(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

EXTRAORDINARY GENERAL MEETING TO BE HELD ON 4 DECEMBER 2020
DETAILED RESPONSES TO KEY QUESTIONS FROM UNITHOLDERS

ESR Funds Management (S) Limited, as manager of ESR-REIT (the **"ESR-REIT Manager"**), would like to thank the ESR-REIT Unitholders for submitting their questions in advance of the Extraordinary General Meeting in respect of the Merger of ESR-REIT and Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (the **"Sabana REIT"**) to be held by way of electronic means on 4 December 2020 (Friday) at 10.00 a.m. (the **"EGM"**). The ESR-REIT Manager's responses to the key questions from unitholders can be found in the Appendix to this announcement.

As there was substantial overlap between many of the questions received from unitholders, we have, for unitholders' easy reference and reading, summarised some of the questions and also grouped related and similar questions and our responses together and organised them under different topic headings.

BY ORDER OF THE BOARD

ESR Funds Management (S) Limited
As Manager of ESR-REIT
(Company Registration No. 200512804G, Capital Markets Services Licence No. 100132)

Adrian Chui
Chief Executive Officer and Executive Director
20 November 2020

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Appendix

Question 1:
Who are the "Other" substantial unitholders who will own 68.6% in the Enlarged REIT post-Merger?

"Other" refers to unitholders other than ESR Cayman Limited, Mitsui & Co., Ltd, Mr Tong Jinquan and their concert parties. As at the Latest Practicable Date, based on a gross exchange ratio of 0.940x, there are no other entities or individuals within "Other" unitholders who will own 5% or more of the Enlarged REIT's unitholding post-Merger.

Question 2:
Why should the ESR-REIT Unitholders consider this Merger?

The ESR-REIT Manager would like to reiterate the benefits of the Merger for the ESR-REIT Unitholders, as stated in the Joint Announcement and the Unitholders' Circular, should the Merger successfully complete:

- DPU and NAV-accretion for the ESR-REIT Unitholders on a historical *pro forma* basis
- Larger market capitalisation, free float and higher expected trading liquidity, thus solidifying the Enlarged REIT's position as a benchmark developer-backed industrial S-REIT. This increases the probability of inclusion in key indices which provides access to wider pools of capital, lower cost of funding, higher trading liquidity, increased analyst coverage and a potential positive re-rating of ESR-REIT's unit price
- Improved portfolio diversification and resilience which reduced portfolio risks
- Improved growth outlook from potential operational and cost synergies in leasing and property management. In addition, ability to undertake asset enhancement initiatives (AEIs) and redevelopment opportunities to enhance returns at a lower cost while minimizing impact to DPU during the construction phase.
- Support of a strong developer-sponsor, the ESR Group, which will provide the Enlarged REIT with a visible pipeline of quality assets and an "on the ground" network across Asia. Being the largest Asia-Pacific focused logistics real estate platform, the ESR Group's operating platform, footprint and network can be leveraged by the Enlarged REIT to create a leading Pan-Asian industrial REIT. An Enlarged ESR-REIT will be able to acquire sizeable pipeline assets across different geographical regions without altering the risk profile of ESR-REIT considerably.

The ESR-REIT Manager believes that Size Does Matter for REITs and having a larger sized REIT with the benefits highlighted above has become even more pertinent amid the challenges brought about by the COVID-19 pandemic.

Question 3:
Is ESR-REIT bailing out Sabana REIT given Sabana REIT has a lower occupancy rate, shorter weighted average lease expiry profile and higher percentage of leases expiring over the remainder of this year?

ESR-REIT is not bailing out Sabana REIT. This transaction is both DPU and NAV accretive to the ESR-REIT Unitholders.

Factors taken into account in arriving at the Scheme Consideration include (but are not limited to):

a) Asset quality (including location, age and capex requirements)
b) Portfolio risks such as lease expiry profile and tenant concentration
c) Opportunities for growth and its executability
d) What each REIT can contribute to the Enlarged REIT
e) Historical trading prices of each REIT
f) *Pro forma* financial impact of the Merger including funding capability at post-merger gearing level and capital structure

The vacancies represent potential upside for the leasing initiatives that the ESR-REIT Manager can undertake for the Enlarged REIT, leveraging on ESR-REIT's and the ESR Group's network for expansion, as well as its marketing, leasing, and asset management platforms.

In particular, the Enlarged REIT will have access to a wider pool of tenants across a wider range of industries and will be able to enhance leasing opportunities and explore cross marketing activities.

Both ESR-REIT Unitholders and Sabana Unitholders will also leverage off economies of scale across operations, leasing and marketing, and harness operational and cost synergies through a more extensive product suite which captures a larger tenant base as well as from greater bargaining power with tenants and service providers.

