

HEADING TO NEW FRONTIERS

ANNUAL REPORT 2020



MISSION

To provide Unitholders
with sustainable
distributions while
maintaining an
appropriate capital
structure

VISION

To be the leading U.S. office
real estate investment trust
backed by a portfolio of
high-quality properties

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ABOUT MANULIFE US REIT

Manulife US Real Estate Investment Trust (MUST or the REIT) is a Singapore Real Estate Investment Trust (REIT) listed on the Singapore Exchange Securities Trading Limited (the SGX-ST) since 20 May 2016

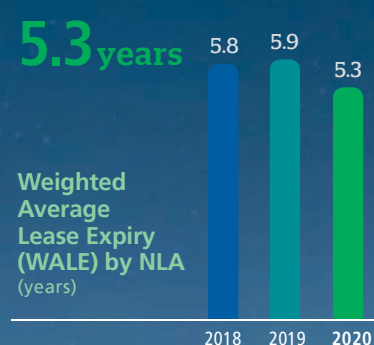
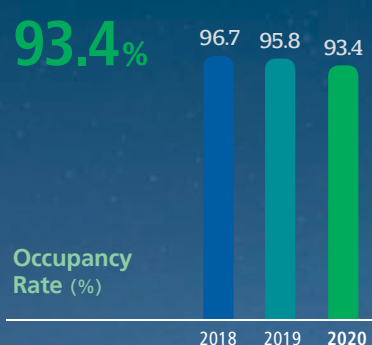
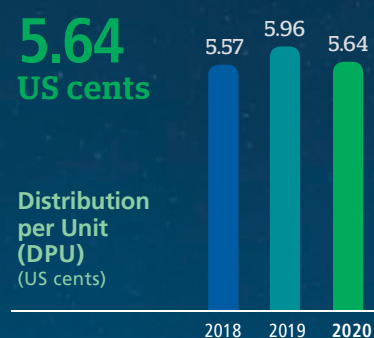
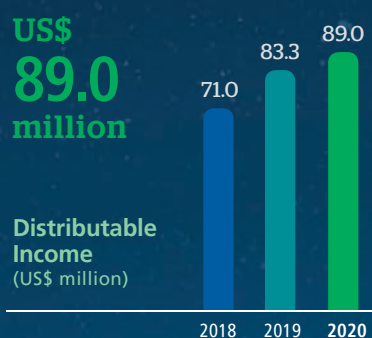
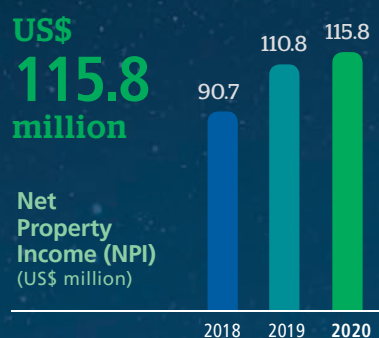
Its investment strategy is principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets. MUST's portfolio comprises nine prime, freehold and Trophy or Class A quality office properties strategically located in California, Georgia, New Jersey and Washington D.C. metropolitan statistical area with a combined asset value of US\$2.0 billion as at 31 December 2020.

The REIT is managed by Manulife US Real Estate Management Pte. Ltd. (the Manager) which is wholly owned by the Sponsor, The Manufacturers Life Insurance Company (Manulife), part of the Manulife Group. The Sponsor's parent company, Manulife Financial Corporation (MFC), is a leading international financial services group providing forward-thinking solutions to help people with big financial decisions. It operates as John Hancock in the U.S., and Manulife elsewhere providing financial advice, insurance and wealth and asset management solutions for individuals, groups and institutions.

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FY2020 FINANCIAL AND PORTFOLIO HIGHLIGHTS



Key Financial Indicators	FY2020	FY2019	FY2018
Gross borrowings (US\$ million)	856.5	816.9	670.8
Gearing ratio (%)	41.0	37.7	37.2
Weighted average cost of debt (%)	3.18	3.37	3.27
Weighted average debt maturity (years)	2.3	2.8	2.7
Interest coverage ratio (times)	3.5	3.8	4.2
Market capitalisation (US\$ billion)	1.2	1.6	1.0

Portfolio	FY2020	FY2019	FY2018
Assets under Management (AUM) (US\$ billion)	2.0	2.1	1.7
WALE by Net Lettable Area (NLA) (years)	5.3	5.9	5.8
Occupancy rate (%)	93.4	95.8	96.7

FY2020 Distributions

Manulife US REIT's distribution policy is to distribute at least 90.0% of its annual distributable income on a semi-annual basis. Since IPO, MUST has distributed 100.0% of its distributable income.

Financial Period	DPU (US cents)		Payment Date
	Tax-exempt Income ¹	Capital ²	
1 Jan 2020 to 30 Jun 2020	1.99	1.06	25 Sep 2020
1 Jul 2020 to 31 Dec 2020	2.15	0.44	30 Mar 2021

¹ Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders.

² Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Manulife US REIT Units, the amount of capital distribution will be applied to reduce the cost base of their Manulife US REIT Units for Singapore income tax purpose.

Unit Price Performance



Open
(2 January 2020)¹

US\$ 1.000



Close
(31 December 2020)

US\$ 0.745



High
(30 January 2020)

US\$ 1.080



Low
(23 March 2020)

