditions to be met in order for the at-risk component of remuneration to be awarded or to vest; and
(5) forfeiture of the at-risk component of remuneration when those KPIs or conditions are not met at a satisfactory level.

The NRC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in determining the remuneration structure, the NRC had taken into account the risk policies and risk tolerance of LREIT and the Manager as well as the time horizon of risks, and incorporated risks-adjustments into the remuneration structure through several initiatives, including but not limited to:

(a) prudent funding of annual performance bonus;
(b) granting a portion of the annual performance bonus in the form of deferred Units, for the CEO, key management personnel and key position holders, to be awarded under the ExSTI Plan or the MSTI Plan;
(c) vesting of deferred Units under the ExSTI Plan being subjected to performance conditions being met for the respective performance periods; and

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(d) potential forfeiture of variable incentives in any year due to misconduct.

The NRC is of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviours contrary to the Manager's risk profile. In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions set forth above, have been met. The NRC is of the view that remuneration is aligned to performance during FY2020. The Directors, the CEO and the key management personnel (who are not Directors or the CEO) are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what have been disclosed.

The Non-Executive Directors, Mr Anthony Peter Lombardo and Ms Ng Hsueh Ling, are eligible to receive shares of the Sponsor under the Sponsor's employee incentive plans as part of their remuneration package as employees of the Lendlease Group in FY2020. Their holdings in shares of the Sponsor are not material. Accordingly, the award of the shares of the Sponsor to the Non-Executive Directors as part of their employee remuneration will not result in a misalignment of interests of these Directors with the long-term interests of the Unitholders given Mr Anthony Peter Lombardo and Ms Ng Hsueh Ling are employed by the Lendlease Group. Furthermore, there is unlikely to be any potential misalignment of interests given that Mr Anthony Peter Lombardo and Ms Ng Hsueh Ling act as non-independent non-executive Directors and do not hold executive positions in the Manager. As non-independent Directors, they would in any event have to abstain from approving and recommending any Related Party Transactions (as defined herein) with an entity within the Lendlease Group, mitigating any potential misalignment of interests with those of Unitholders.

Other than disclosed above, the remuneration of the Directors and Management are not paid in the form of shares or interests in the Sponsor or its related entities and are not linked to the performance of any entity other than LREIT.

In order not to adversely affect the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where there is considerable risk of poaching of senior Management, the Manager is disclosing the remuneration of the CEO in bands of $250,000, and is not disclosing the aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO). The Manager is of the view that despite the deviation from Provision 8.1 and Provision 8.3 of the 2018 Code, and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management (Notice No: SFA4-N14), such disclosure or non-disclosure (as the case may be) will not be prejudicial to the interests of Unitholders as detailed information is provided on the Manager's remuneration framework, including the remuneration structure, the operation of the unit plans and the KPIs taken into account, to disclose to Unitholders the link between the remuneration paid to the CEO and its key management personnel, and performance as set out on page 93 of this Annual Report. The Manager is accordingly of the view that its practice is consistent with the intent of Principle 8 of the 2018 Code as a whole.

Quantitative Remuneration Disclosure Under AIFMD

The Manager is required under the AIFMD to make quantitative disclosures of remuneration. Disclosures are provided in relation to (a) the employees of the Manager, (b) employees who are senior management, and (c) employees who have the ability to materially affect the risk profile of LREIT.

All individuals included in the aggregated figures disclosed are rewarded in line with the Manager's remuneration policies.

The aggregate amount of remuneration awarded by the Manager to its staff in respect of the Manager's financial period from 13 September 2019 to 30 June 2020 was S$1.1 million. This figure comprised fixed pay of S$0.9 million and variable pay of S$0.2 million (including any Units issuable under the Unit Plans, where applicable). There were a total of 7 beneficiaries of the remuneration described above.

In respect of the Manager's financial period from 13 September 2019 to 30 June 2020, the aggregate amount of remuneration awarded by the Manager to its senior management (who are also members of staff whose actions have a material impact on the risk profile of LREIT) was S$0.7 million, comprising 2 individuals identified having considered, among others, their roles and decision making powers.

Level and Mix of Remuneration of Directors and Key Management Personnel for the Period from 13 September 2019 to 30 June 2020

The level and mix of each of the Directors' remuneration are set out below:

Name of Director	Directors' Fees[1] (S$)
Mr Anthony Peter Lombardo[2]	114,705
Dr Tsui Kai Chong[3]	93,593
Mr Simon John Perrott[3]	81,126
Mrs Lee Ai Ming[3]	93,593
Ms Ng Hsueh Ling[4]	62,847

1 This is a lump-sum amount including both annual fees and attendance fees. Each of the Directors will receive 100% of his/her total Director's fee in cash.

2 Mr Anthony Peter Lombardo's fees will be paid to Lendlease Asia Holdings Pte. Ltd., of which he is an employee.

3 All three independent non-executive Directors have voluntarily agreed to a 20% reduction in their base fees for four months from May 2020 to August 2020.

4 Ms Ng Hsueh Ling's fees will be paid to Lendlease Investment Management Pte. Ltd., of which she is an employee.

Remuneration of Employees who are Substantial Shareholders of the Manager, Substantial Unitholders of LREIT or Immediate Family Members of a Director, the Chief Executive Officer or a Substantial Shareholder of the Manager or Substantial Unitholder

There are no employees of the Manager who are substantial shareholders of the Manager or substantial unitholders of LREIT or immediate family members of a Director, the CEO, a substantial shareholder of the Manager or a substantial unitholder of LREIT and whose remuneration exceeds S$100,000 during the financial year ended 30 June 2020. "Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister and parent.

The level and mix of the remuneration of the CEO and each of the other key management personnel, in bands of $250,000, are set out below:

Remuneration Band and Names of CEO and Key Management Personnel[1]	Base/Fixed Salary[2]	Performance-related Cash Bonuses[3]	Performance-related Unit-based Incentive Award[4]
$250,000 to $500,000			
Mr Kelvin Chow Chung Yip[5]	72%	0%	28%
Mr Liaw Liang Huat Joshua[6]	84%	0%	16%

1 The Manager has less than five key management personnel other than the CEO.

2 The base/fixed salary will be paid in cash.

3 No cash bonus was paid for FY2020.

4 Value of Deferred Unit Award is calculated based on fair value as at 1 September 2020.

5 Mr Kelvin Chow was appointed CEO on 13 September 2019. The remuneration disclosed is for the period from 13 September 2019 to 30 June 2020.

6 Mr Joshua Liaw was appointed Executive General Manager, Finance on 13 September 2019. The remuneration disclosed is for the period from 13 September 2019 to 30 June 2020.

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Risk Management and Internal Controls

Principle 9:
The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The ARC assists the Board in examining the adequacy and effectiveness of LREIT's and the Manager's risk management system to ensure that a robust risk management system is maintained. The ARC also reviews and guides management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, in order to safeguard Unitholders' interests and LREIT's assets. The ARC reports to the Board any material findings or recommendations in respect of significant risk matters.

The Board, with the concurrence of the ARC, is of the opinion that the risk management system and system of internal controls in place as at 30 June 2020 are adequate and effective to address in all material respects the financial, operational, compliance and information technology risks within the current scope of LREIT's business operations and that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of LREIT.

Risk Assessment and Management of Business Risk

Recognising and managing risks timely and effectively is essential to the business of LREIT and for protecting Unitholders' interests and value. LREIT operates within overall guidelines and specific parameters set by the Board. Responsibility for managing risk lies with the Manager, working within the overall strategy outlined by the Board. The Manager has appointed an experienced and well-qualified Management to handle its day-to-day operations.

The Board met at least once in FY2020. Management surfaces key risk issues for discussion and confers with the ARC and the Board regularly.

LREIT's Enterprise Risk Management framework ("**ERM Framework**") provides LREIT and the Manager with a holistic and systematic approach to managing risks. In assessing business risk, the Board takes into consideration the economic environment and the risks relevant to the property industry. The Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. As a result, the Board determines the nature and extent of such risks identified in achieving LREIT's strategic objectives and value creation. Details of the Manager's approach to risk management and internal control and the management of key business risks are set out in the "Risk Management" section in pages 109 to 111 of this Annual Report.

The Manager has in place a framework to evaluate risk management (the "**Assessment Framework**") which was established to facilitate the Board's assessment on the adequacy and effectiveness of LREIT's and the Manager's risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of LREIT and the Manager, and assessments are made on the adequacy and effectiveness of such policies, processes and systems. The guiding principles and Assessment Framework are reviewed and updated annually.

Independent Review of Internal Controls

Deloitte & Touche Enterprise Risk Services Pte Ltd, the internal auditors of LREIT (the "**Internal Auditors**"), and KPMG LLP, the external auditors of LREIT (the "**External Auditors**"), conduct an annual review of the adequacy and effectiveness of LREIT's and the Manager's material internal controls, including financial, operational, and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the ARC. The ARC also reviews the effectiveness of the actions taken by Management on the recommendations made by the Internal Auditors and the External Auditors in this respect.

The Board, supported by the ARC, oversees LREIT's and the Manager's system of internal controls and risk management. The Board has received assurances from the CEO, Mr Kelvin Chow Chung Yip, and the Executive General Manager, Finance, Mr Liaw Liang Huat Joshua, that, amongst others:

1. the financial records of LREIT and the Manager have been properly maintained and the financial statements give a true and fair view of the operations and finances of LREIT and the Manager;
2. the internal controls of LREIT and the Manager are adequate and effective to address the financial, operational, compliance and information technology risks which LREIT and the Manager consider relevant and material to its current business scope and environment and that they are not aware of any material weakness in the system of internal controls; and
3. they are satisfied with the adequacy and effectiveness of LREIT's and the Manager's risk management system.

The system of internal controls and risk management established by LREIT and the Manager provides reasonable, but not absolute, assurance that LREIT and the Manager will not be adversely affected by any event that can be reasonably foreseen as the Manager strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Accountability and Audit

Principle 10:
The Board has an Audit Committee which discharges its duties objectively.

The Board is responsible for providing a balanced and understandable assessment of LREIT's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators, if required.

The Board has embraced openness and transparency in the conduct of the Manager's affairs, whilst preserving the commercial interests of LREIT. Financial reports and other price sensitive information are disseminated to Unitholders through announcements via SGXNET to the SGX-ST, media releases and LREIT's corporate website at www.lendleaseglobalcommercialreit.com ("**LREIT's Website**").

Audit and Risk Committee

The ARC has been appointed by the Board from among the Directors of the Manager and is composed of four non-executive Directors, a majority of whom (including the chairman of the ARC) are independent Directors. The members are:

- Dr Tsui Kai Chong (ARC chairman);
- Mr Anthony Peter Lombardo (Member);
- Mr Simon John Perrott (Member); and
- Mrs Lee Ai Ming (Member).

All members of the ARC have accounting or related financial management expertise or experience. Thus, the Board is of the view that all members of the ARC are suitably qualified to assist the Board in areas of internal controls, financial and accounting matters, compliance and risk management, including oversight over management in the design, implementation and monitoring of risk management and internal control systems.

In compliance with the 2018 Code, the ARC does not comprise any former partner or director of the incumbent External Auditors, within the previous two years or hold any financial interest in the auditing firm.

The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of the External Auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The responsibilities of the ARC are disclosed in the Appendix hereto.

The ARC has the authority to investigate any matter within its terms of reference, full access to and cooperation by Management and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly. LREIT's and the Manager's internal audit functions are performed by the Internal Auditors. The primary reporting line of the Internal Auditors in respect of LREIT is to the ARC. The Internal Auditors had also maintained their independence from the activities that they audit and had unfettered access to all LREIT's documents, records, properties and personnel, including the ARC. The ARC approves the appointment, removal, evaluation and fees of the Internal Auditors, and conducts an assessment of the Internal Auditors' performance during re-appointments.

A total of two ARC meetings were held in FY2020. In addition, the ARC met with the External Auditors twice, without the presence of Management. As LREIT was only listed on 2 October 2019, the ARC did not meet with the Internal Auditors without the presence of Management (as required under Provision 10.5 of the 2018 Code) in FY2020 as the Manager was still in the process of setting up its internal procedures and processes and the issues discussed between the ARC and the Internal Auditors during the ARC meeting at this stage were general and administrative, which concerned all parties, including the Management. The ARC will be meeting with the Internal Auditors without the presence of Management in FY2021. The Manager is accordingly of the view that notwithstanding the deviation from

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Provision 10.5 of the 2018 Code, this was solely due to LREIT only commencing operations for less than a year and the ARC has put in place the internal processes and procedures that are consistent with the intent of Principle 10 of the 2018 Code as a whole.

During the year, the ARC performed independent reviews of the financial statements of LREIT before the announcement of LREIT's quarterly and full-year results. In the process, the ARC reviewed the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a significant impact on the financial statements.

The ARC also reviewed and approved both the Internal Auditors' and the External Auditors' plans to ensure that the scope of audit was sufficient for purposes of reviewing the significant internal controls of LREIT and the Manager. Such significant internal controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the Internal Auditors and the External Auditors were forwarded to the ARC. Significant issues were discussed at the ARC meetings.

The ARC reviewed the valuation of investment properties, being the key audit matter as reported by the External Auditors for FY2020. The ARC reviewed the methodologies, assumptions and outcomes and discussed the detail analysis of asset valuation with Management. The ARC also considered the findings of the External Auditor, including their assessment of the appropriateness of the valuation methodologies and key assumptions applied in the valuation of the investment properties, including key valuation parameters to take into account the potential impact of COVID-19 on the investment properties.

The ARC was satisfied with the appropriateness of the valuation methodologies and assumptions applied across all investment properties as disclosed in the financial statements.

In addition, the ARC undertook a review of the independence and objectivity of the External Auditors through discussions with the External Auditors as well as reviewing the non-audit services fees paid to them, and has confirmed that the non-audit services performed by the External Auditors would not affect their independence.

For FY2020, an aggregate amount of $287,400, comprising non-audit service fees of $73,600 and audit service fees of $213,800, was paid/payable to the External Auditors of LREIT and its subsidiaries.