The Enlarged REIT could also benefit from developing the untapped plot ratio of Sabana REIT with approximately 1.2 million square feet of unutilised GFA available (including 151 Lorong Chuan) which translates to an approximately 7.9% potential increase over the GFA of ESR-REIT. Additionally, with the Merger and refinancing of Sabana REIT's existing debt, the Enlarged REIT will continue to have a fully unencumbered and larger portfolio which will allow it to extract value from developing the untapped plot ratio at a lower cost of capital with reduced portfolio impact.

As such, the ESR-REIT Manager believes in the strategic merits of the Merger and hopes that unitholders will evaluate the Merger objectively and in its entirety.

Question 4:
ESR-REIT has a "first look" on more than US$26bn of ESR Group's portfolio. However, ESR-REIT has not made any acquisition outside of Singapore to-date. Are there any plans to make overseas acquisitions since "first look" opportunities are available?

We are always evaluating potential opportunities both overseas and locally to grow ESR-REIT and improve returns for unitholders. Apart from returns, there is also the strategic benefit of owning assets with longer underlying land leases. The ESR-REIT Manager is cognizant of the short land leases for industrial land in Singapore and may consider making acquisitions of freehold properties overseas to increase the portfolio weighted average land lease. However, any expansion overseas has to be done in a scalable and disciplined manner. While the ESR-REIT Manager has a "first look" on ESR Group's portfolio, pricing negotiations will be done at arm's length given ESR Group has to be accountable to its own investors.

Question 5:
Is ESR-REIT paying more management fees to the ESR-REIT Manager compared to the other REITs?

The ESR-REIT Manager's base fee structure of 0.5% per annum of the value of the Deposited Property is in line with other industrial S-REITs such as Ascendas REIT, Mapletree Logistics Trust, Mapletree Industrial Trust, AIMS APAC REIT and ARA LOGOS Logistics Trust.

There is also an alignment of interest of management with unitholders as the ESR-REIT Manager's performance fee is pegged to the overall performance of the REIT. In other words, the ESR-REIT Manager will only be entitled to performance fee if DPU grows year on year. The total management fees are also capped at 0.8% p.a. of the value of Deposited Property.

A comparison of the base and performance management fee structure of industrial S-REITs is illustrated below:

	Fee Structure	
Singapore REITs	**Base**	**Performance**
Ascendas REIT	0.5% per annum of the value of the Deposited Property	• 0.1% per annum of the value of the Deposited Property, provided that the annual growth in distribution per Unit in a given financial year relative to the DPU in the previous financial year exceeds 2.5% • The performance fee is 0.2% per annum if the growth in DPU in a given financial year relative to the DPU in the previous financial year exceeds 5.0%
Mapletree Logistics Trust	Base fee of 0.5% per annum of the value of the Deposited Property	Performance fee of 3.6% per annum of the net property income

	Fee Structure	
Singapore REITs	**Base**	**Performance**
Frasers Logistics & Commercial Trust	Base fee of 0.4% per annum of the value of the Group's Deposited Property	Performance fee of 5.0% per annum of the Distributable Income
Mapletree Industrial Trust	Base fee of 0.5% per annum of the value of MIT's Deposited Property	Performance fee of 3.6% per annum of the net property income of MIT
ESR-REIT	0.5% per annum of the value of the Deposited Property. Total management fees capped at an amount equivalent to 0.8% per annum of the value of Deposited Property as at the end of the financial year	25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year
EC World REIT	Base fee of 10.0% per annum of the Distributable Income	Performance fee of 25.0% of the difference in Distribution per Unit in a financial year with the DPU in the preceding full financial year multiplied by the weighted average number of Units in issue for such financial year
AIMS APAC REIT	0.5% per annum of the value of the Deposited Property	• 0.1% per annum of the value of the Deposited Property, provided that growth in distribution per Unit in a given financial year relative to the DPU in the previous financial year exceeds 2.5% • The performance fee is 0.2% per annum if the growth in DPU in a given financial year relative to the DPU in the previous financial year exceeds 5.0%
Soilbuild Business Space REIT	Base fee, being a fee not exceeding the rate of 10.0% per annum of the annual distributable income of the Trust	Fee equal to a rate of 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year multiplied by the weighted average number of Units in issue for such financial year
ARA LOGOS Logistics Trust	0.5% per annum of the value of the Deposited Property	Performance fee of 1.5% per annum of the net property income
Sabana REIT	Base fee not exceeding the rate of 0.5% per annum of the value of the Deposited Property	0.5% per annum of the Net Property Income of Sabana REIT or its relevant Special Purpose Vehicles provided Sabana REIT achieves at least 10% annual growth in DPU over the previous financial year

Question 6:
There is much resistance to the Merger from Sabana Unitholders, especially from some activist unitholders. On the other hand, the Sponsor has a large pipeline of overseas assets (some of which are freehold and have higher yields than the local assets). Please explain the ESR-REIT Manager's thinking behind pursuing the Merger option to grow instead of acquiring the Sponsor's assets?