US\$ 0.545



Average Daily
Trading Volume
in FY2020

4.0
million units



Total
Trading Volume
in FY2020

1,017.9
million units



Market
Capitalisation
as at 31 December 2020

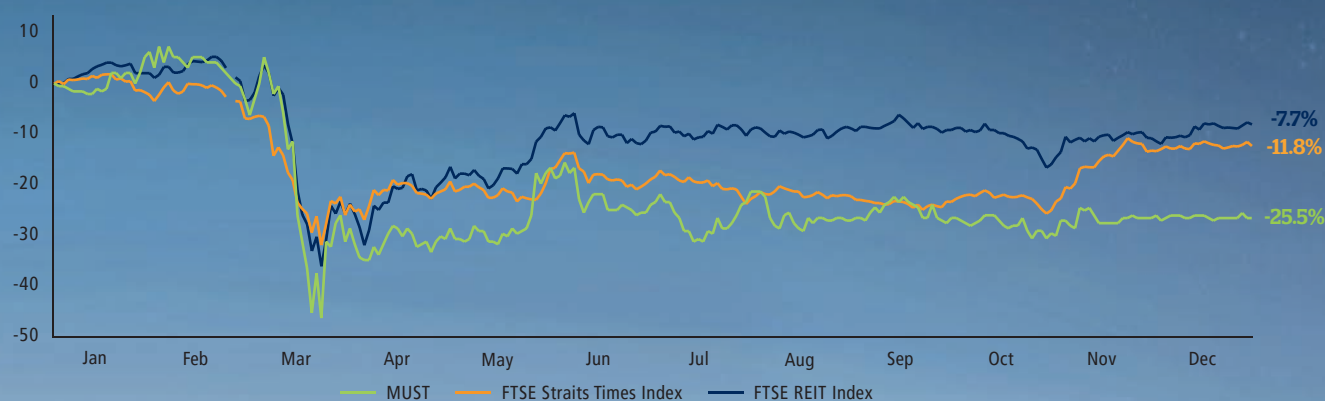
US\$ 1.2
billion



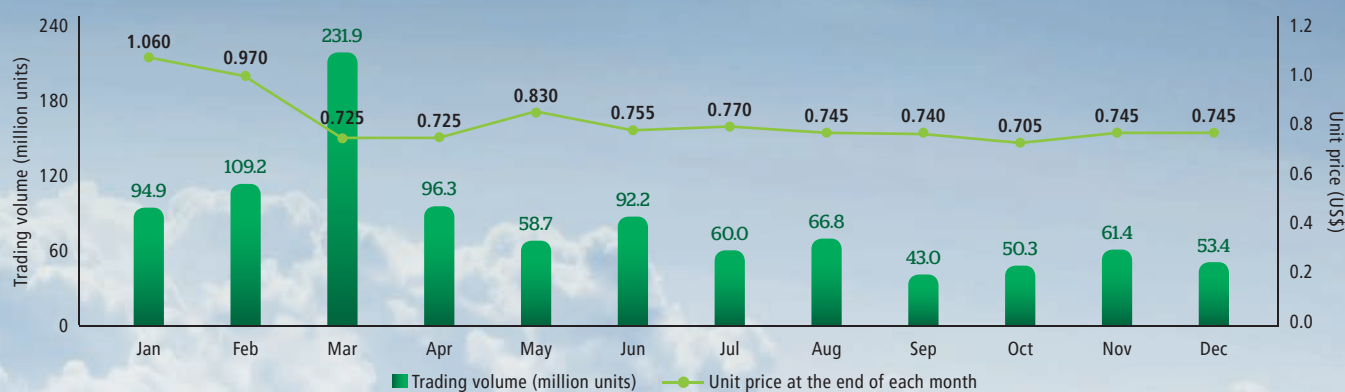
Number Of
Units In Issue
as at 31 December 2020

1,582,933,022
units

Relative Price Performance for the Period 2 January to 31 December 2020 (%)



Monthly Trading Performance



¹ Same as closing price as at 31 December 2019.

PERSEVERANCE AND

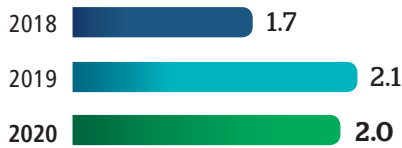
RESILIENCE





Resilient
portfolio
in adverse
conditions

AUM
(US\$ billion)



AUM
US\$2.0
billion

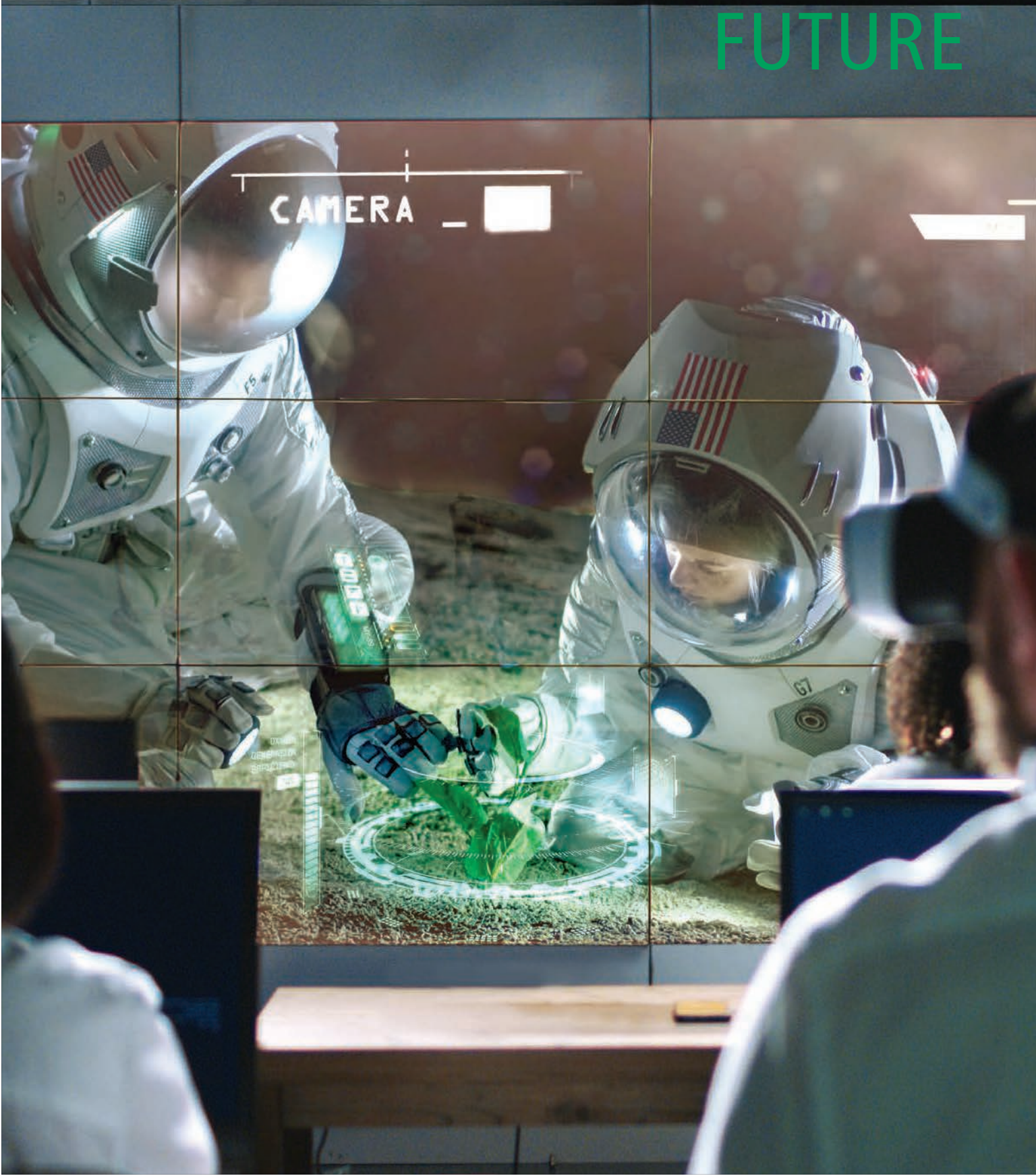
CAPITOL
400 Capitol Mall,
Sacramento, CA



BUILDING A

SUSTAINABLE

FUTURE





Responsible
stewardship
driving a
sustainable
future for the
next generation

Global Real Estate
Sustainability Benchmark
(GRESB)



Public Disclosure
1st out of 10
Asia offices



Real Estate Assessment
4th out of 15
Listed U.S. office REITs



PEACHTREE
1100 Peachtree Road NE,
Atlanta, GA

MESSAGE TO UNITHOLDERS

Jill Smith

Chief Executive Officer

Hsieh Tsun-Yan

Chairman



**Dear
Unitholders**

On behalf of the Board of Directors and the Manager, we are pleased to present MUST's annual report for its financial year ended 31 December 2020 (FY2020).

FY2020 was a year like no other due to the COVID-19 pandemic. In the U.S., lives, businesses and the economy suffered massive disruption and deep uncertainty over the future and leading to stock market volatility. MUST had entered 2020 on a high note, having been included in the FTSE EPRA Nareit Global Developed Index in December 2019, and we expected to be able to make further progress along our growth path through the year, but the pandemic curbed our plans.