Cognisant that the External Auditors should be free from any business or other relationships with LREIT that could materially interfere with their ability to act with integrity and objectivity, the ARC undertook a review of the independence of the External Auditors and gave careful consideration to LREIT's relationships with them in FY2020. In determining the independence of the External Auditors, the ARC reviewed all aspects of LREIT's relationships with them including the processes, policies and safeguards adopted by LREIT and the External Auditors relating to auditor independence. The ARC also considered the nature of the provision of the non-audit services in FY2020 and the corresponding fees and ensured that the fees for such non-audit services did not impair or threaten auditor independence. Based on the review, the ARC is of the opinion that the External Auditors are, and are perceived to be, independent for the purpose of LREIT's statutory financial audit.

LREIT has complied with Rule 712 and Rule 715 read with Rule 716 of the Listing Manual in relation to the appointment of its auditing firms.

The ARC also reviewed the independence and performance of the internal audit function and was satisfied that the Internal Auditors were independent, effective and adequately resourced to perform its functions, and had appropriate standing within LREIT and the Manager. The ARC reviewed the LREIT whistle-blower policy (the "**Whistle-Blower Policy**") which provides the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. To facilitate the management of incidences of alleged fraud or other misconduct, the ARC follows a set of guidelines to ensure proper conduct of investigations and appropriate closure actions following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence.

In addition, the ARC will review the Whistle-Blower Policy annually to ensure that it remains current. The details of the Whistle-Blower Policy are set out in page 104 of this Annual Report.

The ARC members are kept updated whenever there are changes to the financial reporting standards or issues that may have an impact on the financial statements of LREIT.

Unitholder Rights, Conduct of General Meetings and Engagement with Unitholders and Stakeholders

Principle 11:

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12:

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Principle 13:

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Investor Relations

In addition to the matters mentioned above in relation to "Accountability", the Manager maintains regular and two-way communication with Unitholders to share views and address any queries on LREIT's operating performance and business strategies. In FY2020, the Manager conducted teleconferences with over 200 institutional and retail investors including analysts through participation in one-on-one virtual conferences, post-results investor briefings and non-deal roadshows. More details of the Manager's investor relations activities and efforts are set out on pages 48 to 51 of this Annual Report.

The Manager has in place an investor relations policy (the "**Investor Relations Policy**") which sets out the principles and practices that the Manager applies in its outreach to the investment community. The Investor Relations Policy promotes regular, effective and fair communication through full disclosure of material information. Material information is disclosed in a comprehensive, accurate and timely manner through the SGX-ST via SGXNET and/or media releases. The Manager ensures that unpublished price sensitive information is not selectively disclosed, and if on the rare occasion when such information is inadvertently disclosed, it is immediately released to the public through the SGX-ST via SGXNET and/or media releases.

Unitholders are also kept abreast of the latest announcements and updates on LREIT via LREIT's Website. Unitholders and members of the public can post questions via the enquiry webpage, or to the investor relations contact available on LREIT's Website.

General Meetings

Unitholders are informed of Unitholders' meetings through notices of meetings sent to all Unitholders and/or notices published in the newspapers. The Manager ensures that Unitholders are able to participate effectively and vote at the AGMs. Unitholders are invited to such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any Unitholder is unable to attend, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance. Where a Unitholder is a relevant intermediary (including but not limited to, a nominee company or a custodian bank), such Unitholder may appoint more than one proxy to vote on its behalf at the meeting through proxy forms sent in advance, provided that each proxy must be appointed to exercise the rights attached to a different Unit or Units held by it (the number of Units and class shall be specified).

At Unitholders' meetings, each distinct issue is proposed as a separate resolution, unless the resolutions are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Manager will explain the reasons and material implications in the notice of meeting. Each resolution at the AGM will be voted on by way of electronic poll voting for Unitholders/ proxies present at the Unitholders' meetings for all the resolutions proposed at the Unitholders' meetings. An announcement of the detailed results

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showing the number of votes cast for and against each resolution and the respective percentages will be made after each poll is conducted. The total number of votes cast for or against each resolution and the respective percentages are also announced in a timely manner after the Unitholders' meetings through the SGX-ST via SGXNET.

Where possible, all the Directors will attend Unitholders' meetings. In particular, the Chairman and the respective chairperson of the ARC and the NRC are required to be present to address questions at general meetings. The External Auditors will also be present at such meetings to assist the Directors with Unitholders' queries, where necessary. No general meetings were held since LREIT was listed on 2 October 2019 up to 30 June 2020.

The Manager is not implementing absentia voting methods (as required under Provision 11.4 of the 2018 Code) such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. The Manager is of the view that its practice is consistent with the intent of Principle 11 of the 2018 Code as Unitholders have opportunities to communicate their views on matters affecting LREIT even when they are not in attendance at general meetings, through the enquiry page and investor relations contact indicated on LREIT's Website.

The Company Secretary prepares minutes of Unitholders' meetings, which incorporate substantial and relevant comments or queries from Unitholders and responses from the Board and Management. These minutes will be published on LREIT's Website.

Distribution Policy

LREIT's current distribution policy is to distribute 100.0% of LREIT's adjusted net cash flow from operations for the period from 2 October 2019 (listing date) to the end of the financial year ending 30 June 2021, and at least 90.0% of its adjusted net cashflow from operations thereafter on a semi-annual basis.

Managing Stakeholder Relationships

The Board's role includes considering sustainability as part of its strategic formulation. The Manager adopts an inclusive approach for LREIT by considering and balancing the needs and interests of material stakeholders, as part of the overall strategy to ensure that the best interests of LREIT are served. The Manager is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in LREIT's business strategies and operations. The Manager has arrangements in place to identify and engage with material stakeholder groups from time to time to gather feedback on the sustainability issues most important to them. Such arrangements include maintaining LREIT's Website, which is kept updated with current information, to facilitate communication and engagement with LREIT's stakeholders. More details of LREIT's sustainability strategy and stakeholder engagement can be found on pages 56 to 58 of this Annual Report.

Securities Transactions

Dealings in Units

The Manager has issued guidelines on dealing in the Units. These pertain to the existence of insider trading laws and the rules and regulations with regard to dealings in the Units by the Directors and officers of the Manager. The Manager has also adopted the best practices on securities dealings issued by the SGX-ST. In compliance with Rule 1207(19) of the Listing Manual on best practices on dealing in securities, the Manager issues notices to its Directors and officers informing that the Manager and its officers must not deal in listed securities of LREIT one month before the release of the full-year results and two weeks before the release of quarterly results (if LREIT announces its quarterly financial statements, whether required by the SGX-ST or otherwise), and if they are in possession of unpublished price-sensitive information. The Manager's officers are also informed that they should not deal in LREIT's securities on short-term considerations.

Conflicts of Interests

The Manager is required to prioritise Unitholders' interests over those of the Manager and its shareholders in the event of a conflict of interest.

The Manager has also instituted the following procedures to deal with potential conflict of interests issues:

(1) the Manager will not manage any other REIT which invests in the same types of properties as LREIT;

(2) all executive officers will be working exclusively for the Manager and will not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager or LREIT;

(3) all resolutions in writing of the Directors in relation to matters concerning LREIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one independent Director;

(4) at least one third of the Board shall comprise independent Directors if Unitholders have the right to vote on the endorsement of directors to the Board and at least half of the Board shall comprise independent directors if Unitholders do not have the right to vote on the endorsement of directors to the Board, provided that where (i) the Chairman and the CEO is the same person, (ii) the Chairman and the CEO are immediate family members, (iii) the Chairman is part of Management or (iv) the Chairman is not an independent director, majority of the board shall comprise independent directors;

(5) in respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;

(6) in respect of matters in which the Lendlease Group has an interest, direct or indirect, any nominees appointed by the Lendlease Group to the Board to represent its interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise a majority of the independent Directors and must exclude nominee directors of the Lendlease Group;

(7) save as to resolutions relating to the removal of the Manager, the Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the Manager and/or any of its associates has a material interest and for so long as the Manager is the manager of LREIT, the controlling shareholders of the Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Manager and/or of any of its associates have a material interest; and

(8) it is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of LREIT with a Related Party (meaning any "interested person" as defined in the Listing Manual and/or, as the case may be, an "interested party" as defined in the Property Funds Appendix) of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of LREIT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement.[1] The Directors (including the independent Directors) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of LREIT with a Related Party of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

[1] The Manager will apply this to agreements entered into between LREIT and its subsidiaries, and Related Parties (which shall include, for example, investment agreements and property management agreements).

Corporate Governance

Lendlease Group Employee Code of Conduct

The Manager follows the Lendlease Group's employee code of conduct (the "**Employee Code of Conduct**") which explains the standards the Lendlease Group expects in the conduct of its operations. The Employee Code of Conduct supports the Lendlease Group's core values of Respect, Integrity, Innovation, Collaboration, Excellence and Trust, especially Integrity (which "is not negotiable") and links these values to more specific global, regional and local business policies.

The Employee Code of Conduct sets out the standards of conduct and ethics expected of its business and people, regardless of location, addressing matters such as compliance with laws, operational safety, conflicts of interest, insider trading, corrupt conduct, fair and equal treatment of employees, sustainability practices and political donations.

The Employee Code of Conduct is published on the intranet which is accessible by all employees of the Manager. New employees of the Manager are trained on the Employee Code of Conduct when they join the Manager. Subsequently, all employees of the Manager are required to complete refresher training on the Employee Code of Conduct annually to ensure awareness.

Related Party Transactions

"Related Party Transactions" in this Annual Report refers to "Interested Person Transactions" under the Listing Manual and "Interested Party Transactions" under the Property Funds Appendix. Rule 904(4)(b) of the Listing Manual provides that in the case of a REIT, the definition of "Interested Person" shall have the same meaning as the definition of "Interested Party" in the Property Funds Appendix.

In general, transactions between:

- an entity at risk (in this case, the Trustee (acting in its capacity as trustee of LREIT) or any of the subsidiaries or associated companies of LREIT); and
- any of the Interested Parties, being:
  (i) a director, chief executive officer or controlling shareholder of the Manager, or the Manager, the Trustee (acting in its personal capacity) or controlling Unitholder; or
  (ii) an associate of any director, chief executive officer or controlling shareholder of the Manager, or an associate of the Manager, the Trustee (acting in its own capacity) or any controlling Unitholder,

would constitute an Interested Person Transaction.

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future Related Party Transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of LREIT and the Unitholders.

As a general rule, the Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria. This may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining two valuations from independent professional valuers (in compliance with the Property Funds Appendix).

The Manager will maintain a register to record all Related Party Transactions which are entered into by LREIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by LREIT. The ARC shall review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review may also include a review of any other such documents or matter as may be deemed necessary by the ARC. If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Further, the following procedures will be undertaken:

(a) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the value of LREIT's net tangible assets will be subject to review by the ARC at regular intervals;

(b) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of LREIT's net tangible assets will be subject to the review and approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and are not prejudicial to the interests of LREIT and its Unitholders and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and

(c) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of LREIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Pursuant to the Listing Manual, transactions with a value below S$100,000 are disregarded for the purpose of the announcement and Unitholders' approval requirements under the Listing Manual as set out in the paragraph above. Accordingly, such transactions are excluded from aggregation with other transactions involving the same Related Parties.

Where matters concerning LREIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of LREIT with an Related Party of the Manager of LREIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of LREIT and the Unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of LREIT or the Manager. If the Trustee is to sign any contract with a Related Party of the Manager or the Trustee, the Trustee will review the contract to ensure that it complies with the relevant requirements relating to Related Party Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

LREIT will comply with Rule 905 of the Listing Manual by announcing any Interested Person transaction in accordance with the Listing Manual if the value of such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person during the same financial year, is 3.0% or more of LREIT's latest audited net tangible assets.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in LREIT's Annual Report for the relevant financial year.

Role of the Audit and Risk Committee for Related Party Transactions

The ARC will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control system, the relevant provisions of the Listing Manual, and the Property Funds Appendix. The review may also include review of any other such documents or matter as may be deemed necessary by the ARC.

If a member of the ARC has an interest in a transaction, he/she is to abstain from participating in the review and approval process in relation to that transaction.

Corporate Governance

Appendix

Board Committees – Responsibilities

A. Audit and Risk Committee

Under its terms of reference, the ARC's scope of duties and responsibilities include:

(1) monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" ("**Interested Person Transactions**") and the provisions of the Property Funds Appendix relating to "interested party transactions" ("**Interested Party Transactions**", and together with Interested Person Transactions, "**Related Party Transactions**");
(2) reviewing transactions constituting Related Party Transactions (including renewals of such transactions);
(3) deliberating on conflicts of interest situations involving LREIT, including (i) situations where the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of LREIT with a Related Party (as defined herein) of the Manager, (ii) reviewing any compensation payable to the Trustee arising from such a breach of an agreement with a Related Party of the Manager, and (iii) where the Directors, controlling shareholder of the Manager and Associates are involved in the management of or have shareholding interests in similar or related business as the Manager, and in such situations, the ARC will monitor the investments by these individuals in LREIT's competitors, if any, and will make an assessment whether there is any potential conflict of interest;
(4) reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
(5) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of LREIT and any announcements relating to LREIT's financial performance;
(6) reviewing internal and external audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
(7) ensuring that the internal audit and accounting function is adequately resourced and has appropriate standing with LREIT;
(8) reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function and LREIT's risk management system;
(9) reviewing the adequacy, effectiveness, scope and results of the Internal Auditors;
(10) reviewing the statements included in LREIT's annual report on LREIT's internal controls and risk management framework;
(11) monitoring the procedures in place to ensure compliance with applicable legislation, regulations, the Listing Manual and the Property Funds Appendix;
(12) reviewing the assurances from the CEO and the Executive General Manager, Finance on the financial records and financial statements;
(13) making recommendations to the Board on (i) the proposed appointment and removal of the External Auditors and (ii) reviewing the proposed fees for the External Auditors and authorising the Manager to fix the remuneration and terms of engagement of the External Auditors for the financial year;
(14) reviewing the adequacy, effectiveness, independence, scope and results of the External Auditors;
(15) reviewing the nature and extent of non-audit services performed by External Auditors;
(16) reviewing, on an annual basis, the independence and objectivity of the External Auditors;
(17) meeting with External Auditors and Internal Auditors, without the presence of the executive officers, at least on an annual basis;
(18) assisting the Board to oversee the formulation, updating and maintenance of an adequate and effective risk management framework;
(19) reviewing the system of internal controls including financial, operational, compliance and information technology controls and risk management processes;
(20) reviewing the financial statements and the internal audit report;
(21) reviewing and providing their views on all hedging policies and instruments to be implemented by LREIT to the Board;
(22) reviewing all hedging policies and procedures to be implemented by LREIT for the entry into of any hedging transactions (such as foreign exchange hedging and interest rate hedging) and monitor the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;
(23) investigating any matters within the ARC's terms of reference, whenever it deems necessary; and
(24) reporting to the Board on material matters, findings and recommendations.