We review all opportunities and, in our view, the Merger is the most appropriate given ESR-REIT's current asset size and stage of growth, the benefits of the transaction, balanced offer metrics and current market conditions. Sabana REIT has a sizeable portfolio of industrial and logistics assets in Singapore which allows the Enlarged REIT to readily solidify its position as the 4th largest industrial S-REIT by GFA market share[1] and deepen its presence in key industrial clusters in Singapore. There are also increased benefits of acquiring local assets such as greater economies of scale across operations, and further potential cost savings for tenants arising from the integration and optimisation of property management services arising from the close proximity of assets within each cluster. With a bigger portfolio and tenant base in Singapore, the Enlarged REIT will also have stronger bargaining power with service providers and tenants.

ESR Group's pipeline of assets remains available to ESR-REIT for a "first-look" when ESR-REIT is ready to acquire after taking into consideration the relevant risks and returns of an overseas acquisition.

[1] Singapore industrial GFA market share calculated based on the respective REIT's GFA as at 30 June 2020 or latest available GFA from respective company information divided by total industrial space in Singapore as at 30 June 2020 from JTC quarterly market report on industrial properties.

Question 7:
What is the estimated distribution per unit (both retained and clean up) that will be paid to the ESR-REIT Unitholders prior to the Merger?

The DPU for 1Q2020 and 2Q2020 was 0.500 Singapore cents and 0.662 Singapore cents respectively, which have already been paid. The DPU for 3Q2020 of 0.798 Singapore cents will be paid on 30 December 2020.

We will make announcements as to the clean-up distribution to be paid to the ESR-REIT Unitholders in respect of the period from 1 October 2020 to the day immediately before the Effective Date of the Merger.

Question 8:
Will the additional issuance of ESR-REIT units dilute the DPU post-Merger?

The Merger is expected to be DPU accretive to the ESR-REIT Unitholders on a historical *pro forma* basis. Assuming that the Merger had been completed on 1 January 2019, ESR-REIT's DPU for the financial year ended 31 December 2019 would have increased from 3.529 cents to 3.637 cents, translating to a DPU accretion of 3.1%, while the annualised DPU for 1H2020 would have increased from 2.718 cents to 2.812 cents, translating to a DPU accretion of 3.5%.

Question 9:
Post-Merger, will there be immediate increase in leverage that will unnecessarily increase the risk and impact the price of the Enlarged REIT?

Post-Merger, the Enlarged REIT's gearing will decrease slightly from 41.8% as at 30 June 2020 to 41.7% on a historical *pro forma* basis as at 30 June 2020. It is worth noting that the Enlarged REIT's gearing of 41.7% post-Merger is 8.3% lower than the gearing limit of 50% set by MAS.

Besides gearing, we also assess all relevant factors such as debt tenor, cost of funds, need for mortgage of assets, flexibility in loan terms, spread of debt expiry profile and access to different lending banks and debt providers in managing our capital structure.

Post-Merger, the Enlarged REIT's WADE will increase from 2.7 years to 3.2 years and cost of debt will decrease from 3.54% to 3.29% as at 30 June 2020. In addition, the unsecured new loan to refinance Sabana REIT's existing debt will be at an expected all-in interest cost of 2.5%, which is lower than Sabana REIT's average all-in financing cost of 3.8% as at 30 June 2020.

Question 10:
What will be the strategy for the Enlarged REIT post-Merger?

Post-Merger, we will focus on integration and optimisation of the property management services of Sabana REIT and ESR-REIT. In addition, we will also focus on enhancing leasing opportunities of the Enlarged REIT by leveraging on the wider pool of tenants and existing network for expansion. Successful integration will ensure that the Enlarged REIT will operate efficiently and seamlessly going forward, and extract the synergies of the enlarged portfolio thereby adding further potential value to unitholders.

Another key priority of the ESR-REIT Manager post-Merger is to enhance potential returns and lower portfolio risks of future growth strategies such as value-adding AEIs and/or redevelopments undertaken by the Enlarged REIT.

Please refer to paragraph 5.3 on page 44 and paragraph 6 on page 52 of the Circular for further information.

Question 11:
Are there plans to acquire data centre assets? Given the current gearing ratio, how does the ESR-REIT Manager intend to undertake future acquisition plans without diluting the NAV and DPU?