At the onset of the pandemic, we immediately acted to address the operational challenges making MUST's nine office properties as safe as possible for tenants, staff, and vendors. We implemented strategies to secure MUST's financial position and distributed 100.0% of our FY2020 distributable income. 2020 became a year of constant adaption to new norms such as the phenomena of Working From Home (WFH) as the pandemic impacted all facets of life and business.

We believe our prompt actions enabled MUST to weather the worst of the U.S. pandemic and MUST's Trophy and Class A portfolio proved resilient through such difficult times. With 2020 behind us, the fast roll-out of vaccines in the U.S., evidence of U.S. businesses reopening and a return to work, our REIT can pivot to take advantage of emerging trends in office real estate and move along a renewed path towards sustainable growth.

Resilience in Adversity

Against the backdrop of the sharp U.S. economic and business slump, MUST reported NPI of US\$115.8 million and distributable income of US\$89.0 million, a Year-on-Year (YoY) growth of 4.6% and 6.8% respectively. MUST declared its FY2020 DPU of 5.64 US cents. This was 5.4% lower YoY mainly due to lower property income from sluggish leasing and lower carpark income plus a provision for expected credit losses in 2H2020. Half of the credit provision was attributed to one tenant and subsequently settled and paid up in February 2021 bringing our 2020 rent collections to an average of 99.0% of rentals. As at end December 2020, only 0.6% rental deferment and 0.5% rental abatement by Gross Rental Income (GRI) were provided to our tenants mainly from the F&B sectors.

Despite the challenging U.S. economic environment, 279,000 sq ft of leases, or 5.9% by portfolio NLA were executed in 2020 with a WALE of 6.4 years. Overall, MUST's WALE stood at 5.3 years as at 31 December 2020. Whilst increases in rental reversion for FY2020 as a whole were muted, we signed long leases with high quality tenants from the Legal, Real Estate,

Information plus the Finance and Insurance sectors. Going forward, only 5.7% of portfolio leases by NLA are due to expire in FY2021. MUST's subleasing remained low against the U.S. market trend of double digits, at 3.3%, a YoY decline of about 29.0% as most tenants continue to hold on their space.

As at end December 2020, MUST recorded a high committed occupancy of 93.4% compared to the U.S. Class A office average of 84.0%¹. Our nine buildings remained open throughout the 2020 pandemic although most tenants instigated WFH programmes. At the height of the U.S. pandemic, physical occupancy of our buildings ranged from 5.0%-25.0%. WFH and the fall in hourly parking at some buildings close to entertainment venues resulted in a decline in MUST's carparking income by approximately 25.0% from FY2019.

Strong Capital Management

Throughout FY2020, MUST's balance sheet remained strong, with an additional US\$50 million revolving credit facility bringing our undrawn credit facilities to approximately US\$115 million. During FY2020, we took advantage of the ultra-low interest rates, refinancing a mortgage locking in a five-year loan and reducing the overall weighted average interest rate to 3.18%. This 2020 loan was a landmark for MUST being its first green loan. As at 31 December 2020, MUST's weighted average debt maturity was 2.3 years with 94.5% of its gross borrowings secured on a fixed rate basis providing cash flow stability. On 24 March 2021, we have successfully obtained a US\$250 million sustainability-linked loan for our 2021 refinancing with further interest savings expected.

During the year, the Monetary Authority of Singapore (MAS) raised gearing limits for SREITs from 45.0% to 50.0%. MUST's gearing stood at 41.0% as at end 2020, well below the regulatory limit providing us with debt headroom for future acquisitions.

Moving forward, we will continue to increase MUST's financial flexibility by diversifying sources of funding, lengthening our weighted average debt maturity and unencumbering the remaining mortgages on our properties as appropriate.

Stakeholder Engagement

The global pandemic constrained business in FY2020. It was imperative for the Manager to stay engaged with MUST's stakeholders and deepen the market's understanding of the U.S. economy and its commercial environment.

Besides participating in external panel discussions and investor education forums, we also organised thought leadership events and activities branded under our Green Dot

Series. Once the pandemic rendered most in-person meetings impossible, we pivoted to communicate through digital formats. For instance, we were the first SREIT to hold a virtual Annual General Meeting (AGM).

Following our intensive outreach, our institutional investor base now constitutes 60.0% of MUST's share register with international funds from an ever-wider range of countries. This ensures stability and will enable greater agility in our growth strategy.

Our stakeholder engagement efforts were recognised in December 2020 when MUST was awarded the winner in 'Best in sector: Financials (including real estate)' at the IR Magazine Awards – South East Asia 2020. This is a regional award, where analysts and investors cast their votes and provide their opinions on companies with the best Investor Relations (IR) in South East Asia.

More information can be found in the Investor and Media Relations section on page 53 and External Relations section on page 81.

At the end of 2017, proposed changes to the U.S. tax regulations (Proposed 267A Regulations) caused concern amongst investors as to the future level of tax they might have to pay on MUST's assets. The final 267A Regulations were issued on 7 April 2020, and there were no meaningful differences between the Proposed 267A Regulations and outcome. As a result, on 24 April 2020, MUST reverted to a group structure largely similar to that adopted at the time of its listing on 20 May 2016. This will generate modest cost savings from FY2021 onwards. The restructuring costs have no material impact on MUST's consolidated net tangible asset (NTA) or DPU.

Sustainability

To ensure MUST's long-term success, and regardless of the pandemic, in FY2020, we achieved significant progress in our Environmental, Social and Governance (ESG) journey.

In FY2020, MUST was ranked 4th by the Governance Index for Trusts (GIFT) and ranked 9th by the Singapore Governance Transparency Index (SGTI) amongst 45 REITs and Business Trusts listed on the SGX-ST.

In addition, MUST was ranked 1st in Public Disclosure out of 10 Asia offices and 4th in Real Estate Assessment out of 15 listed U.S. office REITs by the independent GRESB.

MUST's MSCI ESG rating was upgraded to 'A' as at end December 2020 reflecting further strengthening of the REIT's corporate governance practices. The REIT instilled strong green building programmes as indicated by the high level of green certification in its portfolio (91.0% versus the industry average of 25.0%).

¹ Source: JLL Q42020 US Office Outlook.

MESSAGE TO UNITHOLDERS

Following the appointment of a new Independent Non-Executive Director and member of the Audit and Risk Committee on 10 November 2020, 50.0% of the Manager's Independent Directors are female. Whilst more details can be found in MUST's 2020 Sustainability Report from page 88, strides were made in corporate governance and Board diversity.

Outlook and Opportunities

Following the outbreak of the COVID-19 pandemic, U.S. GDP suffered a severe contraction declining by an annualised rate of 32.9% in 2Q2020 whilst the unemployment rate soared to 14.5%. To mitigate the economic damage, the U.S. Congress approved a relief and stimulus package and the Federal Reserve lowered interest rates. As a result, GDP rebounded, growing at an annualised rate of 33.4% and 4.0% respectively in 3Q and 4Q 2020 and unemployment dropped to 6.7% with even better numbers for the office-using sectors such as professional services.

At the end of 2020, news of a further US\$900 billion stimulus package, and the U.S. Federal Reserve's commitment to maintaining a low interest rate environment until at least 2023 added to the belief that U.S. economic recovery will accelerate through 2021.