B. Nomination and Remuneration Committee

Under its terms of reference, the NRC's scope of duties and responsibilities include:

(1) reviewing succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel of the Manager;
(2) developing the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
(3) reviewing training and professional development programmes for the Board and its Directors;
(4) making recommendations to the Board on the appointment and re-appointment of Directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an independent Director;
(5) determining annually, and as when circumstances require, if a Director is independent;
(6) deciding if a Director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the Director's principal commitments;
(7) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel;
(8) reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel; and
(9) reviewing LREIT's obligations arising in the event of termination of executive Directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Board Assessment Evaluation Processes

Board

The Board evaluation comprises both formal and informal processes that encourages constructive and candid feedback from the Board members. As part of the formal process, each Board member would be required to complete an evaluation survey. The responses will be compiled and a report will be prepared and presented to the NRC for consideration. The NRC will propose recommendations with the objective of enhancing Board performance and effectiveness to the Board after reviewing the report presented. The Board would review and decide on the implementation of the NRC's recommendations.

Individual Directors

In the assessment of the performance of the Directors, each Director is required to perform a self-assessment based on an agreed set of criteria. Based on the completed forms, a consolidated report will be prepared and presented to the NRC. The NRC will then meet to review the feedback and make recommendations to the Chairman of the Board for action.

Performance Criteria

The objective performance criteria for the board evaluation are in respect of board structure in terms of size, composition, independence and diversity, board performance, board accountability, board process, board information and board culture in terms of team dynamics within the Board. Based on the responses received, the Board continues to perform and fulfil its duties, responsibilities and performance objectives in accordance with the established Board processes of the Manager.

The individual Director's performance criteria are based on four criteria, namely:

(1) interactive skills;
(2) knowledge of the business and industry;
(3) discharge of Director's duties; and
(4) availability.

Corporate Governance

Nature of Current Directors' Appointments and Membership on Board Committees

Director	Board Membership	Board Committee Membership	
		Audit and Risk Committee	Nomination and Remuneration Committee
Mr Anthony Peter Lombardo	Chairman and Non-Independent Non-Executive Director	Member	–
Dr Tsui Kai Chong	Independent Non-Executive Director and Lead Independent Director	Chairman	Member
Mr Simon John Perrott	Independent Non-Executive Director	Member	Member
Mrs Lee Ai Ming	Independent Non-Executive Director	Member	Chairman
Ms Ng Hsueh Ling	Non-Independent Non-Executive Director	–	Member

Whistle-Blower Policy

The Whistle-Blower Policy was established to encourage employees, service providers and associates to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously, investigated appropriately and their confidentiality will be respected.

Reports will be received and reviewed by the chairman of the ARC who will determine the appropriate initial action. Reports are provided to relevant parties in the Manager at the level of senior Management and to the ARC, unless the whistleblowing report is related to the senior Management directly. Confidentiality around the identity of the reporter is maintained at all times, regardless of whether the report was made openly or anonymously. The Manager will not tolerate any retaliation towards employees who report concerns and any employees taking action in response to a report will be subject to the disciplinary procedure.

The Manager and the ARC are responsible for ensuring the maintenance, regular review and updating of the Whistle-Blower Policy. Revisions, amendments and alterations to the Whistle-Blower Policy can only be implemented with approval by the ARC and the Board of Directors.

The information required under Rule 720(6) read with Appendix 7.4.1 of the Listing Manual in respect of Directors whom the Manager is seeking endorsement or re-endorsement by Unitholders at the annual general meeting to be held in 2020 is set out below.

	Mr Anthony Peter Lombardo	**Mrs Lee Ai Ming**
Date of Appointment	21 January 2019	29 August 2019
Date of last endorsement or re-endorsement of appointment (as the case may be)	Not Applicable	Not Applicable
Age	46	65
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr Anthony Peter Lombardo was nominated by Lendlease Singapore Holdings Pty Limited, the holding company of the Manager. The NRC of the Manager has reviewed the qualification and experience of Mr Anthony Peter Lombardo and recommended to the Board the re-endorsement of Mr Anthony Peter Lombardo as the Chairman and Non-Independent Non-Executive Director and a Member of the ARC. The Board considered the recommendation of the NRC and approved the re-endorsement of Mr Anthony Peter Lombardo as the Chairman and Non-Independent Non-Executive Director and a Member of the ARC of the Manager. The seeking of endorsement or re-endorsement of Directors to the Board is further explained on pages 87 and 88 of this Annual Report.	The NRC of the Manager has reviewed the qualification and experience of Mrs Lee Ai Ming and recommended to the Board the endorsement of Mrs Lee Ai Ming as an Independent Non-Executive Director, the Chairperson of the NRC and a Member of the ARC. The Board has considered the recommendation of the NRC and approved the endorsement of Mrs Lee Ai Ming as an Independent Non-Executive Director, the Chairperson of the NRC and a Member of the ARC of the Manager. The seeking of endorsement or re-endorsement of Directors to the Board is further explained on pages 87 and 88 of this Annual Report.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman and Non-Independent Non-Executive Director and Member of the ARC	Independent Non-Executive Director, Chairperson of the NRC and Member of the ARC
Professional qualifications	Bachelor of Business, Accountancy from the Royal Melbourne Institute of Technology Chartered Accountant with Chartered Accountants, Australia and New Zealand	Bachelor of Laws (Honours) from the University of Singapore (now known as the National University of Singapore)
Working experience and occupation(s) during the past 10 years	**2016 to Present** Chief Executive Officer of Lendlease Asia Holdings Pte. Ltd. **2011 to 2016** Group Chief Financial Officer of Lendlease Corporation Limited **2007 to 2011** Group Head of Strategy/M&A of Lendlease Corporation Limited	**2015 to Present** Senior Consultant of Dentons Rodyk & Davidson LLP **1986 to 2014** Partner of Rodyk & Davidson LLP (now known as Dentons Rodyk & Davidson LLP)
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 2,000,000 Units	Direct Interest – 500,000 Units
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Anthony Peter Lombardo is the Chief Executive Officer of Lendlease Asia Holdings Pte. Ltd. since 2016.	No

Corporate Governance

	Mr Anthony Peter Lombardo	Mrs Lee Ai Ming
Conflict of interest (including any competing business)	Mr Anthony Peter Lombardo is the Chief Executive Officer of Lendlease Asia Holdings Pte. Ltd., which is a subsidiary of the Sponsor. Please refer to page 99 of this Annual Report for details of the procedures to deal with any potential conflicts of interest.	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Other Principal Commitments Including Directorships

Past (for the last 5 years)	Lendlease Asian Retail Investment Fund 1 Limited (Board member) Lendlease Asian Retail Investment Fund 2 Limited (Board member) Lendlease Asian Retail Investment Fund 3 Limited (Board member) Lendlease Asian Retail Investment Fund 4 Limited (Board member) Lendlease Asian Retail Investment Fund 5 Limited (Board member) Lendlease China Investment Pte. Ltd. Lendlease IMT (Armadale) Pty Limited (Board member) Lendlease IMT (GCAT) Pty Limited (Board member) Lendlease IMT (Menai Marketplace) Pty Limited (Board member) Lendlease IMT (Northgate) Pty Limited (Board member) Lendlease IMT (Settlement City) Pty Limited (Board member) Lendlease IMT (Southlands Boulevard) Pty Limited (Board member) Lendlease Finance Limited (Board member) Lendlease Senior Living 1 (Shanghai) Co., Ltd. (Board member) Lendlease Senior Living 2 (Shanghai) Co., Ltd. (Board member) Lendlease Senior Living Service (Shanghai) Co., Ltd. (Board member) Lendlease Sustainability Solutions Pty Limited (Board member) Milano Holdings JV Ltd (Board member) Roma Holdings JV Ltd (Board member) Verona Holdings JV Ltd (Board member)	Addvison Pte Ltd (Board member) Agri-Food & Veterinary Authority of Singapore (Independent Director) Hwa Tat Lee Holdings Limited (now known as HTL International Holdings Pte Ltd) (Independent Director) Keppel Land Limited (Independent Director) Rodyk & Davidson LLP (now known as Dentons Rodyk & Davidson LLP) (Partner) Visodand Pte Ltd (Board member)

	Mr Anthony Peter Lombardo	Mrs Lee Ai Ming
Present (directorships)	Lendlease Asia Holdings Pte. Ltd. (Board member) Lendlease Aurum 1 Asset Management Pte. Ltd. (Board member) Lendlease Aurum 1 Property Pte. Ltd. (Board member) Lendlease Aurum 2 Property Pte. Ltd. (Board member) Lendlease Aurum Asset Management Pte. Ltd. (Board member) Lendlease Aurum Property Holdings Pte. Ltd. (Board member) Lendlease DC Holdings Trustee Pte. Ltd. (Board member) Lendlease Global Commercial (AU) Pte. Ltd. (Board member) Lendlease Global Commercial (IT) Pte. Ltd. (Board member) Lendlease Global Commercial (SG) Pte. Ltd. (Board member) Lendlease Global Commercial Trust Management Pte. Ltd. (the manager of LREIT) (Chairman and Non-Independent Non-Executive Director) Lendlease International Asia Holdings Pty Limited (Board member) Lendlease Investment Management Pte. Ltd. (Board member) Lendlease LQ Residential 1 JR Pte. Ltd. (Board member) Lendlease LQ Residential 1 Pte. Ltd. (Board member) Lendlease LQ Residential 2 JR Pte. Ltd. (Board member) Lendlease LQ Residential 2 Pte. Ltd. (Board member) Lendlease LQ Residential 3 JR Pte. Ltd. (Board member) Lendlease LQ Residential 3 Pte. Ltd. (Board member) Lendlease LQ Retail Pte. Ltd. (Board member) Lendlease Plot 2 Holdings JR Pte. Ltd. (Board member) Lendlease Plot 2 Holdings Pte. Ltd. (Board member) Lendlease Plot 2 Hotel And Retail Pte. Ltd. (Board member) Lendlease Plot 2 Residential Pte. Ltd. (Board member) Lendlease Proptech Investments Pte. Ltd. (Board member) Lendlease R&H Holdings JR Pte. Ltd. (Board member) Lendlease R&H Holdings Pte. Ltd. (Board member) Lendlease Senior Living Property Company Pte. Ltd. (Board member) Lendlease Sunbird Pty Limited (Board member) Lendlease TRX Hotel Pte. Ltd. (Board member) LQ Residential 1 Sdn. Bhd. (Board member) LQ Residential 2 Sdn. Bhd. (Board member) LQ Residential 3 Sdn. Bhd. (Board member) LQ Retail Sdn. Bhd. (Board member) Plot 2 JV Holdings Sdn. Bhd. (Board member) Plot 2 JV Development Sdn. Bhd. (Board member) Sunbird Wings Pty Limited (Board member) Toridage Pty Ltd. (Board member)	Keppel Telecommunications & Transportation Ltd (Independent Director) Lendlease Global Commercial Trust Management Pte. Ltd. (Independent Non-Executive Director) Temasek Life Sciences Laboratory Limited (Board member)
Present (major appointments (other than directorships))	Lendlease Asia Holdings Pte. Ltd. (Chief Executive Officer, Asia)	Justice of the Peace Board of Inspection and Visiting Justices (Member) Institutional Discipline Advisory Committee, Ministry of Law & Home Affairs (Vice Chair) Reformation Training Committee, Ministry of Law & Home Affairs (Member) ASEAN Intellectual Property (Councillor)

Corporate Governance

		Mr Anthony Peter Lombardo	Mrs Lee Ai Ming
Information required pursuant to Appendix 7.4.1 of the Listing Manual			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :		
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Risk Management

The Manager acknowledges that risk management should focus not only on reducing and minimising risks, it also seeks to preserve capital and ensures resilience in cyclical changes in business conditions.

LREIT recognises risk management as an integral part of operating its business in accordance with best practice principles in a manner that protects its stakeholders, employees and corporate reputation. The Board is the principal governor of the risk management framework and establishes the overall risk strategy and governance. It delegates the oversight responsibility of the framework to the ARC, who is responsible for reviewing and endorsing the framework to ensure its continuous relevance to LREIT's operating environment and adherence to its business plans and goals.

The Manager is accountable to the Board by establishing robust risk management framework to safeguard LREIT's assets and address its strategic enterprise, operational, financial and compliance risks. The framework is adapted from the ISO 31000 International Risk Management Standards, and also guided by the Committee of Sponsoring Organisations of the Treadway Commission and other relevant best practices and guidelines. These guidelines specify the components needed to manage risks in an integrated, systematic and consistent manner. LREIT's risk management framework will be reviewed annually.

The Manager acknowledges that risk management should not focus only on reducing and minimising risks, it also seeks to preserve capital and ensures resilience in cyclical changes in business conditions. The risk management framework applied as a structured process in making risk-based strategies and decisions across respective functions, identifying potential issues that may affect LREIT, managing risks to an acceptable level and within risk appetite as approved by the Board and ARC. It provides assurance to the Board that the framework is adequate and effective in mitigating the identified risks.

The Manager recognises that risk culture is one of the critical success factors of an effective risk management programme. Driving the desired risk culture starts with the tone set by the Board and senior management, cascaded down to all staff within the organisation. Regular risk communications and trainings to internal stakeholders is necessary to build awareness, understanding and appreciation of risk management within LREIT. The Board and senior management are committed to allocate resources to the continuous journey of driving the right risk culture and mindset among all internal stakeholders.