We are always evaluating opportunities to grow ESR-REIT and improve returns for unitholders while balancing risk and ensuring that our assets are future ready to meet the demands of industrialists. Our high-specs and business park properties are suited for data centre use and we currently have data centre tenants in our tenant mix.

We are comfortable with our current gearing level at 41.6% (as at 30 September 2020) and enjoy strong banking support. We have been able to start new banking relationships and refinance expiring loans at better terms. It is also worth noting that ESR-REIT has made yield-accretive acquisitions despite its gearing level. Our past yield-accretive acquisitions include 7000 Ang Mo Kio and 15 Greenwich Drive.

However, all acquisitions have to be evaluated in its entirety and may entail balancing short-term DPU and NAV dilution with long-term DPU and NAV accretion.

<u>Question 12:</u>
Will the ESR-REIT Manager continue to distribute full distribution or retain some distribution?

In 3Q2020, the ESR-REIT Manager paid out 50% of the distribution retained in 1Q2020. Any further provision for rental rebates and/or retention of distributable income will be decided on a quarterly basis. Management has no intention to retain any more distributable income than is necessary and may pay out the remaining retained distributable income depending on how the COVID-19 situation pans out. The timeline for S-REITs to distribute at least 90% of their taxable income derived in FY2020 has been extended from 3 months to 12 months after the end of FY2020 to qualify for tax transparency treatment.

<u>Question 13:</u>
Understand that "Size does Matter" for REITs. Other than access to cheaper cost of debt, what does the Enlarged REIT intend to harness from the Merger during this thriving time of uncertainty?

Size matters because it gives both financing and operational flexibility and sets up a virtuous cycle for the REIT.

Being a larger REIT increases the probability of inclusion in key indices such as the FTSE EPRA Nareit Developed Asia. This in turn would lead to increase in liquidity, access to wider pools of capital, increased research coverage and a potential re-rating of the unit price.

The weightage of a REIT in an index also determines the amount and cost of capital that the REIT has access to. The larger the size of the REIT, the greater its weightage within the index.

In addition, having a larger and more diversified portfolio mitigates the concentration risk of being exposed to a specific industrial sector which may be adversely affected by market conditions (for example, COVID-19 impact on the aviation sector). A larger and more resilient REIT will be better able to navigate property cycles and crisis, and be better positioned to capitalise on attractive growth opportunities when they arise.

<u>Question 14:</u>
How does the ESR-REIT Manager manage concentration risks with a 100% Singapore-based portfolio post-Merger?

The Merger will reduce portfolio risks through tenant diversification. Income contribution from the top 10 tenants will be reduced from 31% to 25% post-Merger. In addition, no single tenant will account for more than 4.1% of the Enlarged REIT's rental income, down from 5.2% today.

The ESR-REIT Manager will in time to come explore geographical diversification by expanding into countries where ESR Group has presence. This also alleviates the short land lease issue inherent to Singapore industrial properties. However, overseas expansion also carries operational risks related to understanding and navigating local rules and regulations and market practices. The ESR-REIT Manager's strategy for managing such risks is to venture into countries where ESR Group has a footprint and a complete real estate operational platform established. This lowers overall operational risks and allows us to scale up in a controlled and disciplined manner.

About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 30 June 2020 holds interest in a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 15.1 million square feet and an aggregate property value of S$3.1 billion[2]. The properties are in the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial, and are located close to major transportation hubs and key industrial zones island-wide.

The ESR-REIT Manager's objective is to provide Unitholders with a stable income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Proactive asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("**ESR**") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit www.esr-reit.com.sg.

About the Sponsor, ESR

ESR is the largest APAC focused logistics real estate platform by gross floor area (GFA) and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CPP Investments, OMERS, PGGM and Ping An. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 30 June 2020, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US$26.5 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised 18.7 million sqm in total. ESR has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 November 2019.

For more information on ESR, please visit www.esr.com.

[2] Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 *Leases* which became effective on 1 January 2019.

Important Notice

The value of units in ESR-REIT ("**Units**") and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited (the "**ESR-REIT Manager**"), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) ("**Trustee**"), or any of their respective related corporations and affiliates (individually and collectively "**Affiliates**"). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the ESR-REIT Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors have no right to request that the ESR-REIT Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses, governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support ESR-REIT's future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the ESR-REIT Manager's current view of future events.

This announcement is for information purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this announcement is not to be construed as investment or financial advice and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the ESR-REIT Manager, the Trustee or any of the Affiliates.

Responsibility Statement

The directors of the ESR-REIT Manager (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement (other than those relating to Sabana REIT and/or the Sabana Manager) are fair and accurate and that there are no other material facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading. The directors of the ESR-REIT Manager jointly and severally accept responsibility accordingly.

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