

Trustee's opening remarks

Agenda

- 1 Trustee's progress on the internalisation since the 7 August 2023 EGM

- 2 Why establishing an internal manager for an existing REIT requires work and time






- 3 Key considerations for the Trustee and Next Steps

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The Trustee's progress on the internalisation since the 7 August 2023 EGM

What an internal REIT Manager requires:

	Requirement	Why
 Capital markets licence	<ul style="list-style-type: none"> ▪ Fit and proper criteria ▪ Regulatory capital 	<ul style="list-style-type: none"> ▪ The REIT manager needs a licence to operate
 Competent and qualified personnel	<ul style="list-style-type: none"> ▪ Track record ▪ Fit and proper criteria 	<ul style="list-style-type: none"> ▪ For the REIT manager to operate effectively
 Funding structure	<ul style="list-style-type: none"> ▪ Sustainable ▪ Compliant 	<ul style="list-style-type: none"> ▪ For the REIT manager to sustain itself
 Compliant tax structure	<ul style="list-style-type: none"> ▪ Tax transparency ▪ Transfer pricing 	<ul style="list-style-type: none"> ▪ To preserve tax transparency and efficiency
 Compliant operational framework	<ul style="list-style-type: none"> ▪ Risk management ▪ Operational efficiency 	<ul style="list-style-type: none"> ▪ To ensure that the REIT is sustainable in the long term and has adequate risk management

Progress to date:

- Completed due diligence on the interim manager to understand the operational requirements
- Identified preferred candidates for director roles and well advanced with key management roles
- Establishing budget and structure for setup of the internal manager
- Obtained key clarifications and waivers from MAS
- Completed tax analysis for the internal manager
- Identified necessary Trust Deed amendments and submitted an Order 32 application

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Notes:

- The steps outlined are all critical and cannot be skipped.
- The Trustee has made substantial progress in moving from the 7 August 2023 internalisation proposal to a well-progressed implementation plan.
- We are heading into the final stretch now, with several key milestones having been achieved:
 - The Trustee is in advanced stages of identifying preferred candidates for director roles and are well advanced with key management roles.
 - Identifying candidates with the right competencies and who fulfil relevant regulatory requirements takes time.
 - The Trustee has completed due diligence on interim manager to understand the operational requirements.
 - Internal manager needs to be able to hit the ground running upon being appointed.
 - Trustee needs to understand the existing requirements for efficient handover.
 - The Trustee is establishing the budget and structure for the setup of the internal manager, to meet the operational requirements.
 - The Trustee has obtained key clarifications on and waivers from MAS.

For example:

- Existing legislation and regulations impose several restrictions impacting ultimate beneficial owners of the internal manager – the Unitholders.
- Unitholders will have a corresponding proportionate interest in the internal manager. This means if you are a substantial Unitholder with 5% or more interest in the REIT, you will be a substantial shareholder of the internal manager and need to satisfy regulatory requirements. If you are a Unitholder intending to acquire 20% or more interest in the REIT, you will be obtaining effective control of the internal manager and need to obtain MAS' prior approval.
- We therefore had to seek waivers/clarifications on certain restrictions affecting Unitholders and the potential liquidity of your holdings.

(Additional examples are listed in the Appendix)

We are grateful that MAS has provided waivers/clarifications on an expedited basis and we can now progress with the main licensing application shortly.

- The Trustee completed tax transparency and transfer pricing analysis for the internal manager.

Tax transparency and compliance is critical for any REIT. We needed to ensure that the internalisation does not prejudice tax transparency or detriment the REIT / Unitholders.

- The Trustee has also identified necessary Trust Deed amendments and submitted the Order 32 application.