President Biden's administration has been quick to roll out an effective COVID-19 vaccine programme and it plans to have enough vaccine for the U.S. adult population by the end of May 2021, accelerating the reopening of schools, businesses and a return to work.

While operating conditions for the first half of 2021 may remain challenging, U.S. office-using tenants are stirring and we believe it is a matter of time before the leasing market regains momentum. Meanwhile, we will continue to build on MUST's financial position to ensure that we are well-poised to take advantage of growth opportunities as they arise.

From MUST's strong base of nine properties, a portfolio painstakingly built over the past five years, we are setting a course for transformational growth capitalising on post COVID-19 themes. From our current position of some 10.0% in high growth sectors, we are aiming to enhance the portfolio, targeting at least 20.0% in technology, healthcare and other areas of the new economy. We intend to further increase our existing exposure (over 50.0%) to areas of population migration which exhibit lower density, affordable live-work-play environments, diversifying our geographic locations to include those such as the vast sunbelt of America. To further this course, at US\$2.0 billion AUM, we are not averse to joint ventures and other corporate actions in order to propel and secure the future for MUST's Unitholders.

Note of Appreciation

As MUST approaches five years since its IPO on 20 May 2016, we reflect on its progress, tripling in AUM, the accretive acquisition of six properties, stable results and weathering the COVID-19 pandemic. With its ever-growing institutional investor base, MUST remains a highly regarded choice for investors looking for a REIT that offers an attractive yield and the benefits of geographical diversification encased in an efficient tax structure.

Following such a challenging year, we wish to express our appreciation to our Board of Directors for their sound counsel, and management team and staff for their unwavering dedication to the REIT. To our many existing and the considerable number of new Unitholders, we are deeply appreciative of your steadfast support in this most difficult of years. We thank our Sponsor too for its support and extend thanks to our business partners, advisors, tenants, and wider members of the investment community, for standing alongside MUST.

Mr Lau Chun Wah, Lead Independent Non-Executive Director and Nominations and Remuneration Chairman resigned on 29 September 2020 and, as an inaugural member of the Board, we note his contribution.

We would like to extend our warmest welcome to Mrs Karen Tay Koh as an Independent Non-Executive Director and look forward to her counsel and guidance as we plan for renewed growth and new frontiers in the years ahead.

Hsieh Tsun-Yan

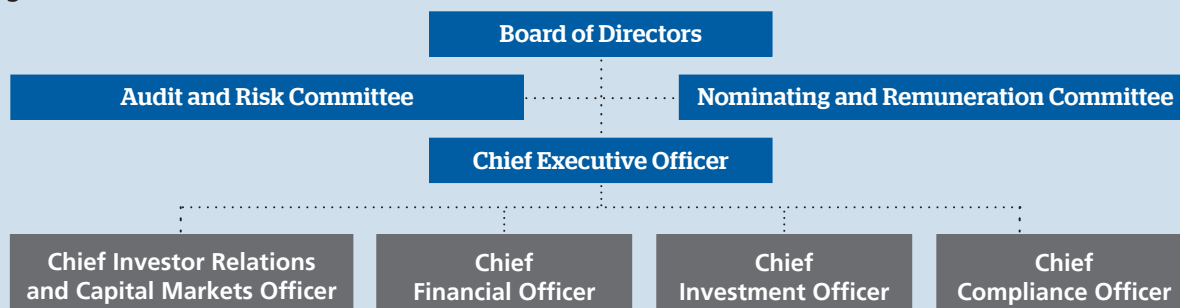
Chairman

Jill Smith

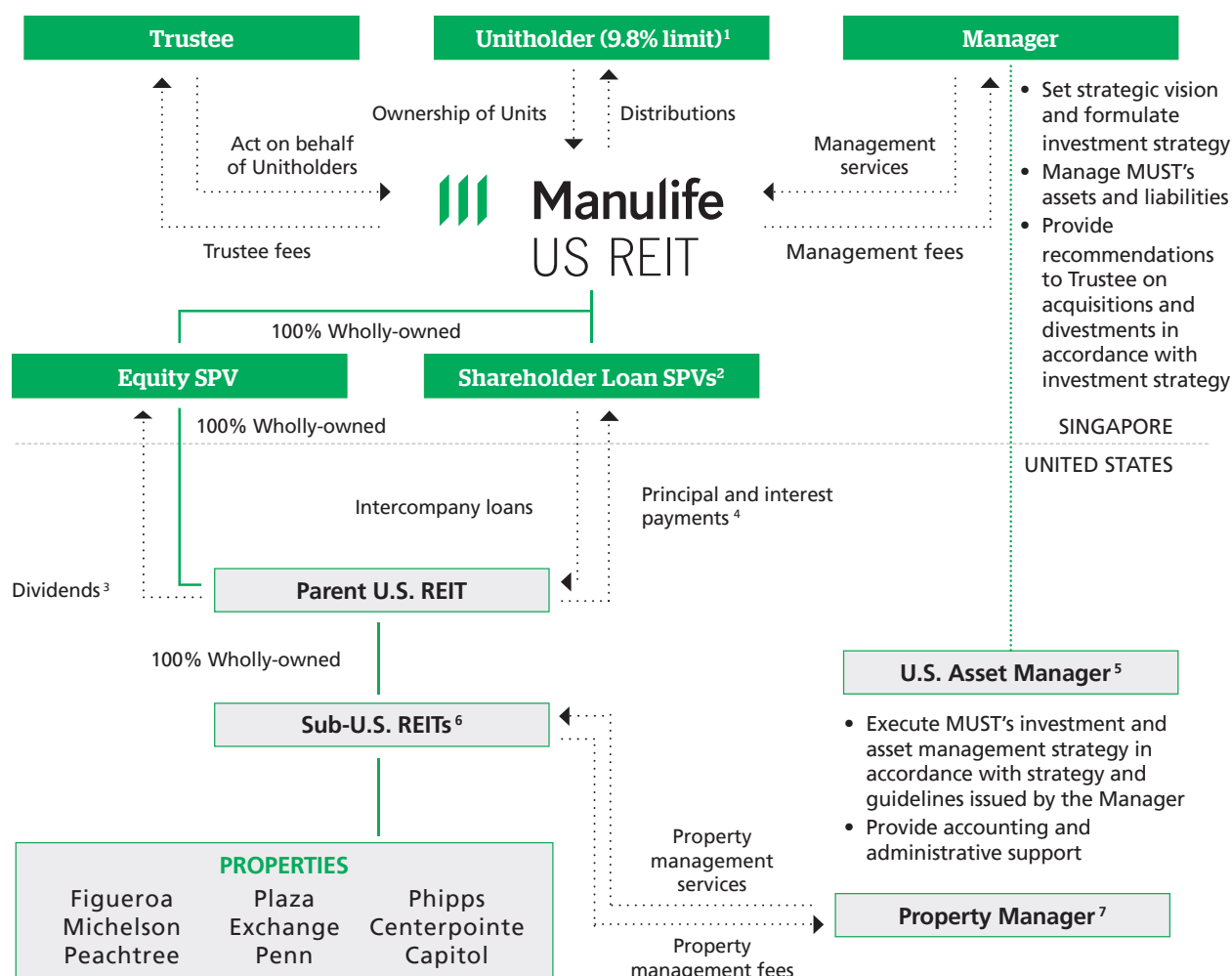
Chief Executive Officer

ORGANISATION CHART/TRUST AND TAX STRUCTURE

Organisation Chart



Trust And Tax Structure



¹ No single investor to hold more than 9.8% (including the Sponsor) - "Widely Held" (No more than 50% of shares can be owned by five or fewer individuals) rule for REITs in U.S.