Risk Management

1 Staff/Business Management

The first line of defence refers to LREIT's policies and procedures (e.g. Standard Operating Procedures ("**SOPs**")) and operational staff that help to manage, monitor and detect key risks in the organisation's risk profile.

2 Management and Assurance

The second line of defence refers to the overall owner of the risk management process which coordinates and provides the overall direction for risk management and appropriate control activities.

3 Independent Assurance

The third line of defence refers to independent sources of assurance that evaluates and opines on the overall adequacy and effectiveness of both the first and second line of defences' risk management processes, and reports to the ARC and/or the Board on LREIT's overall risk management robustness and effectiveness.

4 Board Oversight

The fourth line of defence refers to the ARC and/or the Board that will provide independent oversight over risk management and internal controls, policies and systems.

The Manager has identified the following key risks but are not limited to:

Strategic Risks

Economic downturns in the markets where LREIT operates (or intends to operate) in could possibly pose risks to the REIT in terms of decreasing profits or inability to achieve the company's strategic goals. Market illiquidity during financial or pandemic crisis makes investment challenging and this could affect LREIT's strategic objectives. The Manager manages this by adopting a disciplined approach to financial management and it constantly monitors macroeconomic trends, policies and regulatory changes.

In addition, the Manager evaluates all investments against a rigorous set of investment criteria and due diligence reviews which includes potential for growth in yield, rental sustainability, sensitivity analysis and potential for value creation. The Board reviews and approves all major investment decisions.

Financial Risks

The Manager monitors LREIT's debt maturity profile, operating cash flows and the available funding sources to ensure that there are sufficient liquid reserves to finance its operations. It has access to various sources of funds to minimise over-reliance on a single source of funds for any funding or refinancing requirements. Risk of the inability to secure funding for meeting financial obligations, operational requirements, investments, capital expenditures could lead to a loss in investment opportunities.

Fluctuations in interest rates expose LREIT to volatility in its financing costs. Risk of unfavourable movements in Euro vs Singapore dollars may translate to a reduction in its earnings. The Manager reviews and maintains an optimal mix of fixed and floating rates. It seeks to minimise the level of foreign exchange and interest rate risks by entering into financial derivatives to hedge these risks.

The Manager maintains vigilant debt monitoring and collection procedures. For LREIT's retail asset, a security deposit of an amount typically equivalent to three months' rent is collected from each tenant upon signing of the letter of offer. For LREIT's office asset, the tenant pays three months' rent quarterly in advance.

Risk Management

Operational Risks

This comprises risks in regard to day-to-day operations such as business disruptions due to occurrence of natural and/or man-made adverse events; safety; tenant management; property management; and asset management. The Manager is guided by relevant policies and SOPs and benchmarked against industry best practices which include reporting and monitoring processes to mitigate operational risks and safeguard business sustainability. A Business Continuity Plan is in place to mitigate the business continuity risk of interruptions or catastrophic loss to its operations. In addition, LREIT's properties are also properly insured in accordance with current industry practices.

To maintain LREIT's competitive advantage, the Manager taps the Sponsor's in-house capabilities, which include retail development, leasing, marketing and property management, to differentiate itself against its peers through ongoing brand building. LREIT's office buildings in Milan are managed by one of the leading property managers in Italy. Regular reports/updates are received from, and meetings are scheduled with, the property manager for purposes of reviewing performance and agreeing on actions for further improvement.

Compliance Risks

Incurrence of liability or additional costs from non-compliance with key laws or regulations and/or inability to respond to changing laws and regulations may lead to financial and reputational losses incurred by the company. The Manager takes a proactive stance to observe all laws and regulations, including the requirements of the listing manual of the SGX-ST, the Code on Collective Investment Schemes issued by the MAS and the provisions in the trust deed constituting LREIT dated 28 January 2019 (as amended). Written corporate policies facilitate staff awareness and minimises unintentional breach of applicable legislations and obligations. Reports on policy matters are submitted to the ARC for review and approval.

The COVID-19 outbreak has given rise to high levels of volatility in the global financial markets. The current business and economic uncertainty and market volatility make it necessary for the investment community to have up-to-date information concerning material changes in LREIT's business and operations. The Manager adopts guidance from SGX-ST and MAS to provide timely disclosures during uncertain times for the investment community to make informed decisions.

Technology and Cyber Risks

This comprises risks in regard to cybersecurity breaches to IT infrastructure. Ineffective/inefficient IT systems that are no longer supported by vendors, and/or are unable to support current and future business needs may compromise operations and data privacy regulations. The Manager taps the Information & Communication Team from the Sponsor to execute the strategy through ongoing review against existing/evolving threat landscapes. IT Security Awareness Trainings and internal phishing campaigns are conducted to remind employees to stay vigilant on cyber security in the information security chain. The Sponsor will periodically review and update its IT Security Policy and Data Protection Framework to ensure relevancy.

Financials

Financials

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Report of the Trustee

RBC Investor Service Trust Singapore Limited (the “**Trustee**”) is under a duty to take into custody and hold the assets of Lendlease Global Commercial REIT (“**LREIT**”) and its subsidiaries (collectively, the “**Group**”) in trust for the holders (“**Unitholders**”) of units in LREIT (the “**units**”). In accordance with the Securities and Future Act, Chapter 289 of Singapore, its subsidiary legislation, the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the Listing Manual of Singapore Exchange Securities Trading Limited, the Trustee shall monitor the activities of Lendlease Global Commercial Trust Management Pte. Ltd. (the “**Manager**”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the provisions of the Trust Deed constituting LREIT dated 28 January 2019, subsequently amended by the first amending and restating deed dated 10 September 2019 and the first supplemental deed dated 15 July 2020 (collectively, the “**Trust Deed**”) between the Trustee and the Manager in each accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the period covered by these financial statements, set out on pages 119 to 163, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
RBC Investor Service Trust Singapore Limited

Hoi Sau Kheng
Director

Farrah Begum Binte Abdul Salam
Senior Manager

Singapore
31 August 2020

Statement by the Manager

In the opinion of the directors of Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**"), the accompanying financial statements of Lendlease Global Commercial REIT ("**LREIT**") and its subsidiaries (the "**Group**") set out on pages 119 to 163, comprising the statements of financial position and portfolio statements of the Group and LREIT as at 30 June 2020, and the statements of profit or loss and other comprehensive income, distribution statements, statements of movements in Unitholders' funds of the Group and LREIT, and the consolidated statement of cash flows of the Group for the period from 28 January 2019 (date of constitution) to 30 June 2020, and the notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio statement of the Group and LREIT as at 30 June 2020, and the profit or loss and other comprehensive income, distributable income, movements in Unitholders' funds of the Group and LREIT, and cash flows of the Group for the period ended in accordance with International Financial Reporting Standards and the provisions of the Trust Deed dated 28 January 2019 (as amended) and the relevant requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and LREIT will be able to meet their respective financial obligations as and when they materialise.

For and on behalf of the Manager
Lendlease Global Commercial Trust Management Pte. Ltd.

Anthony Peter Lombardo
Chairman and Non-Independent
Non-Executive Director

Tsui Kai Chong
Lead Independent Non-Executive Director

Singapore
31 August 2020

Independent Auditors' Report

Unitholders of Lendlease Global Commercial REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 28 January 2019 (as amended))

We have audited the consolidated financial statements of Lendlease Global Commercial REIT ("**LREIT**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group and the statement of financial position and portfolio statement of LREIT as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated distribution statement, consolidated statement of movements in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of profit or loss and other comprehensive income, distribution statement and statement of movements in Unitholders' funds of LREIT for the period from 28 January 2019 (date of constitution) to 30 June 2020, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 119 to 163.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of profit or loss and other comprehensive income, distribution statement and statement of movements in Unitholders' funds of LREIT present fairly, in all material respects, the consolidated financial position and consolidated portfolio statement of the Group and the financial position and portfolio statement of LREIT as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated distribution statement, consolidated statement of movements in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of profit or loss and other comprehensive income, distribution statement and statement of movements in Unitholders' funds of LREIT for the period from 28 January 2019 (date of constitution) to 30 June 2020 in accordance with International Financial Reporting Standards ("**IFRS**").

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

(Refer to Note 4 to the financial statements)

Risk:

As at 30 June 2020, the Group owns a portfolio of investment properties comprising a leasehold interest in one retail mall located in Singapore (the "**Singapore Property**") and a freehold interest in Sky Complex, comprising three office buildings located in Milan, Italy (the "**Milan Property**").

These investment properties are stated at their fair values based on valuations performed by independent external valuers engaged by the Group. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. These valuations are highly sensitive to the key assumptions made, which may be subject to estimation uncertainties.

The valuation reports obtained from the external valuers also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that the Coronavirus Disease ("**COVID-19**") pandemic might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

Our response:

We assessed the Group's process for the selection of the external valuers, the determination of the scope of work of the external valuers, and the review and acceptance of the valuations reported by the external valuers. We evaluated the independence, objectivity and competency of the external valuers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We considered the appropriateness of the valuation methodologies applied against those applied by other valuers for similar property types, and the reasonableness of the key assumptions applied by the external valuers by benchmarking against industry data. Where the rates were outside the expected range, we undertook further procedures, held further discussions with the external valuers to understand the effects of additional factors considered in the valuations and corroborate with other evidence. We also discussed with Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**") and the external valuers to understand how they have considered the implications of COVID-19 and market uncertainty in the valuations.

Our findings:

The Group has a structured process in appointing and instructing external valuers, and in reviewing and accepting their valuation results. The external valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out the work.

In determining the fair values of the Group's investment properties, the external valuers have adopted the Capitalisation Approach and Discounted Cash Flow Analysis for the Singapore Property and Discounted Cash Flow Analysis for the Milan Property. The reported fair value of the Singapore property was derived based on an average of the two approaches. The valuation methodologies used were consistent with generally accepted market practices.

The key assumptions used in the valuations includes market rental growth, capitalisation rates, discount rates and terminal capitalisation rates. The assumptions are generally within the range of market data available as at 30 June 2020. Where the assumptions were outside the expected range, the additional factors considered by the external valuers were consistent with other corroborative evidence.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal controls as the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Independent Auditors' Report continued

Unitholders of Lendlease Global Commercial REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 28 January 2019 (as amended))

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Lee Chin Siang Barry.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
31 August 2020

Statements of Financial Position

As at 30 June 2020

	Note	Group 2020 S$'000	LREIT 2020 S$'000
Non-current assets			
Investment properties	4	1,442,598	1,008,000
Investment in subsidiaries	5	–	435,245
Trade and other receivables	6	12,845	–
Other non-current assets	7	1,012	1,012
Derivative financial instruments	8	149	149
		1,456,604	1,444,406
Current assets			
Cash and cash equivalents	9	83,678	60,664
Trade and other receivables	6	10,553	4,942
Other current assets	10	4,663	4,359
		98,894	69,965
Total assets		1,555,498	1,514,371
Current liabilities			
Trade and other payables	11	21,827	17,555
Derivative financial instruments	8	320	320
		22,147	17,875
Non-current liabilities			
Trade and other payables	11	7,999	7,999
Loans and borrowings	12	528,999	528,999
Derivative financial instruments	8	4,103	4,103
		541,101	541,101
Total liabilities		563,248	558,976
Net assets		992,250	955,395
Represented by:			
Unitholders' funds		992,250	955,395
Units issued at end of financial period ('000)	13	1,171,795	1,171,795
Net asset value per Unit attributable to Unitholders (S$)		0.85	0.82

The accompanying notes form an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

Period from 28 January 2019 (date of constitution) to 30 June 2020

	Note	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Gross revenue	14	55,536	36,844
Property operating expenses	15	(15,247)	(13,434)
Net property income		40,289	23,410
Distribution income from a subsidiary		–	5,214
Manager's base fee	16	(2,850)	(2,850)
Manager's performance fee	17	(2,015)	(2,015)
Other management fee		(580)	–
Trustee's fee		(148)	(148)
Other trust expenses	18	(1,228)	(5,563)
Net foreign exchange loss	19	(10,999)	(10,999)
Net finance costs	20	(6,709)	(6,709)
Profit before tax and change in fair value		15,760	340
Net change in fair value of investment properties		(20,102)	(30,319)
Net change in fair value of derivative financial instruments		(4,274)	(4,274)
Loss before tax		(8,616)	(34,253)
Tax expense	21	–	–
Loss after tax		(8,616)	(34,253)
Other comprehensive income			
Items that is or may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiary		11,218	–
Total comprehensive income for the period		2,602	(34,253)
Earnings per unit (cents)			
Basic and diluted	22	(0.74)	(2.94)

The accompanying notes form an integral part of these financial statements.

Distribution Statements

Period from 28 January 2019 (date of constitution) to 30 June 2020

	Note	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Amount available for distribution to Unitholders at beginning of the period		–	–
Loss after tax		(8,616)	(34,253)
Net tax and other adjustments	A	44,288	69,925
Amount available for distribution to Unitholders from taxable income		35,672	35,672
Distribution to Unitholders during the period			
1.29 Singapore cents per unit for the period from 2 October 2019 – 31 December 2019		(15,067)	(15,067)
		(15,067)	(15,067)
Amount available for distribution to Unitholders at the end of the period		20,605	20,605

Please refer to note 3.12 for LREIT's distribution policy.

Note A – Net tax and other adjustments

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Manager's base fees in units	2,850	2,850
Manager's performance fees in units	2,015	2,015
Property manager's fees in units	1,374	1,374
Net change in fair value of investment properties	20,102	30,319
Net change in fair value of derivative financial instruments	4,274	4,274
Amortisation of debt-related transaction costs	3,867	3,867
Temporary differences and other adjustments	(1,272)	3,226
Unrealised foreign exchange loss	11,078	11,078
Capital return – net overseas income not distributed to LREIT	–	10,922
	44,288	69,925

Statements of Movements in Unitholders' Funds

Period from 28 January 2019 (date of constitution) to 30 June 2020

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Balance at beginning of the period	–	–
Operations		
As at 28 January 2019 (date of constitution)		
Loss after tax	(8,616)	(34,253)
Foreign currency translation reserve		
As at 28 January 2019 (date of constitution)		
Translation differences relating to financial statements of foreign subsidiary	11,218	–
Unitholders' transactions		
As at 28 January 2019 (date of constitution)	*	*
Issuance of new units on Listing Date	1,027,792	1,027,792
Issue expenses on Listing Date	(25,858)	(25,858)
Manager's base fee paid in units	1,883	1,883
Property Manager's fee paid in units	898	898
Distributions to Unitholders	(15,067)	(15,067)
Change in Unitholders' funds resulting from Unitholders' transactions	989,648	989,648
Total increase in Unitholders' funds	992,250	955,395
Balance at end of the period	**992,250**	**955,395**

* less than S$1,000.