Why establishing an internal manager for an existing REIT requires work and time

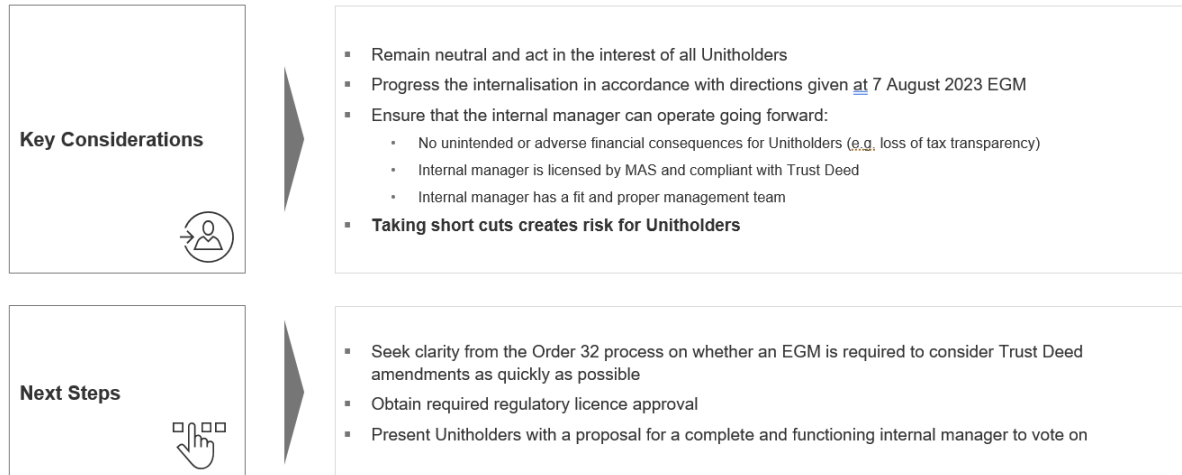


- No detailed plans or requirements for the internalisation or for the set up of the internal manager under the 7 August 2023 resolutions.
- REIT set up with external manager structure and did not contemplate an internalised structure.
- Set up of new internal manager has to be carried out from scratch including:
 - Obtaining licensing approval
 - Seeking clarity on legal / regulatory matters relating to Trust Deed amendments and voting rights

Notes:

- Resolutions passed on 7 August 2023 did not allow for the REIT to simply “take-over” the external manager nor provide direction on detailed steps or a clear picture for Unitholders of what the internal manager will look like or how it will operate.
- The Trustee had to spend time and resources and engage advisers to identify and determine these detailed steps, taking into consideration issues not previously considered (*Examples of clarifications on regulatory matters are listed in the Appendix*)
- The Trustee needs to set up a new internal manager from scratch that can take over and perform the management function for Sabana Industrial REIT.
- The move from one structure to another requires additional work to implement because Sabana Industrial REIT was not originally set up to have an internal manager.
- There has also been much debate over whether Trust Deed amendments require a special resolution and if so, who can vote. If the wrong approach is taken, the REIT could face legal action by wrongfully disenfranchised Unitholders. The Trustee therefore needs to make applications to seek clarity on issues of law and regulations.
- Resources have also been diverted to manage additional work outside of planned workstreams (e.g. considering the Requisitioned Resolutions’ effect on the internalisation process and their consequences).

Key considerations for the Trustee and Next Steps



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Notes:

- The Trustee is neutral, and does not side with any particular Unitholder. However, time spent on debating which side of the fence the Trustee sits on certain issues and why not all Unitholders share the same view on the internalisation, only takes away from progressing the internalisation itself.
- Prolonged impasse and deadlock is harmful for the REIT at large, including in terms of lender perception and staff morale, which is not in the Unitholders' interests.
- The Trustee has been working hard to develop a feasible plan for the internalisation to work and is clear on the steps required to implement the internalisation, in a compliant and orderly fashion, which is in the interest of all Unitholders.
- Significant effort has been put to ensuring things are done right and in the right order in Unitholders' best interests.
- As an example, the Order 32 Application should determine the issue of whether an EGM can be convened to consider Trust Deed amendments before addressing the question of who can vote at this EGM.
- We consider this a "critical path" item and have instructed the lawyers to work with Quarz's counsel to obtain a hearing outcome as soon as possible for this.
- Once there is clarity on the issue as to whether an EGM will be convened, the Trustee can then seek clarity on the voting issue before the Court.

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- If the Requisitioned Resolutions are passed, progress on various workstreams will be affected, including the Order 32 Application.
- Taking short-cuts creates risk for the REIT. Due process should be followed and respected.
- After obtaining the required regulatory licence approval, the Trustee will put its proposal for a complete and functioning internal manager to all Unitholders to vote on before it is put in place.
 - It is not for the Trustee to speculate or pre-empt the outcome of any vote.
 - Concerns that resolutions may not pass is not a valid reason to refuse to put matters to a vote when a vote is required.

Appendix

Slide 1 – MAS Exemptions to Allow Internalisation Holding Structure

- The holding of the internal manager as part of deposited property of Sabana Industrial REIT for the benefit of all Unitholders is not a permissible investment under various provisions ("**CIS Code Provisions**") of the CIS Code.
- The following table summarises the key CIS Code Provisions and the exemptions granted by MAS, on the Trustee's application, to allow for the internalisation.