² Each shareholder loan SPV has extended an intercompany loan to Parent U.S. REIT. Certain of these SPVs had made equity investments in wholly-owned Barbados entities which had formed Barbados limited partnerships. The Barbados entities and limited partnerships are currently in the process of liquidation.

³ Subject to 30% withholding tax.

⁴ Principal repayments are not subject to U.S. withholding taxes. Interest payments that are finally distributed to Unitholders are not subject to U.S. withholding taxes, assuming Unitholders qualify for portfolio interest exemption and provide appropriate tax certifications, including an appropriate IRS Form W-8.

⁵ The U.S. Asset Manager is a subsidiary of the Sponsor.

⁶ Each Sub-U.S. REIT holds an individual property.

⁷ The Property Manager has entered into a master property management agreement with Parent U.S. REIT and a property management agreement with each Sub-U.S. REIT.

CAPITAL MANAGEMENT

Optimise capital structure and increase financial flexibility

INORGANIC GROWTH

Yield-accretive acquisition of properties in key locations with strong fundamentals

CREATING VALUE

The Manager recognises the importance of driving value creation and is committed to deliver long-term value to its Unitholders and stakeholders. Its long-term success is driven by four key pillars.

GROWING RESPONSIBLY

Make a difference through positive and purposeful contribution

ORGANIC GROWTH

Sustainable distributions through proactive leasing while maintaining optimal occupancy levels

Financials

Distributable Income

US\$89.0M

Increased 6.8% YoY

Strong Collections

99.0%¹

Deferment 0.6%², abatement 0.5%²

Gearing

41.0%

Well below MAS 50.0% limit

Portfolio

High Occupancy

93.4%

Above U.S. Class A average ~84.0%³

Executed Leases

5.9%

By portfolio NLA; ~279,000 sq ft

Long WALE

5.3 YEARS

WALE of 6.4 years for 2020 leases executed

¹ Data as at 12 February 2021.

² Based on GRI for FY2020.

³ JLL Q42020 US office outlook.

KEY EVENTS

2020

FEBRUARY

- FY2019 DPU increased 7.0% YoY to 5.96 US cents

MAY

- First SREIT to hold virtual AGM
- 1Q2020 Operational Updates
- Secured maiden 5-year green loan facility of US\$100 million

AUGUST

- 1H2020 DPU increased 0.3% YoY to 3.05 US cents
- Ranked 9th out of 45 REITs & Business Trusts by SGTI 2020

OCTOBER

- Ranked 4th out of 45 REITs & Business Trusts by GIFT 2020
- 3Q2020 Operational Updates

NOVEMBER

- Remained in SGX Fast Track programme
- GRESB
 - > Public Disclosure: 'A' rating, 1st out of 10 – Asia offices
 - > Real Estate Assessment: 5 Star rating, 4th out of 15 – Listed U.S. office REITs

DECEMBER

- Winner for IR Magazine Award – South East Asia 2020, Best in Sector: Financials (including real estate)
- MSCI ESG ratings: 'A'

2021

FEBRUARY

- FY2020 DPU decreased 5.4% YoY to 5.64 US cents

BOARD OF DIRECTORS

Hsieh
Tsun-Yan



Koh
Cher Chiew Francis



Chairman Non-Executive Director

Academic and Professional Qualifications

- Bachelor of Science in Mechanical Engineering, University of Alberta
- Master of Business Administration, Harvard Business School

Date of First Appointment as a Director

- 17 June 2015

Date of Last Reappointment as a Director

- 17 June 2020

Length of Service as a Director (as at 31 December 2020)

- 5 years and 6 months

Board Committee Served on

- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies

- Manulife Financial Corporation, Canada (Director)
- Singapore Airlines Limited (Executive Committee)

Present other Principal Commitments

- LinHart Group, Singapore (Lead Counsellor and Chairman)
- The Manufacturers Life Insurance Company (Director)
- National University of Singapore (NUS) Business School (Management Advisory Board Member)
- NUS Business School and Lee Kuan Yew School of Public Policy, Singapore (Professor)
- Singapore Institute of Management Group Limited (Director and Vice Chairman)
- Dyson Holdings Pte. Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years

- The Institute of Policy Studies, Singapore (Academic Panel Member)
- Duke-NUS Graduate Medical School, Singapore (Governing Board Member)

Experience

- Over 30 years of experience in international business, leadership development and corporate transformation
- Previously Director at McKinsey & Company

Independent Non-Executive Director, Lead Independent Director

Academic and Professional Qualifications

- Doctor of Philosophy, University of New South Wales, Australia
- Master of Business Administration, University of British Columbia, Canada
- Bachelor of Business Administration with Honours (Second Class Honours Upper Division), University of Singapore
- CGMA, Chartered Global Management Accountant (U.K., U.S.A.)
- FCMA, Chartered Institute of Management Accountants (U.K.)
- CA, Institute of Singapore Chartered Accountants

Date of First Appointment as a Director

- 21 October 2019

Length of Service as a Director (as at 31 December 2020)

- 1 year and 2 months

Board Committee Served on

- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies NIL

Present other Principal Commitments

- Singapore Management University (SMU) (Emeritus Professor of Finance)
- China Taiping Insurance (Singapore) Pte. Ltd. (Independent Non-Executive Director)
- Eunoia Junior College (Member, College Advisory Committee)
- Singapore College of Insurance (Member, Board of Governors)
- Drs Koh & Partners Pte. Ltd. (Secretary, Non-Executive Director)
- The Singapore Chinese Girls' School (Non-Executive Director)

Past Directorships or Principal Commitments held over the Preceding Three Years

- Ngee Ann Polytechnic Investment Committee (Member)
- Ngee Ann Polytechnic Council (Member)
- Helvetic Investments Pte. Ltd. (Advisor)
- SAFRA Finance Committee (Advisor)
- SMU (Special Advisor, Office of the President)
- SMU (Mapletree Professor of Real Estate)

Experience

- Over 40 years of experience in investment, consulting, executive development and public service
- Previously Deputy Director of Government of Singapore Investment Corporation, involved in direct investments in various countries in Asia



Veronica Julia
McCann



Choo
Kian Koon

Independent Non-Executive Director

Academic and Professional Qualifications

- CIMA, University of Central London
- Chartered Institute of Management Accountants, Fellow Member
- Chartered Global Management Accountants, Member

Date of First Appointment as a Director

- 17 June 2015

Date of Last Reappointment as a Director

- 17 June 2020

Length of Service as a Director (as at 31 December 2020)

- 5 years and 6 months

Board Committee Served on

- Audit and Risk Committee (Chairman)

Present Directorships in other Listed Companies

NIL

Present other Principal Commitments

- Advanced MedTech Holdings Pte. Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years

- British Chamber of Commerce Singapore (Treasurer)

Experience

- Over 30 years of experience in banking and finance
- Previously Chief Financial Officer Asia and Deputy Chief Executive, Singapore at Commerzbank AG