Portfolio Statements

As at 30 June 2020

Description of property	Location	Term of land lease	Remaining term of land lease (years)	Existing use	Occupancy rate[1] %	Group: Carrying value[2] S$'000	Group: Percentage of total Unitholders' funds %	LREIT: Carrying value[2] S$'000	LREIT: Percentage of total Unitholders' funds %
2020									
Group and LREIT									
Investment property in Singapore									
313@somerset	313 Orchard Road, Singapore 238895	99 years	85.4	Retail	97.8%	1,008,000	101.6	1,008,000	105.5
Other assets and liabilities of LREIT (net)								(52,605)	(5.5)
Total Unitholders' funds of LREIT								955,395	100.0
Group									
Investment property in Italy									
Sky Complex[3]	Via Monte Penice 7 and Via Luigi Russolo 9, Postal Code 20138, Milan, Italy	Freehold	N.A.	Commercial	100%	434,598	43.8		
Investment properties, at valuation (note 4)						1,442,598	145.4		
Other assets and liabilities of the Group (net)						(450,348)	(45.4)		
Total Unitholders' funds of the Group						992,250	100.0		

[1] The occupancy rates shown are on committed basis.
[2] The carrying value of investment properties are stated at valuation.
[3] As at 30 June 2020, the property was valued at EUR 277.7 million (equivalent to approximately S$434.6 million).

As at 30 June 2020, the investment property in Singapore was valued by CBRE Pte. Ltd. and the investment property in Milan was valued by Savills Advisory Services Limited.

The Manager believes that the independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuation of the Singapore property was based on capitalisation method and discounted cash flow analysis. The valuation of the Milan property was based on discounted cash flow analysis. Refer to note 4 of the financial statements for details of the valuation techniques.

Consolidated Statement of Cash Flows

Period from 28 January 2019 (date of constitution) to 30 June 2020

	Note	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Cash flows from operating activities		
Loss after tax		(8,616)
Adjustments for:		
Manager's fees paid/payable in units		4,865
Property manager's fees paid/payable in units		1,374
Finance income	20	(531)
Interest expense	20	3,373
Amortisation of debt-related transaction costs	20	3,867
Net unrealised foreign exchange loss		11,078
Net change in the fair value on investment properties	4	20,102
Net change in the fair value of on derivatives financial instruments		4,274
Operating income before working capital changes		39,786
Changes in:		
Trade and other receivables		(22,942)
Trade and other payables		25,197
Other current assets		(4,663)
Other non-current assets		(1,012)
Net cash generated from operating activities		36,366
Cash flows from investing activities		
Interest received		531
Acquisition of investment properties[1]	4	(1,451,542)
Capital expenditure on investment properties		(233)
Net cash used in investing activities		(1,451,244)

The accompanying notes form an integral part of these financial statements.

	Note	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Cash flows from financing activities		
Proceeds from issuance of new units		1,027,792
Payment of issue costs		(25,858)
Payment of financing expenses		(20,187)
Proceeds from loans and borrowings		534,237
Distribution to unitholders		(15,067)
Interest paid		(2,593)
Net cash generated from financing activities		1,498,324
Net increase in cash and cash equivalents		83,446
Cash and cash equivalents at 28 January 2019 (date of constitution)		–
Effect of exchange rate changes on balances held in foreign currency		232
Cash and cash equivalents at 30 June 2020	9	83,678

[1] This relates to the acquisition of a 99-year leasehold interest in the Singapore Property and a freehold interest in the Milan Property.

Significant non-cash transactions

There were the following significant non-cash transactions:

(i) During the financial period ended 30 June 2020, LREIT issued an aggregate of 2,742,736 new units amounting to S$1.9 million as payment for the base fee element of the Manager's management base fees.

(ii) During the financial period ended 30 June 2020, LREIT issued an aggregate of 8,548,000 new units amounting to S$7.5 million as payment for the acquisition fee element of the Manager's management fees.

(iii) During the financial period ended 30 June 2020, LREIT issued an aggregate of 1,106,488 new units amounting to S$0.9 million as payment for the property manager's management fee.

Refer to note 13 of the financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 31 August 2020.

1 General

Lendlease Global Commercial REIT ("**LREIT**") is a Singapore-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 28 January 2019, subsequently amended by the first amending and restating deed dated 10 September 2019 and the first supplemental deed dated 15 July 2020 (collectively, the "**Trust Deed**"), entered into between RBC Investor Services Trust Singapore Limited (the "**Trustee**") and Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the LREIT held by it or through and its subsidiaries in trust for the holders ("**Unitholders**") of units in LREIT (the "**units**").

The LREIT was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 2 October 2019 (the "**Listing Date**") and the LREIT was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337.

The consolidated financial statements relate to LREIT and its subsidiaries (the "**Group**").

The principal activity of LREIT relates to investment strategy of investing, directly or indirectly, in a portfolio of stabilised income-producing real estate assets located globally that are used primarily for retail and/or office purposes as well as real estate-related assets in connection with the foregoing. The principal activities of the subsidiaries are set out in note 5.

LREIT has entered into several service agreements in relation to the management of LREIT and its property operations. The fee structures of these services are summarised below.

1.1 Trustee's fees

The Trustee's fees shall not exceed 0.015% per annum of the value of all the assets of LREIT (Deposited Property), excluding out-of-pocket expenses and goods and services tax in accordance with the Trust Deed.

The Trustee's fee is accrued and payable out of the value of the Deposited Property on a monthly basis, in arrears.

1.2 Manager's fees

The Manager is entitled to receive base fee, performance fee, acquisition fee, divestment fee, and development management fee, respectively as follow:

Base fee

The Manager is entitled to receive a base fee of 0.3% per annum of the value of the Deposited Property.

The base fee is payable in the form of cash and/or units as the Manager may elect.

Performance fee

The Manager is entitled to receive a performance fee of 5.0% per annum of the net property income.

The performance fee is payable in the form of cash and/or units as the Manager may elect.

1 General continued

1.2 Manager's fees continued

Acquisition and divestment fee

The Manager is entitled to receive following fees:

(a) an acquisition fee at the rate of 1.0% for acquisitions of each of the acquisition price of any real estate purchased, the underlying value of real estate which is taken into account when computing the acquisition price payable (purchased) and the acquisition price of any investment purchased by LREIT.

(b) a divestment fee at the rate of 0.5% of the sale price of any real estate sold or divested, the underlying value of real estate which is taken into account when computing the sale price receivable (sold or divested) and the sale price of any investment sold or divested by LREIT.

The acquisition and divestment fees are payable in the form of cash and/or units as the Manager may elect, such election to be made prior to the payment of the fee.

Development management fee

The Manager is entitled to receive a development management fee equivalent to 3.0% of the total project costs incurred in a development project undertaken on behalf of LREIT.

1.3 Property management fee

Property management fee are payable to the Property Manager for each property of the Group under its management:

Singapore

The property management fee for the Singapore Property is charged based on the following formula:

F = F1 + F2, where

F1 = 1.85% of GR; and

F2 = 1.85% of (GR – OE – F1)

and:

GR = Gross receipts for the Financial Year which refers to all income accruing or resulting from the operation of the Singapore Property for the relevant Financial Year or part thereof, including but not limited to rental income (including turnover rent), rental premiums, licence fees, service charges, advertising and promotion fees and other sums due from tenants, licensees and concessionaires and other income or revenue earned from all rights of occupation or use of the Singapore Property and the proceeds of any payment under any insurance policy against loss of rent or other income arising from the operation of the Singapore Property.

OE = Operating expenses for that Financial Year which refers to all costs and expenses incurred in the operation, maintenance, management, repair and cleaning of the Property.

The Singapore Property Manager is also entitled to receive leasing fees in respect of each new lease, renewal of an existing lease or relocation of an existing lease negotiated by the Singapore Property Manager. The leasing fee is equivalent to 80% of one month's base rent, one month's service charge and one month's advertising and promotion fee (if any), payable by the tenant under the lease. The leasing fee will be subject to review every three years to be in line with market rates as may be agreed by the Manager, the Trustee and the Singapore Property Manager.

Where tenancy design review services are required for a new lease, renewal of existing lease, relocation of an existing lease or any licence or concession, a fixed tenancy design review fee of S$6,000 per tenancy, subject to annual increase by a percentage which reflects the percentage increase in the Consumer Price Index in Singapore during the 12 month period prior to that date plus 1%.

Notes to the Financial Statements continued

1 General continued

1.3 Property management fee continued

Italy

The fees for the Milan Property are charged based on the following, as applicable:

(i) a property management and building management fee of 0.95% per annum of the Gross Rental Income of the Milan Property, subject to a minimum sum of €90,000;

(ii) a project management fee of:

(a) 5.0% of the cost of the maintenance works (the "**Milan Property Project Cost**") if the Milan Property Project Cost is €200,000 or below;

(b) 3.9% of the Milan Property Project Cost subject to a minimum project management fee of €10,000 if the Milan Property Project Cost is above €200,000 and below €2.0 million; or

(c) 3.2% of the Milan Property Project Cost subject to a minimum project management fee of €78,000 if the Milan Property Project Cost is €2.0 million or above;

(iii) a construction supervision fee of:

(a) 3.0% of the cost of the applicable construction project (the "**Milan Property Construction Cost**") if Milan Property Construction Cost is €200,000 or below;

(b) 2.5% of the Milan Property Construction Cost subject to a minimum construction supervision fee of €6,000 if the Milan Property Construction Cost is above €200,000 and below €2.0 million; or

(c) 2.0% of the Milan Property Construction Cost subject to a minimum construction supervision fee of €50,000 if the Milan Property Construction Cost is €2.0 million or above.

1.4 Other management fee

Italy management fee

The Alternative Investment Fund ("**AIF**") Manager is entitled to a management fee comprising a base fee of 0.175% per annum of the Value of the AIF Assets.

The Manager may appoint, or the Trustee or any entity which is held by LREIT (whether wholly or partially) may, at the recommendation of the Manager appoint asset managers, investment managers or any other entities to provide asset management services or investment management services in respect of any asset of LREIT from time to time and the Management Fee payable to the Manager will be reduced by the amount of any fees payable to such entities for asset management, acquisition, divestment or development management services. For the avoidance of doubt, this includes the fees payable to the AIF Manager.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"), and the applicable requirements of the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") and the provisions of the Trust Deed.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment properties, derivative financial instruments and certain financial assets and liabilities, which are stated at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars ("**S$**"), which is the functional currency of LREIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements and estimates made in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4 – investment properties.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Manager has overall responsibility for the appointment of external valuers, where necessary, and all significant fair value measurements and reports directly to the Board of Directors of the Manager.

When measuring the fair value of an asset or a liability, the Manager uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4: Investment properties;
- Note 8: Derivatives financial instruments; and
- Note 27: Fair value of assets and liabilities.

Notes to the Financial Statements continued

3 Significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Business combinations and property acquisitions

At the time of acquisition, the Group considers whether each acquisition represents an acquisition of business or an acquisition of an asset. An acquisition is accounted for as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the Manager considers whether significant processes such as strategic management and operational processes, are acquired.

Where significant processes are acquired, the acquisition is considered an acquisition of business and accounted for as stated above. Where the acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by LREIT

Investment in subsidiaries in LREIT's statement of financial position are stated at cost less accumulated impairment losses.

3 Significant accounting policies continued

3.2 Foreign currencies

Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "**functional currency**").

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rate at the date of the transactions. The functional currencies of the Group's entities are Singapore dollars ("**S$**") and Euro ("**€**"). Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currencies at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates prevailing at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at average exchange rates for the reporting period.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve. However, if the foreign operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests ("**NCI**"). When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI.

3.3 Investment property

Investment properties are properties held either to earn rental income or capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. Transaction costs shall be included in the initial measurement.

Fair value is determined in accordance with the Trust Deed, which requires investment properties to be valued by independent registered valuers in the following events:

(i) in such manner and frequency as required under the CIS Code issued by MAS; and

(ii) at least once in each period of twelve months following the acquisition of each real estate property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.4 Financial instruments

(a) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, the Group classifies its non-derivative financial assets as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Non-derivative financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Manager. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Manager; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3 Significant accounting policies continued

3.4 Financial instruments continued

(b) Classification and subsequent measurement continued

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.4 Financial instruments continued

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

(f) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group has not designated its derivative financial instruments as hedging instruments in qualifying hedging relationships.

3.5 Impairment

(a) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") on financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

3 Significant accounting policies continued

3.5 Impairment continued

(a) Non-derivative financial assets continued

General approach continued

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates or credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or being more than 90 days past due; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.5 Impairment continued

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit ("**CGU**") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflow of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Leases

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group leases out its investment properties. The Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

3.7 Unitholders' funds

Unitholders' funds represent mainly the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental cost, directly attributable to the issuance, offering and placement of units in LREIT are deducted directly against Unitholders' funds.

3.8 Distribution income

Distribution income is recognised in profit or loss on the date that the Group's or LREIT's right to receive payment is established.

3 Significant accounting policies continued

3.9 Finance income and cost

Finance income comprises interest income which is recognised using the effective interest method.

Finance costs comprise interest expense on borrowings, including amortisation of transaction costs which are recognised in profit or loss using the effective interest method over the period for which the borrowings are granted.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

3.10 Grant income

Government grants are recognised when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as a deduction to the related expenses on a systematic basis in the same periods in which the expenses are recognised.

3.11 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in Unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.11 Income tax expense continued

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience with tax authorities. The assessment of these factors relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Group has obtained tax rulings from the Inland Revenue Authority of Singapore ("**IRAS**") in relation to Singapore income tax treatment of certain income from properties located overseas.