S/N	Summary of CIS Code Provision	MAS Exemptions	Implications for Unitholders
1.	<p>Chapter 2.1 of the CIS Code provides that a trustee should be independent of the manager.</p> <p>On internalisation, the Trustee will be the legal owner of the internal manager. This does not comply with Chapter 2.1.</p>	<p>Waiver granted.</p> <p>Subject to safeguards being introduced on the manner of the Trustee's holding of the shares of the internal manager for the benefit of Unitholders, and the governance structure put in place to ensure that the Trustee would not be able to exercise control over the internal manager's REIT management activities.</p>	<p>The Trustee intends to incorporate relevant safeguards as amendments to the Trust Deed.</p>
2.	<p>Chapter 3.1(c)(i) of the CIS Code prohibits a REIT from investing into its manager's securities.</p> <p>Paragraph 6.1 of the Property Funds Appendix of the CIS Code ("PFA") provides that permissible investments of a REIT do not include unlisted shares issued by management companies that provide REIT management or property management services.</p> <p>As the internal manager will be held as part of the deposited property of Sabana Industrial REIT, this does not comply with Chapter 3.1(c)(i) of the CIS Code and Paragraph 6.1 of the PFA and the corresponding provisions in the Trust Deed.</p>	<p>Waiver granted, so long as the shares of the internal manager are held by the Trustee on trust for the benefit of all Unitholders.</p>	

Slide 2 – MAS Clarifications on Unitholders' Compliance with Regulatory Requirements in respect of Internal Manager

- As the internal manager will be held by the Trustee for the benefit of all Unitholders, a Unitholder may be regarded as having an interest in the shares of the internal manager in proportion to its unitholding percentage in accordance with the Securities and Futures Act 2001 ("**SFA**").
- This would in turn mean that certain legal and regulatory requirements ("**Regulatory Requirements**") in respect of the shareholders of the internal manager as a capital market services licence holder, may in turn apply to Unitholders.
- The following table summarises the key Regulatory Requirements on Unitholders' compliance obligations in an internalised structure.

S/N	Summary of Regulatory Requirement	Clarifications on how MAS Requirements will apply	Implications for Unitholders
1.	<p>Paragraphs 2.3, 2.4 and 2.5 of the Guidelines to All Holders of Capital Markets Services Licence for Real Estate Investment Trust Management ("Guidelines"), require substantial shareholders of a REIT manager to meet fit and proper criteria and controlling shareholders of a REIT manager to satisfy certain track record requirements in managing, investing in or advising on the type of real estate to be invested by the REIT.</p> <p>On internalisation, these entry requirements would apply to substantial Unitholders (Unitholders holding 5% or more units), who are by extension substantial shareholders in the internal manager.</p>	<p>The fit and proper requirements under Paragraph 2.3 do not apply to substantial Unitholders but continue to apply to effective controllers (Unitholders holding 20% or more of the units).</p> <p>The track record requirements under Paragraphs 2.4 and 2.5 do not apply to Unitholders holding 15% or more of the units.</p>	<p>Unitholders will need to comply with the Regulatory Requirements on an ongoing basis.</p> <p>The Trustee intends to incorporate provisions on the Unitholders' compliance with Regulatory Requirements as amendments to the Trust Deed.</p>
2.	<p>Section 97A of the SFA provides that MAS approval is required prior to any person entering into an arrangement to obtain effective control of a REIT manager.</p> <p>Section 137ZA of the SFA provides that when a person's interest in the voting shares of a REIT manager reaches, crosses or falls below 15%, 30%, 50% or 75%, the person must give written notice to the manager within 2 business days after the person becomes aware of this.</p>	<p>(a) Where any person seeks to take effective control of the internal manager (including through their unitholding in Sabana Industrial REIT), such person would need to apply for prior approval of the MAS pursuant to Section 97A of the SFA.</p> <p>(b) If there is a change of shareholding in the internal manager (including through changes in unitholding in Sabana Industrial REIT) that falls within any of the situations under Section 137ZA but without triggering Section 97A of the SFA, Unitholders would need to make the necessary notifications under Section 137ZA. This is in addition to existing disclosure obligations in respect of</p>	

S/N	Summary of Regulatory Requirement	Clarifications on how MAS Requirements will apply	Implications for Unitholders
	On internalisation, these approval and interest disclosure requirements for shares in the internal manager would apply to all Unitholders whose unitholding in Sabana Industrial REIT crosses the relevant thresholds on a proportionate basis.	interests in units of Sabana Industrial REIT under Section 137U of the SFA.	