Independent Non-Executive Director

Academic and Professional Qualifications

- Bachelor of Science in Estate Management, University of Singapore
- Master of Philosophy in Environmental Planning, University of Nottingham
- Doctor of Philosophy (Urban Planning) with Certificate of Achievement in Urban Design, University of Washington
- Singapore Institute of Planners, Affiliate Member
- Singapore Institute of Surveyors and Valuers, Fellow

Date of First Appointment as a Director

- 9 June 2017

Date of Last Reappointment as a Director

- 17 June 2019

Length of Service as a Director (as at 31 December 2020)

- 3 years and 6 months

Board Committee Served on

- Nominating and Remuneration Committee (Chairman)

Present Directorships in other Listed Companies

- Pan Hong Holdings Group Ltd. (Director)

Present other Principal Commitments

- VestAsia Group Pte. Ltd. (Chairman and Director)
- Department of Real Estate, National University of Singapore (Adjunct Associate Professor)

Past Directorships or Principal Commitments held over the Preceding Three Years

NIL

Experience

- Over 40 years of experience in property industry
- Previously Senior Vice President at CapitaLand and supervised the establishment of CapitaLand Mall Trust and CapitaLand Commercial Trust

BOARD OF DIRECTORS

Karen Tay
Koh



Michael Floyd
Dommermuth



Independent Non-Executive Director

Academic and Professional Qualifications

- Bachelor of Arts, Economics, University of Cambridge, United Kingdom
- Master of Arts, University of Cambridge, United Kingdom
- Master in Public Administration and International Tax Program (Certificate) Harvard University, USA Kennedy School & Law School

Date of First Appointment as a Director

- 10 November 2020

Length of Service as a Director (as at 31 December 2020)

- 1 month

Board Committee Served on

- Audit and Risk Committee (Member)

Present Directorships in other Listed Companies

- Banyan Tree Holdings Limited (Director)

Present other Principal Commitments

- HSBC Bank Singapore (Limited) (Director)
- BC Platforms AG (Director, Senior Advisor and Chair of Asia Advisory Board)
- D'Amore McKim College of Business, Northeastern University (Member of Advisor Board, Centre for Emerging Markets)
- The Red Pencil Singapore (Director and Deputy Chairman)
- TVM Capital Healthcare Partners (Senior Advisor)
- HealthCura Pte. Ltd. (Executive Director)
- Nutmeg Management Pte. Ltd. (Executive Director)

Past Directorships or Principal Commitments held over the Preceding Three Years

- Nutrión Capital Partners Pte. Ltd. (Director)
- Singapore Deposit Insurance Corporation Limited (Director)
- Northeastern University, Boston USA (Corporator and Asia Advisory Council Member)
- IP Investment Management Pte. Ltd. (Executive Director and CEO)

Experience

- Over 30 years of experience in public and private sector organisations, particularly in finance, healthcare, education and private equity
- 19 years at the Singapore Ministry of Finance, including postings at the Inland Revenue and Monetary Authority of Singapore
- Previously Deputy CEO Singhealth and Deputy CEO Singapore General Hospital

Non-Executive Director

Academic and Professional Qualifications

- Bachelor of Science in Mathematics, Management Science, Carnegie-Mellon University, USA

Date of First Appointment as a Director

- 30 March 2015

Date of Last Reappointment as a Director

- 17 June 2020

Length of Service as a Director (as at 31 December 2020)

- 5 years and 9 months

Board Committee Served on

NIL

Present Directorships in other Listed Companies

NIL

Present other Principal Commitments

- Manulife Investment Management (Hong Kong) Limited (Director) (formerly Manulife Asset Management (Hong Kong) Limited)
- PT Manulife Aset Manajemen Indonesia (Director)
- Manulife Investment Management (Singapore) Pte. Ltd. (Director) (formerly Manulife Asset Management (Singapore) Pte. Ltd.)
- Manulife Investment Management (Taiwan) Company Ltd. (Director) (formerly Manulife Asset Management (Taiwan) Company Ltd.)
- Manulife Asset Management (Japan) Ltd. (Director)
- Manulife TEDA Fund Management Co., Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years

- Manulife Financial Investment Ltd. (Director)

Experience

- Over 20 years in asset management, investments and investment operations
- Executive Vice President, Head of Wealth & Asset Management, Asia, Manulife Asset Management



Stephen James
Blewitt

Non-Executive Director

Academic and Professional Qualifications

- Masters of Business Administration, Boston University, Graduate School of Management, USA
- Bachelor of Arts, Economics, University of Chicago, USA

Date of First Appointment as a Director

- 8 February 2019

Length of Service as a Director (as at 31 December 2020)

- 1 year and 10 months

Board Committee Served on

NIL

Present Directorships in other Listed Companies

NIL

Present other Principal Commitments

- Manulife Investment Management Private Markets (US) LLC (Director) (formerly Hancock Capital Investment Management LLC)
- Hancock Natural Resource Group, Inc (Director)
- Albamen Capital Partners Limited (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years

- Hercules Fiber II, LLC (Director)

Experience

- Over 35 years in asset management, investments and corporate finance
- Global Head of Private Markets, Manulife Financial Corporation



MANAGEMENT TEAM

Jill Smith

Chief Executive Officer

Ms Jill Smith is the Chief Executive Officer (CEO). She works with the Board to determine the strategy of MUST. Ms Smith is also responsible for the overall day-to-day management and operations of MUST, and works closely with the Manager's investment, asset management, financial, operations plus legal and compliance teams to meet MUST's strategic, investment and operational objectives.

Ms Smith has over 40 years of experience as an investment management professional in Asia and Europe. She has extensive experience in portfolio management, business development and management, as well as in sales and marketing. Prior to joining the Manager, Ms Smith held several senior executive positions within Manulife Asset Management. She was Senior Managing Director, Chief Executive Officer and Chief Investment Officer for Manulife Asset Management (Singapore) Pte. Ltd. Ms Smith was previously a Director of several Manulife overseas entities.

Prior to joining Manulife in 2007, Ms Smith was with Western Asset Management (Singapore), Rothschild Asset Management (Singapore) and Lazard Investors (Singapore). Before moving to Singapore in 1993, Ms Smith held a number of senior positions with leading U.K. financial companies.

Ms Smith holds a Bachelor of Arts (Honours) in Sociology and a Postgraduate Certificate of Education, both from Durham University, UK.

Caroline Fong

Chief Investor Relations and Capital Markets Officer

Ms Caroline Fong is the Chief Investor Relations and Capital Markets Officer and also the Chief Sustainability Officer. She is responsible for IR, communication, sustainability and helps to steer the strategy and the equity capital markets requirements for MUST.

Ms Fong has over 15 years of experience in IR, capital markets and research. Prior to joining MUST, Ms Fong was Associate Director, IR and Corporate Finance in Temasek Holdings and Head of IR and Corporate Communications in ESR-REIT.

In addition, Ms Fong was formerly Head of IR for CapitaLand Mall Asia, where she was responsible for creating the narrative for the company's retail businesses in Singapore and four other countries. Early in her career, Ms Fong was Associate Director, Listings at the Singapore Exchange, where she advised companies on corporate governance and the regulatory framework for public-listed companies in Singapore.

Ms Fong holds a Masters in Finance and Investment from the University of Nottingham, UK and a Bachelor of Science (Honours) in Banking and Finance from the University of London, UK.

Robert Wong

Chief Financial Officer

Mr Robert Wong is the Chief Financial Officer (CFO). He is responsible for finance, capital management, treasury and accounting operations for MUST. He is also responsible for managing the debt and capital market programmes.