Tax transparency treatment

The IRAS has granted tax transparency treatment to LREIT in respect of certain taxable income ("**Specified Taxable Income**"). Broadly, subject to meeting the terms and conditions that the Trustee and the Manager have undertaken to comply with for purposes of the application for the tax transparency treatment, which includes a distribution of at least 90% of the Specified Taxable Income of LREIT, LREIT is not subject to tax on the Specified Taxable Income distributed to the Unitholders in the same period in which the Specified Taxable Income was derived. In this regard, for Specified Taxable Income of LREIT relating to the financial period ended 30 June 2020, the period for making distributions to meet the 90% requirement has been extended to 31 December 2021. Instead, the Trustee and the Manager would deduct income tax at the prevailing corporate tax rate (currently at 17%) from distributions made to Unitholders out of such Specified Taxable Income, except:

(i) where the beneficial owners are Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax;

(ii) where the beneficial owners are Qualifying Foreign Non-Individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made on or before 31 December 2025; or

(iii) where the beneficial owners are Qualifying Non-Resident Funds, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions during the period 1 July 2019 to 31 December 2025.

A "Qualifying Unitholder" is a Unitholder who is:

- an individual;
- a company incorporated and tax resident in Singapore;
- a Singapore branch of a company incorporated outside Singapore;
- a body of persons other than a company or a partnership, registered or constituted in Singapore (e.g. a town council, a statutory board, a registered charity, a registered cooperative society, a registered trade union, a management corporation, a club or a trade industry association);
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145); or
- a real estate investment trust exchange-traded fund which has been accorded the tax transparency treatment (but only in respect of Specified Taxable Income distributions made on or before 31 December 2025).

A Qualifying Foreign Non-Individual Unitholder is a person other than an individual who is not resident in Singapore for Singapore income tax purposes and who:

- does not have a permanent establishment in Singapore; or
- carries on an operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire units of LREIT are not obtained from that operation.

A Qualifying Non-resident Fund is a non-resident fund that qualifies for tax exemption under Section 13CA, 13X or 13Y of the Income Tax Act (Cap.134) and who:

- does not have a permanent establishment in Singapore (other than a fund manager in Singapore); or
- carries on an operation through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used by that qualifying fund to acquire units of LREIT are not obtained from that operation.

3 Significant accounting policies continued

3.11 Income tax expense continued

Tax transparency treatment continued

The tax transparency treatment does not apply to gains or profits from the disposal of any properties such as immovable properties and shares that are determined by the IRAS to be revenue gains chargeable to tax and income derived by LREIT but not distributed to the Unitholders in the same period in which the income is derived.

Where tax transparency treatment does not apply to any gains, profits or income, such gains, profits or income will be subject to tax at the level of the Trustee. Distribution made out of the after-tax amount will not be subject to any deduction of tax at source nor further tax in the hands of Unitholders. Where the disposal gains are regarded as capital in nature, they will not be subject to tax at the level of the Trustee and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

Foreign-sourced income tax exemption

Pursuant to the foreign-sourced income tax exemption granted by the IRAS and subject to the meeting of certain conditions, the distributions received from Lendlease Global Commercial Italy Fund by LREIT's wholly-owned subsidiary, Lendlease Global Commercial (IT) Pte. Ltd., will be exempt from Singapore income tax. The dividends paid out by Lendlease Global Commercial (IT) Pte. Ltd. are exempt from Singapore income tax in the hands of LREIT.

Any distributions made by LREIT to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders.

3.12 Distribution policy

LREIT's distribution policy is to distribute at least 90% of its adjusted net cashflow from operations for each financial year. The actual level of distribution will be determined at the Manager's discretion.

LREIT makes distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Under the Trust Deed, the Manager shall pay distributions no later than 90 days after the end of each distribution period.

3.13 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers ("**CODMs**") which comprise mainly the Board of Directors including the Chief Executive Officer ("**CEO**") of the Manager to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise foreign exchange gain/loss, interest and other income, borrowing costs, trust expenses and income tax expense.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, investment properties and investment property under development.

3.14 New accounting standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 28 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.14 New accounting standards and interpretations not adopted continued

The following new IFRSs, interpretations and amendments to IFRSs are not expected to have a significant impact on the Group's consolidated financial statements and LREIT's statement of financial position.

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of a Business* (Amendments to IFRS 3)
- *Definition of Material* (Amendments to IAS 1 and IAS 8)

4 Investment properties

	Group 2020 S$'000	LREIT 2020 S$'000
At 28 January 2019	–	–
Acquisitions (including acquisition costs)[1]	1,451,542	1,037,695
Capital expenditure	624	624
Currency translation differences	10,534	–
Net change in fair value of investment properties	(20,102)	(30,319)
At 30 June 2020	1,442,598	1,008,000

[1] This relates to the acquisition of a 99-year leasehold interest in the Singapore Property and a freehold interest in the Milan Property.

For the Singapore Property, there was a revision of permissable plot ratio from 4.9+ to 5.6 under the 2019 Urban Redevelopment Authority Master Plan, resulting in a potential increase of up to 1,008 square metres of gross floor area based on the current gross floor area. The Manager is planning for Asset Enhancement Initiatives to deploy the additional area.

Sensitivity Analysis

In consideration of the impact of COVID-19 on the leasing environment, key valuation assumptions such as vacancy assumptions, renewal probability and market rental growth rates has been made in relation to the Singapore Property.

As at the reporting date, corresponding changes to the vacancy assumption, renewal probability and market rental growth rates would have increased/(decreased) the Group's and LREIT's financial assets by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group S$'000	LREIT S$'000
2020		
Increase in vacancy allowance by one month for the first two years	(1,000)	(1,000)
Decrease in vacancy allowance by one month for the first two years	1,000	1,000
Decrease in renewal probability by 5% points for the first two years	(1,000)	(1,000)
Increase in renewal probability by 5% points for the first two years	1,000	1,000
Decrease in market rental growth rates by 1% point for the first two years	(8,000)	(8,000)
Increase in market rental growth rates by 1% point for the first two years	8,000	8,000

4 Investment properties continued

Measurement of fair value

(i) Fair value hierarchy

Investment properties are stated at fair value as at 30 June 2020 are based on the valuations performed by independent professional valuers, CBRE Pte Ltd. and Savills Advisory Services Limited.

The fair value measurement for investment properties has been categorised as Level 3 fair values based on inputs to the valuation techniques used (see note 2.4).

(ii) Valuation techniques

The fair values take into consideration the market values of the properties, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. The specific condition and characteristics inherent in each of the properties are taken into consideration in arriving at the property valuation.

In determining the fair value, the external valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market rental growth rates, market-corroborated discount rate, terminal capitalisation rate and capitalisation rate. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions and the valuation reports are prepared in accordance with recognised appraisal and valuation standards.

The external valuers have considered valuation techniques including the income capitalisation method and discounted cash flow analysis in arriving at the open market value as at the reporting date. The external valuers have considered all available information as at 30 June 2020 relating to COVID-19 and have made necessary adjustments to the valuation. The valuation reports also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

The discounted cash flow analysis involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value. The discounted cash flow analysis requires the external valuers to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. The capitalisation method is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) has been adjusted against anticipated operating costs to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised at an appropriate investment yield. Thereafter, various adjustments including assumed vacancy allowance are made, where appropriate, for the capitalisation method.

Notes to the Financial Statements continued

4 Investment properties continued

Measurement of fair value continued

(iii) Key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows analysis	• Discount rate of 6.00% to 6.75%	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Terminal capitalisation rate of 4.40% to 5.25%	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
	• 10-year average market rental growth rate of 2.80%	The estimated fair value would increase (decrease) if 10-year average market rental growth rate was higher (lower).
Capitalisation method	• Capitalisation rate of 4.25%	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).

5 Investment in subsidiaries

	LREIT 2020 S$'000
Unquoted equity, at cost	435,245

Details of the subsidiaries directly or indirectly held by LREIT is as follow:

Name of subsidiaries	Principal place of business/ Country of incorporation	Ownership interest held by LREIT 2020 %
Lendlease Global Commercial (IT) Pte. Ltd.[1]	Singapore	100
Lendlease Global Commercial Italy Fund[2]	Italy	100

[1] Audited by KPMG LLP Singapore.
[2] Audited by Deloitte & Touche S.p.A.

Lendlease Global Commercial (IT) Pte. Ltd.

Lendlease Global Commercial (IT) Pte. Ltd., a wholly-owned subsidiary, was incorporated on 15 February 2019. Its principal activity is that of an investment holding company.

Lendlease Global Commercial Italy Fund

Lendlease Global Commercial Italy Fund, a wholly-owned fund, was incorporated on 2 July 2019. Its principal activity is to acquire and hold Italian property-related investments.

6 Trade and other receivables

	Note	Group 2020 S$'000	LREIT 2020 S$'000
Current			
Trade receivables		1,772	1,772
Impairment losses		(116)	(116)
Net trade receivables		1,656	1,656
Non-trade receivables due from the Property Manager	(a)	117	117
Grant receivables	(b)	1,302	1,302
Net VAT/GST receivables	(c)	6,461	850
Other receivables		1,017	1,017
		10,553	4,942
Non-current			
Net VAT/GST receivables	(c)	12,845	–

(a) The non-trade receivables due from the Property Manager are recharges which are unsecured, interest-free and repayable on demand.

(b) Grant receivables relate to the Singapore government cash grant announced in the Fortitude Budget.

(c) Net VAT/GST receivables relate to value-added tax ("**VAT**") and goods and services tax ("**GST**") to be claimed from the relevant tax authorities.

The Group's and LREIT's exposures to credit and currency risks for trade and other receivables, are disclosed in note 26.

Impairment losses

The movements in impairment losses recognised in respect of trade receivables during the period are as follows:

	Group S$'000	LREIT S$'000
As at date of constitution	–	–
Impairment losses during the period	116	116
As at 30 June 2020	116	116

The Manager believes that no allowance for impairment losses is necessary in respect of the remaining trade receivables as majority of the balances are not past due and the rest of these balances mainly arise from tenants who have good payment records and have placed sufficient security with the Group in the form of bankers' guarantees or cash security deposits.

7 Other non-current assets

	Group 2020 S$'000	LREIT 2020 S$'000
Prepaid lease incentives	1,012	1,012

Notes to the Financial Statements continued

8 Derivative financial instruments

	Group 2020 S$'000	LREIT 2020 S$'000
Non-current asset		
Foreign currency forward contract	149	149
Current liability		
Foreign currency forward contracts	320	320
Non-current liabilities		
Foreign currency forward contract	61	61
Interest rate derivatives[1]	4,042	4,042
	4,103	4,103

[1] Includes interest rate swap and options.

(i) **Foreign currency forward contracts**

The Group uses foreign currency forward contracts to manage its exposure to foreign currency fluctuation arising from contracts entered into with banks dominated in foreign currency by contracting the currency rate forward for expected foreign currency payment or receipt in future.

As at 30 June 2020, the Group had foreign currency forward contracts with tenors from less than one year to two years with total notional amount of €27,535,000 (equivalent to approximately S$43,092,000). Under the contracts, the Group contracted to pay fixed rate for Euro to receive Singapore Dollar. The contracted exchange rates ranging from 1.54 to 1.61.

(ii) **Interest rate derivatives**

The Group uses interest rate derivatives to manage the exposure to interest rate movements on floating rate interest-bearing term loans by hedging the interest expense on a portion of interest-bearing borrowings from floating rates to fixed rates.

As at 30 June 2020, the Group had interest rate swap and options with tenor of three to four years with total notional amount of S$198,594,000 and €285,000,000 (equivalent to approximately S$466,022,000). Under the interest rate swap and options contract, the Group contracted to pay fixed interest rates of 0.06% to 1.64% and €30,500 quarterly and receives interest at three-month Singapore Dollar swap offer rate ("**SOR**") or Euro Interbank Offer Rate ("**EURIBOR**").

9 Cash and cash equivalents

	Group 2020 S$'000	LREIT 2020 S$'000
Cash at banks and on hand	46,678	23,664
Fixed deposit with financial institution	37,000	37,000
	83,678	60,664

The weighted average effective interest rate relating to fixed deposit for the period from 28 January 2019 (date of constitution) to 30 June 2020 for the Group and LREIT is 1.26% per annum, respectively.

10 Other current assets

	Group 2020 S$'000	LREIT 2020 S$'000
Deposits	528	528
Prepayments	2,913	2,609
Prepaid lease incentives	957	957
Others	265	265
	4,663	4,359

Prepayments mainly relate to grant receivable for the property tax rebate which has been passed down to tenants during the financial period.

11 Trade and other payables

	Group 2020 S$'000	LREIT 2020 S$'000
Current		
Trade payables	1,117	904
Trade amount due to:		
- the Manager	2,982	2,982
- the Property Manager	1,741	1,741
- the Trustee	66	66
Non-trade payables due to the Property Manager	99	99
Accrued operating expenses	3,310	3,301
Rental received in advance	4,758	1,459
Deposits	4,320	4,320
Interest payable	780	780
Grant payables	1,302	1,302
Other payables	1,352	601
	21,827	17,555
Non-current		
Deposits	7,999	7,999

The non-trade payables due to the Property Manager are recharges which are unsecured, interest-free and repayable on demand.

Grant payables relate to the Singapore government cash grant announced in the Fortitude Budget to be transferred to tenants as related rental rebates.

The Group's and LREIT's exposures to liquidity and currency risks related to trade and other payables are disclosed in note 26.

Notes to the Financial Statements continued

12 Loans and borrowings

	Group 2020 S$'000	LREIT 2020 S$'000
Non-current		
Unsecured interest-bearing term loans	545,319	545,319
Less: Unamortised transaction costs	(16,320)	(16,320)
	528,999	528,999

The contractual terms of the Group's and LREIT's borrowings, which are measured at amortised cost are disclosed below. The Group's and LREIT's exposures to interest rate, currency and liquidity risks are disclosed in note 26.

Terms and debt repayment schedule

Terms and conditions of the interest-bearing borrowings are as follows:

			Group and LREIT	
	Nominal interest rate %	Date of maturity	Face value S$'000	Carrying amount S$'000
2020				
SGD floating rate term loan	3 months SOR + margin	2 October 2022	99,297	97,348
EUR floating rate term loan	3 months EURIBOR + margin	2 October 2023	446,022	431,651
			545,319	528,999

Reconciliation of changes in liabilities arising from financing activities

		Financing cash flows		Non-cash changes		
	At 28 January 2019 (date of constitution) S$'000	Proceeds from loans and borrowings S$'000	Payment of interest and financing expenses S$'000	Borrowing costs expensed S$'000	Foreign exchange movement S$'000	At 30 June 2020 S$'000
Unsecured interest-bearing term loans	–	534,237	(20,187)	3,867	11,082	528,999
Interest payable	–	–	(2,593)	3,373	–	780
	–	534,237	(22,780)	7,240	11,082	529,779

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13 Units in issue

	Note	Group and LREIT 2020 No. of units '000
Units issued:		
Units issued at the date of constitution		*
Issue of new units:		
Units issued at listing date	(a)	1,167,946
Units issued as payment of Manager's base fees	(b)	2,743
Units issued as payment of property management's fees	(c)	1,106
At the end of the financial period		**1,171,795**
Units to be issued:		
Manager's base fees		1,320
Manager's performance fees		2,750
Property management fees[1]		649
Issued and issuable units at end of the financial period		**1,176,514**

[1] Estimated based on the 10-day volume weighted average price as at 30 June 2020.
* less than 1,000.

(a) On listing date, LREIT issued 1,167,945,997 new units at an issue price of S$0.88.

(b) During the financial period ended 30 June 2020, there were the following issuances of units to the Manager:

(i) 1,026,807 new units on 6 March 2020 at an issue price of S$0.9261 per unit as payment of the base fee of the Manager's management fees incurred for the period from 2 October 2019 to 31 December 2019; and

(ii) 1,715,929 new units on 5 June 2020 at an issue price of S$0.5433 per unit as payment of the base fee of the Manager's management fees incurred for the period from 1 January 2020 to 31 March 2020.

The issue price for management fees paid in units was determined based on the volume weighted average price for a unit for all trades on the SGX-ST in the ordinary course of trading for the last 10 business days immediately preceding (and, for the avoidance of doubt, including) the end date of the relevant period in which the fees accrued.

(c) During the financial period ended 30 June 2020, there were the following issuances of units to the Property Manager:

(i) 507,572 new units on 6 March 2020 at an issue price of S$0.9261 per unit as payment for property management service provided by the Property Manager in respect of the Singapore property for the period from 2 October 2019 to 31 December 2019; and

(ii) 598,916 new units on 5 June 2020 at an issue price of S$0.7150 per unit as payment for property management service provided by the Property Manager in respect of the Singapore property for the period from 1 January 2020 to 31 March 2020.

The issue price for property management fees paid in units was determined based on the higher of (i) the volume weighted average price for a unit for all trades on the SGX-ST in the ordinary course of trading for the last 10 business days immediately preceding (and, for the avoidance of doubt, including) the end date of the relevant period in which the fees accrued and (ii) the closing price on the date of issuance of the units in payment of such property management fee.

Notes to the Financial Statements continued

14 Gross revenue

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Rental income	52,600	33,924
Turnover rent	905	905
Other property income	2,031	2,015
	55,536	36,844

Turnover rent is contingent rent derived from operating leases.

15 Property operating expenses

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Property maintenance expenses	2,873	2,856
Property management fees	1,551	1,374
Property management reimbursements[1]	1,286	1,286
Property related tax	5,302	3,801
Marketing	1,775	1,775
Utilities	1,090	1,090
Others[2]	1,370	1,252
	15,247	13,434

[1] Relates to reimbursement of staff costs paid/payable to the Property Manager.
[2] Other expenses comprise grant income of approximately S$4,653,000 and grant expense of approximately S$4,653,000.

16 Manager's base fee

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Paid/payable in units	2,850	2,850

17 Manager's performance fee

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Payable in units	2,015	2,015

18 Other trust expenses

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Auditor's remuneration		
– audit fees	214	139
– non-audit fees	74	74
Valuation fees	103	79
Consultancy and other professional fees	11	6
Other expenses	826	5,265
	1,228	5,563

Other expenses of LREIT mainly comprise acquisition cost of approximately S$4,515,000 relating to the Milan Property.

19 Net foreign exchange loss

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Realised foreign exchange gain	(79)	(79)
Unrealised foreign exchange loss	11,078	11,078
	10,999	10,999

Notes to the Financial Statements continued

20 Net finance costs

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Finance income		
Interest income	531	531
Finance expenses		
Interest expense on bank borrowings	(3,373)	(3,373)
Amortisation of debt-related transaction cost	(3,867)	(3,867)
Total finance expenses	(7,240)	(7,240)
Net finance cost	(6,709)	(6,709)

21 Tax expense

	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	LREIT Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Current tax expense	–	–
Reconciliation of effective tax rate		
Loss before tax	(8,616)	(34,253)
Tax using Singapore tax rate of 17%	(1,465)	(5,823)
Income not subject to tax	(976)	(976)
Non-tax deductible items	5,866	10,224
Others	(13)	(13)
Tax transparency	(3,412)	(3,412)
	–	–

22 Earnings per unit

Basic earnings per unit is calculated by dividing the total loss for the financial period after tax, before distribution, by the weighted average number of units issued during the financial period.

	Group 2020 S$'000	LREIT 2020 S$'000
Loss after tax attributable to Unitholders	(8,616)	(34,253)
Basic and diluted earnings per unit		
Weighted average number of units during the financial period ('000)	1,164,558	1,164,558
Basic earnings per unit (cents)	(0.74)	(2.94)

Diluted earnings per unit is the same as basic earnings per unit as there is no potential dilutive units during the financial period.

23 Lease

The Group leases out its investment properties (see note 4). The Group has classified these leases as operating leases.

The Group leases out its investment property to tenants with lease tenures of 1 to 12 years, with an option to renew at negotiated terms. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income from investment property recognised by the Group and LREIT for the period ended 30 June 2020 was S$52,600,000 and S$33,924,000 respectively.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group S$'000	LREIT S$'000
2020 – Operating leases under IFRS 16		
Less than one year	74,358	48,853
One to two years	61,980	36,475
Two to three years	43,702	18,197
Three to four years	30,377	4,872
Four to five years	26,710	1,205
More than five years	178,535	–
Total	415,662	109,602

Notes to the Financial Statements continued

24 Capital commitments

At 30 June 2020, the Group had no capital expenditure contracted but not provided for in the financial statements.

25 Related parties

In addition to the related party information disclosed elsewhere in the financial statements, significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the financial period were as follows:

	Group 2020 S$'000	LREIT 2020 S$'000
Trustee fees paid and payable to Trustee	148	148
Manager's fees paid and payable to the Manager	4,865	4,865
Property management fees paid and payable to the Property Manager	1,374	1,374
Property management reimbursements paid and payable to the Property Manager	1,286	1,286
Leasing commission paid and payable to the Property Manager	1,088	1,088
Tenancy design review fees paid and payable to the Property Manager	47	47

26 Financial risk management

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager of LREIT continually monitors LREIT's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and LREIT's activities.

The Manager of LREIT continually monitors LREIT's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by LREIT.

On 16 April 2020, the MAS announced that the aggregate leverage limit for Singapore REITs ("**S-REIT**") will be raised from 45% to 50% with immediate effect. In its public consultation last year, the MAS had proposed for S-REITs to have a new minimum interest coverage ratio ("**ICR**") of 2.5 times before they are allowed to increase their leverage to beyond the prevailing 45% limit (up to 50%). However, the MAS has deferred the new ICR requirement to 1 January 2022 in light of the current COVID-19 pandemic situation. As at 30 June 2020, the Group's aggregate leverage was 35.1% with an ICR of 9.0 times in accordance with the requirements in the interest-bearing term loan facilities and ICR of 4.6 times[1] in accordance with the Appendix 6 of the CIS Code issued by MAS (the "**Property Funds Appendix**"). The Group had complied with the Aggregate Leverage limit during the financial period.

[1] As defined in Appendix 6 of the CIS Code ("Property Funds Appendix") (last revised on 16 April 2020)

26 Financial risk management continued

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Trade receivables

Credit evaluations are performed by the Manager before lease agreements are entered into with the lessees. Rental deposits as a multiple of monthly rent are received either in cash or bank guarantees to reduce credit risk. The Manager also monitors the amount owing by the lessees on an ongoing basis.

At 30 June 2020, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statements of financial position.

Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants and credit policy of obtaining security deposits, banker's guarantees or other forms of collateral from tenants. These tenants comprise retailers engaged in a wide variety of consumer trades. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Expected credit loss assessment for individual tenants

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual tenants, which comprise a very large number of balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off based on actual credit loss experience.

The ageing of trade receivables at the reporting date was:

	Group		LREIT	
	Gross S$'000	Impairment loss S$'000	Gross S$'000	Impairment loss S$'000
2020				
Past due 1 – 30 days	1,519	(38)	1,519	(38)
Past due 31 – 90 days	218	(70)	218	(70)
Past due more than 90 days	35	(8)	35	(8)
	1,772	(116)	1,772	(116)

Notes to the Financial Statements continued

26 Financial risk management continued

Credit risk continued

Cash and cash equivalents

Cash and cash equivalents are placed with financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The ECL on cash and cash equivalents is negligible.

Derivative financial instruments

Transactions involving derivative financial instruments are entered only with bank counterparties that are regulated.

Other receivables

The Group assesses on a forward-looking basis the ECLs associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers that the credit risk of these counterparties has not increased, and determines that the 12-month ECL on outstanding balances is negligible as at 30 June 2020.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its debt maturity profile and operating cash flows to ensure that refinancing, repayment and funding needs are met. As part of liquidity management, the Group invests primarily in bank deposits and finances its operations through the use of mid to long term financing transactions.

The Group manages their operating cash flows and the availability of funding so as to ensure that all funding needs are met. Funds from capital calls are obtained when necessary to meet its working capital requirements.

26 Financial risk management continued

Liquidity risk continued

Exposure to liquidity risk

The following are the expected contractual undiscounted cash inflows/(outflows) of financial liabilities, at amortised cost, including contractual interest payments and excluding the impact of netting agreements.

		Cash flows			
	Carrying amount S$'000	Contractual cash flows S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000
Group 30 June 2020					
Non-derivative financial liabilities					
Unsecured interest-bearing term loans	528,999	(554,690)	(3,250)	(551,440)	–
Trade and other payables[1]	22,986	(22,986)	(14,987)	(7,992)	(7)
Derivative financial (asset)/liabilities, at fair value					
Interest rate derivatives (net-settled)	4,042	(4,325)	(1,394)	(2,931)	–
Forward currency exchange contracts (gross-settled)	381	–	–	–	–
- (outflow)	–	(32,293)	(21,495)	(10,798)	–
- inflow	–	32,108	21,263	10,845	–
Forward currency exchange contract (gross-settled)	(149)	–	–	–	–
- (outflow)	–	(10,798)	–	(10,798)	–
- inflow	–	11,095	–	11,095	–
	556,259	(581,889)	(19,863)	(562,019)	(7)

[1] Excludes interest payable, rental received in advance and grant payables.

Notes to the Financial Statements continued

26 Financial risk management continued

Liquidity risk continued

Exposure to liquidity risk continued

	Carrying amount S$'000	Cash flows: Contractual cash flows S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000
LREIT					
30 June 2020					
Non-derivative financial liabilities					
Unsecured interest-bearing term loans	528,999	(554,690)	(3,250)	(551,440)	–
Trade and other payables[1]	22,013	(22,013)	(14,014)	(7,992)	(7)
Derivative financial (asset)/liabilities, at fair value					
Interest rate derivatives (net-settled)	4,042	(4,325)	(1,394)	(2,931)	–
Forward currency exchange contracts (gross-settled)	381	–	–	–	–
- (outflow)	–	(32,293)	(21,495)	(10,798)	–
- inflow	–	32,108	21,263	10,845	–
Forward currency exchange contract (gross-settled)	(149)	–	–	–	–
- (outflow)	–	(10,798)	–	(10,798)	–
- inflow	–	11,095	–	11,095	–
	555,286	(580,916)	(18,890)	(562,019)	(7)

[1] Excludes interest payable, rental received in advance and grant payables.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

26 Financial risk management continued

Interest rate risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings, where feasible. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group also uses derivative financial instruments such as interest rate derivatives and forward currency exchange contracts to minimise its exposure to interest rate volatility, where feasible. These derivative financial instruments are classified as derivative asset or liability on the statements of financial position.

The Group's exposure to interest rate risk for changes in interest rates relates mainly to the interest-bearing financial assets and financial liabilities.

	Notional amount Group and LREIT 2020 S$'000
Fixed rate instruments	
Interest rate derivatives	(545,319)
Variable rate instruments	
Unsecured interest-bearing term loan	(545,319)
Interest rate derivatives	545,319
	–

Sensitivity analysis

The Group does not account for any fixed rate instruments at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income.

For the variable rate financial liabilities and the derivative financial instruments, there is no net exposure to interest rate risk. This analysis assumes that all other variables remain constant.

Foreign currency risk

The Group's exposure to foreign currency risk relates to transactions that are denominated in currencies other than the respective functional currencies of the Group's entities.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country where its property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

In relation to its overseas investments in its foreign subsidiary whose net assets are exposed to currency translation risks and which is held for long term investment purposes, the differences arising from such translation are recorded under the foreign currency translation reserve, in net assets attributable to Unitholders. These translation differences are reviewed and monitored on a regular basis.

Notes to the Financial Statements continued

26 Financial risk management continued

Foreign currency risk continued

As at 30 June 2020, the Group's and LREIT's exposure to foreign currencies in relation to financial assets and liabilities was as follows:

	Euro	
	Group 2020 S$'000	**LREIT 2020** S$'000
Cash and cash equivalents	23,055	56
Trade and other payables[1]	(959)	–
Derivative financial instruments	(932)	(932)
Loans and borrowings	(431,651)	(431,651)
Net exposure	(410,487)	(432,527)

[1] Excludes rental received in advance.