Mr Wong has over 20 years of experience in the finance and accounting professions, mainly in the real estate investment management industry.

Prior to his current appointment, he was Director, Finance and Operations at ARA LOGOS Logistics Trust. He was responsible for all aspects of financial and statutory reporting and compliance with SGX-ST and MAS, including financing and treasury activities, evaluating investment opportunities, risk management and compliance functions.

Before embarking on a career in the Singapore REIT sector, Mr Wong was Senior Vice President with CBRE Global Investors and ING Real Estate from 2007 to 2012. Prior to that, he was based in Australia where he held various finance and accounting positions with Mirvac Funds Management, Colonial First State Property and Westpac Investment Property Limited.

Mr Wong holds a Bachelor of Commerce from Murdoch University, Australia and is a Fellow of CPA Australia.

Patrick Browne

Chief Investment Officer
(effective 14 December 2020)

Mr Patrick Browne is the Chief Investment Officer (CIO). He is responsible for the design and execution of the portfolio investment strategy, as well as overseeing the U.S. asset and property management functions.

Mr Browne is a seasoned real estate professional with 15 years of experience. Before joining the Manager, he was VP of Global Direct Real Estate at Swiss Re where he was responsible for designing, executing and overseeing direct real estate investment strategies/mandates for the company's multi-billion dollar real estate portfolio including a U.S. portfolio of office, industrial and multifamily properties as well as strategies and portfolios in Australia, the UK and parts of Europe.

Prior to Swiss Re, Mr Browne performed acquisition, asset management and leasing work for Broadway Partners, as well as tenures at Cushman & Wakefield, Republic Investment Company and as a co-founder of a real estate technology start-up.

Mr Browne received a Master of Science in Real Estate from New York University and a Bachelor of Arts from the University of Dayton.

Jennifer Schillaci

Chief Investment Officer
(till 17 January 2021)

Ms Jennifer Schillaci was the Chief Investment Officer. She executes the investment programme and directs the asset management, property management and acquisition teams in the U.S.

Ms Schillaci has more than 15 years of experience at MFC. Before joining the Manager, she was a Managing Director and Senior Portfolio Manager in Manulife Real Estate, where she was primarily responsible for the investment strategy and portfolio management.

Previously, Ms Schillaci was an Investment Director with Manulife Real Estate where she was responsible for the execution of acquisition targets and the disposition of non-core assets plus the monitoring and analysis of the company's real estate investment performance. Prior to this role, she was the Leasing Manager responsible for Manulife's real estate portfolio.

Ms Schillaci holds a Bachelor of Commerce (Honours) degree from the University of Toronto and holds the Chartered Financial Analyst designation.

Choong Chia Yee

Financial Controller

Mr Choong Chia Yee is the Financial Controller. He is responsible for financial and management reporting, as well as day-to-day running of finance operations.

Mr Choong has over 20 years of experience in accounting, finance, strategic planning, budgeting, tax, initial public offering, audit, regulatory reporting and compliance. Prior to joining the Manager in November 2016, Mr Choong was Vice President, Finance at Mapletree Logistics Trust and he held several positions in CapitaLand Mall Asia. He has extensive experience of corporate entities that have widespread international operations.

Mr Choong holds a professional qualification from the Chartered Institute of Management Accountants, U.K. He also holds the designations of Chartered Global Management Accountant, Chartered Accountant of Singapore and Chartered Accountant of Malaysia.

Daphne Chua

Chief Compliance Officer

Ms Daphne Chua is the Chief Compliance Officer. She is responsible for making all regulatory filings on behalf of MUST and assists MUST in complying with the applicable provisions of the Securities and Futures Act (SFA) and all other relevant legislations.

Ms Chua has over 20 years of experience in the field of compliance for a variety of global financial institutions and investment companies with operations in Singapore. She has also worked closely with various boards of Directors, senior management, independent and internal auditors, legal advisors and regulators, both in Singapore and internationally. In addition, Ms Chua has developed compliance and related policies and procedures for asset management, fund business units and other financial entities, by implementing local and international industry best practices.

Prior to joining the Manager in 2015, Ms Chua held a number of compliance positions including those for Manulife Asset Management (Singapore) Pte. Ltd., Credit Suisse Singapore Branch Private Banking, Prudential Fund Management Services Private Limited and Morgan Stanley in Singapore.

Ms Chua holds a Bachelor of Accountancy (with a Minor in Banking & Finance) (Honours) from Nanyang Technology University, Singapore.

FINANCIAL REVIEW

	FY2020 (US\$'000)	FY2019 (US\$'000)	Change (%)
Gross revenue	194,312	177,853	9.3
Property operating expenses	(78,475)	(67,077)	17.0
Net property income	115,837	110,776	4.6
Interest income	166	473	(64.9)
Manager's base fee	(8,897)	(8,334)	6.8
Manager's performance fee	-	(1,360)	(100.0)
Trustee's fee	(288)	(269)	7.1
Other trust expenses	(2,646)	(2,460)	7.6
Finance expenses	(29,739)	(26,180)	13.6
Net income before tax and fair value changes	74,433	72,646	2.5
Net fair value change in derivatives	(11,897)	(1,088)	>100
Net fair value change in investment properties	(128,519)	(13,512)	>100
Net (loss)/income for the year before tax	(65,983)	58,046	N.M.
Tax income/(expense)	22,699	(10,481)	N.M.
Net (loss)/income for the year	(43,284)	47,565	N.M.
Income available for distribution to Unitholders	88,967	83,341	6.8
DPU (US cents)	5.64	5.96	(5.4)

N.M.: Not meaningful

	FY2020	FY2019
Total operating expenses, including all fees, charges and reimbursable costs paid to the Manager and interested parties ¹ (US\$'000)	90,370	79,495
Net assets ² (US\$'000)	1,157,888	1,258,178
Total operating expenses as percentage of net assets (%)	7.8	6.3

Gross Revenue

Gross revenue for the year increased by 9.3% to US\$194.3 million largely due to contributions from Centerpointe and Capitol acquired in 2019. This was partially offset by lower rental income mainly from Michelson and Peachtree due to higher vacancies and lower portfolio carpark income.

Property Operating Expenses

Property operating expenses of US\$78.5 million has increased by 17.0%, mainly due to Centerpointe and Capitol acquired in 2019 and provision for expected credit losses on trade receivables of US\$3.6 million. As a result, NPI for FY2020 was US\$115.8 million, an increase of US\$5.1 million or 4.6% as compared to FY2019.

	FY2020 (US\$'000)	FY2019 (US\$'000)	Change (%)
Portfolio excluding 2019 acquisitions	156,260	163,918	(4.7)
2019 acquisitions	38,052	13,935	>100
Gross revenue	194,312	177,853	9.3
Portfolio excluding 2019 acquisitions	65,785	62,528	5.2
2019 acquisitions	12,690	4,549	>100
Property operating expenses	78,475	67,077	17.0
Portfolio excluding 2019 acquisitions	90,475	101,390	(10.8)
2019 acquisitions	25,362	9,386	>100
Net property income	115,837	110,776	4.6

¹ Excludes net foreign exchange gains or losses and finance expenses.

² Net assets as at 31 December 2020 and 31 December 2019.