Sensitivity analysis

At the reporting date, a 5% strengthening/weakening of the Euro, as indicated below, against the Singapore dollar at the reporting date would have increased/(decreased) total profit or loss by the amounts shown below for the Group's and LREIT's financial assets and financial liabilities. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group S$'000	**LREIT** S$'000
2020		
5% strengthening	(20,524)	(21,626)
5% weakening	20,524	21,626

27 Fair value of assets and liabilities

The following methods and assumptions are used to estimate fair values of the following significant classes of financial instruments:

(i) Derivative financial instruments

Interest rate derivatives are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present valuation calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate and forward rate curves.

The fair value of the foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date and present value calculation based on high credit quality yield curves in the respective currencies.

(ii) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted using the market rate of interest at the reporting date. The carrying amounts of loans and borrowings approximate their fair value as these loans and borrowings are interest-bearing at floating rates and reprice at an interval of 1 to 12 months.

(iii) Financial instruments that are not measured at fair value

Other non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. Other non-derivative financial liabilities include loans and borrowings.

Interest rates used in determining fair values

The weighted average interest rates used to discount estimated cash flows, where applicable, are based on forward rates as at 30 June 2020 plus a credit spread, and are as follows:

	Group 2020 %	LREIT 2020 %
Unsecured interest-bearing term loans	0.52	0.52

(iv) Financial instruments for which fair value is equal to the carrying value

These financial instruments include cash and cash equivalents, trade and other receivables, other current assets, other non-current assets and trade and other payables. The carrying amounts of these financial instruments are approximations of their fair values because they are either short term in nature or effect of discounting is immaterial.

Notes to the Financial Statements continued

27 Fair value of assets and liabilities continued

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount	
	Note	At amortised cost S$'000	FVTPL S$'000
30 June 2020			
Group			
Financial assets not measured at fair value			
Trade and other receivables[1]	6	2,790	–
Other non-current assets	7	1,012	–
Cash and cash equivalents	9	83,678	–
Other current assets[2]	10	1,222	–
		88,702	–
Financial assets measured at fair value			
Derivative financial asset	8	–	149
Financial liabilities not measured at fair value			
Trade and other payables[3]	11	–	–
Loans and borrowings	12	–	–
		–	–
Financial liabilities measured at fair value			
Derivative financial liabilities	8	–	(4,423)
30 June 2020			
Trust			
Financial assets not measured at fair value			
Trade and other receivables[1]	6	2,790	–
Other non-current assets	7	1,012	–
Cash and cash equivalents	9	60,664	–
Other current assets[2]	10	1,222	–
		65,688	–
Financial assets measured at fair value			
Derivative financial asset	8	–	149
Financial liabilities not measured at fair value			
Trade and other payables[3]	11	–	–
Loans and borrowings	12	–	–
		–	–
Financial liabilities measured at fair value			
Derivative financial liabilities	8	–	(4,423)

[1] Excludes grant receivables and net VAT/GST receivables.
[2] Excludes deposits and prepayments.
[3] Excludes rental received in advance and grant payables.

		Fair value			
Other financial liabilities S$'000	Total carrying amount S$'000	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
–	2,790				
–	1,012				
–	83,678				
–	1,222				
–	88,702				
–	149	–	149	–	149
(23,766)	(23,766)				
(528,999)	(528,999)	–	(548,449)	–	(548,449)
(552,765)	(552,765)				
–	(4,423)	–	(4,423)	–	(4,423)
–	2,790				
–	1,012				
–	60,664				
–	1,222				
–	65,688				
–	149	–	149	–	149
(22,793)	(22,793)				
(528,999)	(528,999)	–	(548,449)	–	(548,449)
(551,792)	(551,792)				
–	(4,423)	–	(4,423)	–	(4,423)

Notes to the Financial Statements continued

28 Operating segment

For segment reporting purpose, the primary segment is by geography and it comprises Singapore and Italy. The Group's reportable operating segments are as follow:

(i) Singapore – leasing of property retail mall in Singapore.

(ii) Italy – leasing of Sky Complex, comprising three office buildings in Milan, Italy.

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of different economic and regulatory environments in which they operate in. For the purpose of making resource allocation and the assessment of segment performance, the Group's CODMs have focused on its investment properties. For each of the reporting segments, the Manager reviews internal management reports on a monthly basis. This forms the basis of identifying the operating segments of the Group under IFRS 8 *Operating Segments*.

	Singapore S$'000	Italy S$'000	Total S$'000
For the period from 28 January 2019 to 30 June 2020			
Revenue			
Gross revenue	36,844	18,692	55,536
Properties operating expenses	(13,434)	(1,813)	(15,247)
Total segment net property income	23,410	16,879	40,289
Segment expense			
Manager's base fees	(2,424)	(426)	(2,850)
Manager's performance fees	(1,171)	(844)	(2,015)
Other management fee	–	(580)	(580)
Trustee's fee	(104)	(44)	(148)
Other trust expenses	(1,049)	(179)	(1,228)
Net foreign exchange loss	(10,999)	–	(10,999)
Finance income	531	–	531
Finance cost	(2,054)	(5,186)	(7,240)
Total segment expense	(17,270)	(7,259)	(24,529)
Fair value gains of investment properties	(30,319)	10,217	(20,102)
Fair value gains of derivative financial instruments	(4,274)	–	(4,274)
Segment loss	(28,453)	19,837	(8,616)
Segment assets	1,079,126	476,372	1,555,498
Segment liabilities	558,976	4,272	563,248

29 Financial ratios

	Group 2020 %
Expenses to weighted average net assets[1]	
- Expense ratio excluding performance-related fee	0.70
- Expense ratio including performance-related fee	0.50
Portfolio turnover rate[2]	–

[1] The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property related expenses, borrowing costs, changes in fair value of financial derivatives, investment properties and foreign exchange gains/(losses).

[2] The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

30 Comparative information

No comparative figures have been presented as this is the first set of financial statements prepared for the Group and LREIT since the date of constitution.

31 Subsequent events

On 11 August 2020, the Manager announced a distribution of 1.758 Singapore cents per Unit, amounting to approximately S$20.6 million in respect of the period from 1 January 2020 to 30 June 2020.

Given the unprecedented COVID-19 situation, the Manager will continue to monitor the situation and take the appropriate measures to deal with the implications of COVID-19 in accordance with guidelines, regulations and legislations provided by the authorities in the respective countries that the Group operates in and will take the necessary actions to ensure the long-term sustainability of the Group.

Interested Person Transactions

The transactions entered into with interested persons during the financial period which fall under the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "**Property Funds Appendix**") are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) FY2020 S$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)[1] FY2020 S$'000
Lendlease Corporation Limited and its subsidiaries or associates	Lendlease Corporation Limited is a "controlling Unitholder" of LREIT and a "controlling shareholder" of the Manager under the Listing Manual and the Property Funds Appendix		N.A.
- Manager's management fees		4,865	N.A.
- Acquisition fee		11,498	N.A.
- Acquisition of 313@somerset and related completion transactions		1,025,511	N.A.
- Acquisition of Sky Complex and related acquisition of units in Lendlease Global Commercial Italy Fund		834,245	N.A.
- Reimbursements under the Trust Deed[2]		8,174	N.A.
- Property management and leasing fees and reimbursable amounts		3,501	N.A.
- Portal licence fees for access to the Lendlease Plus rewards portal and related recharges		366	N.A.
RBC Investor Services Trust Singapore Limited	Trustee of LREIT		
- Trustee's fees		148	N.A.

1 LREIT does not have a Unitholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.
2 Reimbursements relate to IPO-related costs and valuations for 313@somerset and Sky Complex conducted as at 30 June 2020.

The payments of the Manager's management fees and acquisition fees, entry into and payments under the sale and purchase agreements in relation to the acquisition of the 313@somerset and Sky Complex, payments of property management fees, leasing fees and reimbursements to Lendlease Retail Pte. Ltd. (the "**Property Manager**") in respect of payroll and related expenses as well as payments of the Trustee's fees pursuant to the Trust Deed are deemed to have been specifically approved by the Unitholders upon subscription for the Units on the listing of Lendlease Global Commercial REIT ("**LREIT**") on 2 October 2019, and are therefore not subject to Rules 905 and 906 of the Listing Manual. Such payments are not to be included in the aggregate value of total interested person transactions as governed by Rules 905 and 906 of the Listing Manual.

Save as disclosed above, there were no other interested person transactions (excluding transactions less than S$100,000 each) entered into during FY2020 nor any material contracts entered into by LREIT that involved the interests of the Chief Executive Officer, any Director or controlling Unitholder of LREIT. Please also see significant related party transactions in Note 25 to the financial statements.

Subscription of LREIT Units

During FY2020, LREIT issued:

(i) an aggregate of 8,548,000 new Units amounting to S$7.5 million as payment for the Manager's acquisition fees;

(ii) an aggregate of 2,742,736 new Units ("**Management Fee Units**") amounting to S$1.9 million as payment for the base fee element of the Manager's management base fees; and

(iii) an aggregate of 1,106,488 new Units ("**Property Management Fee Units**") amounting to S$0.9 million as payment for the Property Manager's management fee.

Lendlease GCR Investment Holding Pte. Ltd. has been nominated by each of the Manager and the Property Manager to receive the Management Fee Units and the Property Management Fee Units in accordance with the Trust Deed and the property management agreement relating to 313@somerset respectively.

Statistics of Unitholdings

As at 10 September 2020

Issued and fully paid Units

There were 1,171,795,224 Units issued in LREIT as at 10 September 2020 (voting rights: one vote per Unit). There is only one class of Units in LREIT.

There are no treasury units and no subsidiary holdings held.

Distribution of unitholdings

Size of unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	2	0.02	3	0.00
100 – 1,000	1,861	15.85	1,773,957	0.15
1,001 – 10,000	7,425	63.22	33,250,600	2.84
10,001 – 1,000,000	2,429	20.68	108,183,019	9.23
1,000,001 and above	27	0.23	1,028,587,645	87.78
Total	**11,744**	**100.00**	**1,171,795,224**	**100.00**

Twenty largest Unitholders

No.	Name	No. of Units	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	310,434,824	26.49
2	DBS NOMINEES (PRIVATE) LIMITED	232,908,080	19.88
3	HSBC (SINGAPORE) NOMINEES PTE LTD	113,092,117	9.65
4	DBSN SERVICES PTE. LTD.	91,311,692	7.79
5	CITIBANK NOMINEES SINGAPORE PTE LTD	86,585,408	7.39
6	RAFFLES NOMINEES (PTE.) LIMITED	63,504,913	5.42
7	HPL INVESTERS PTE LTD	28,165,700	2.40
8	DB NOMINEES (SINGAPORE) PTE LTD	18,237,000	1.56
9	MERRILL LYNCH (SINGAPORE) PTE. LTD.	13,547,025	1.16
10	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	9,914,800	0.85
11	BPSS NOMINEES SINGAPORE (PTE.) LTD.	9,891,200	0.84
12	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	6,311,900	0.54
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,033,000	0.51
14	PHILLIP SECURITIES PTE LTD	5,416,986	0.46
15	OCBC SECURITIES PRIVATE LIMITED	4,668,800	0.40
16	IFAST FINANCIAL PTE. LTD.	4,657,400	0.40
17	UOB KAY HIAN PRIVATE LIMITED	3,633,700	0.31
18	KGI SECURITIES (SINGAPORE) PTE. LTD.	2,834,200	0.24
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,706,600	0.23
20	HAN KUAN YUAN	2,600,000	0.22
	Total	**1,016,455,345**	**86.74**

Substantial Unitholders' unitholdings

(As recorded in the Register of Substantial Unitholdings as at 10 September 2020)

	Direct interest		Deemed interest		Total interest	
Name of Substantial Unitholders	No. of Units	%[1]	No. of Units	%[1]	No. of Units	%[1]
Lendlease SREIT Pty Limited (as trustee of lendlease SREIT Sub Trust)	284,041,000	24.24	–	–	284,041,000	24.24
Lendlease LLT Holdings Pty Limited (as trustee of Lendlease LLT Holdings Sub Trust)[2]	–	–	284,041,000	24.24	284,041,000	24.24
Lendlease Responsible Entity Limited (as trustee of Lendlease Trust)[3]	–	–	284,041,000	24.24	284,041,000	24.24
Lendlease Corporation Limited[4]			296,438,224	25.30	296,438,224	25.30

Unitholdings of the Directors of the Manager

(As recorded in the Register of Directors' Unitholdings as at 21 July 2020)

	Direct interest		Deemed interest	
Directors	No. of Units	%[5]	No. of Units	%[5]
Anthony Peter Lombardo	2,000,000	0.17	–	–
Tsui Kai Chong	500,000	0.04	–	–
Simon John Perrott	–	–	–	–
Lee Ai Ming	500,000	0.04	–	–
Ng Hsueh Ling	1,945,000	0.17	–	–

Notes:
1 The percentage of unitholding is calculated based on the total number of 1,171,795,224 Units in issue as at 10 September 2020.
2 Lendlease LLT Holdings Pty Limited (as trustee of Lendlease LLT Holdings Sub Trust) holds all of the units of Lendlease SREIT Sub Trust ("**LLT Sub-Trust**"). Lendlease LLT Holdings Sub Trust is therefore deemed interested in LLT Sub-Trust's direct interest in 284,041,000 Units.
3 Lendlease Responsible Entity Limited (as trustee of Lendlease Trust) ("**LLT**") holds all of the units of Lendlease LLT Holdings Sub Trust. LLT is therefore deemed interested in Lendlease LLT Holdings Sub Trust's deemed interest in 284,041,000 Units.
4 Lendlease Responsible Entity Limited is a wholly-owned subsidiary of Lendlease Corporation Limited ("**LLC**"). LLC is therefore deemed interested in LLT's deemed interest in 284,041,000 Units. LLC is also deemed interested in 3,849,224 Units which are held directly by its indirect wholly owned subsidiary, Lendlease GCR Investment Holding Pte. Ltd., and 8,548,000 Units which are held directly by the Manager, which is also an indirect wholly owned subsidiary of LLC.
5 The percentage of unitholding is calculated based on the total number of 1,171,795,224 Units in issue as at 21 July 2020.

Free float

Based on information available to the Manager as at 10 September 2020, 74.2% of the Units in LREIT were held in the hands of public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

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