Management Fees

MUST's base fee and performance fee are based on its distributable income and DPU growth 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 10.0% per annum of the distributable income, as well as a performance fee of 25.0% of the difference in DPU in a financial year compared with the preceding financial year, multiplied by the weighted average number of issued Units.

The base fee for FY2020 was 6.8% higher than FY2019 due to higher distributable income. The Manager has elected to receive the base fee in Units.

No performance fee was recorded for FY2020.

Finance Expenses and Other Trust Expenses

Finance expenses of US\$29.7 million were 13.6% higher than FY2019 mainly due to interest incurred on additional borrowings taken to partially finance acquisitions, and to fund capital expenditures and leasing costs. These were partially offset by lower interest cost from Peachtree mortgage refinanced at a lower interest rate in July 2020.

Other trust expenses of US\$2.6 million were 7.6% higher than FY2019 largely due to additional administrative and professional fees arising from the properties acquired in 2019, as well as tax compliance expenses and restructuring fees incurred in relation to the restructuring pursuant to the U.S. tax regulations. Please refer to the announcement made on 24 April 2020 on the completion of restructuring.

Tax

Tax income for FY2020 of US\$22.7 million was mainly due to deferred tax income arising from net fair value loss in investment properties, partially offset by deferred tax expense from tax depreciation. Deferred tax has no impact on the distributable income to the Unitholders.

Distributable Income and DPU

Distributable income of US\$89.0 million was 6.8% higher than FY2019 largely due to contributions from Centerpointe and Capitol acquired in 2019, partially offset by higher finance expenses. However, DPU was lower by 5.4% mainly due to lower rental income from certain properties, lower portfolio carpark income and provision for expected credit losses, after factoring in the enlarged unit base from equity fund raisings in 2019.

MUST continues to pay out 100.0% of the distributable income to the Unitholders.

Portfolio and Net Asset Value (NAV)

The total assets of MUST have decreased by 3.6% or US\$78.4 million to US\$2,088.1 million as at 31 December 2020. The decrease in total assets was mainly due to net fair value loss on investment properties during the year. The net fair value loss was largely due to appraiser factoring in lower rental growth, higher vacancies and higher leasing costs assumptions as a result of the COVID-19 pandemic.

Net assets attributable to Unitholders decreased by 8.0% to US\$1,157.9 million, which translated to NAV per Unit of US\$0.73 as at 31 December 2020. The adjusted NAV per Unit (excluding distributable income) was US\$0.70.

Key Financial Indicators	FY2020	FY2019
Gross borrowings (US\$ million)	856.5	816.9
Gearing ratio ¹ (%)	41.0	37.7
Weighted average cost of debt (%)	3.18	3.37
Weighted average debt maturity (years)	2.3	2.8
Interest coverage ratio ² (times)	3.5	3.8
Unencumbered properties as % of total portfolio ³ (%)	42.0	31.6

1 Based on gross borrowings as percentage of total assets.

2 Based on net income before finance expenses, taxes and net fair value change in investment properties and derivatives, over finance expenses.

3 Based on appraised values as at 31 December 2020.

FINANCIAL REVIEW

Capital Management

The Manager continues to adopt a disciplined and prudent approach in its capital management strategy to support future portfolio growth initiatives as well as managing debt maturities and interest costs. In keeping with the growing importance of ESG, the Manager has incorporated environment and sustainability as an integral part of MUST's operations to ensure its long-term business success. This sustainability strategy complements its proactive capital management approach in terms of diversifying MUST's funding sources with green financing.

In line with its prudent capital management strategy, the Manager continues to actively explore refinancing of loans ahead of their maturities to mitigate refinancing risks. During the year, MUST secured its maiden 5-year green loan facility of US\$100.0 million at a lower all-in cost of debt of 1.85%. The green loan was raised under MUST's newly established green finance framework which attests to the Manager's effort in integrating sustainability practices into MUST's business operations and activities. Proceeds from the loan were used to refinance Peachtree mortgage facility and fund capital expenditures and leasing costs. In addition, MUST has obtained an additional US\$50.0 million committed revolving credit facility (RCF) with a lower interest margin to provide additional liquidity.

As at 31 December 2020, 42.0% of MUST's properties were unencumbered.

The following table summarises the facilities that MUST had as at 31 December 2020:

Sources of Funding	Capacity (US\$ million)	Amount utilised (US\$ million)	Utilised (%)
Property loan facilities	486.6	486.6	100.0
Good news facilities	61.9	29.6	47.8
Trust-level loan facilities	323.0	323.0	100.0
Committed RCFs	100.0	17.3	17.3
Uncommitted RCF	200.0	–	–
Multicurrency debt issuance programme	1,000.0	–	–
Total	2,171.5	856.5	39.4

The good news facilities and committed RCFs are used to fund capital expenditures, leasing costs and general working capital requirements. In addition, MUST has an uncommitted RCF of US\$200.0 million used as bridge financing for acquisitions.

Debt Maturity Profile

The total gross outstanding debt of MUST was US\$856.5 million with an aggregate leverage of 41.0% as at 31 December 2020. Leverage ratio had increased from 37.7% as at 31 December 2019, mainly due to net fair value loss on investment properties and additional borrowings to finance capital expenditures and leasing costs. The higher leverage ratio is well within the regulatory limit of 50.0%¹ set by MAS and is not expected to have a material impact to MUST's risk profile. The interest coverage ratio for the year ended 31 December 2020 was 3.5 times.

MUST's debt maturity profile remains well-staggered with a weighted average debt maturity of approximately 2.3 years as at 31 December 2020. The refinancing risk exposure is minimised with no more than 27.3% of debt maturing in any year.

To mitigate interest rate risk exposures, 94.5% of the gross borrowings have been fixed using interest rate swaps. MUST uses derivative financial instruments to hedge its interest rate risk exposure. The net fair value of these derivatives represents 1.1% of the net assets of MUST as at 31 December 2020.

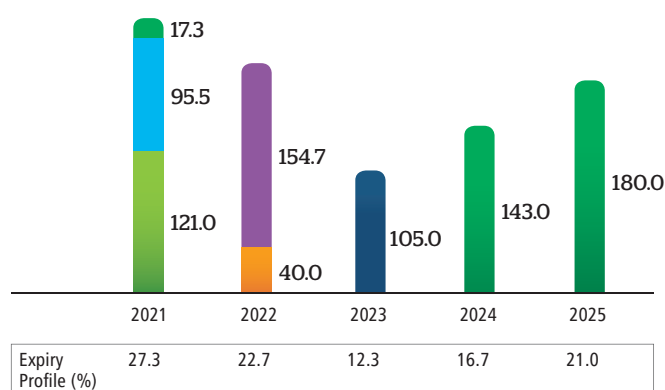
Change in Reporting Frequency

Following the amendments to Rule 705(2) of the SGX-ST Listing Manual which took effect from 7 February 2020, the Manager announced on 6 March 2020 that MUST will adopt the announcement of financial statements on a half-yearly basis with effect from the financial year ended 31 December 2020. MUST continues to make distributions to the Unitholders on a semi-annual basis.

Unit Buy-back Mandate

MUST has obtained the Unitholders' approval during its AGM in 2020 for its Unit buy-back mandate as part of its proactive capital management strategy. The Unit buy-back programme aims to enhance returns to Unitholders in the long term. The Unit buy-back mandate was not utilised in 2020.

Debt Maturity Profile (US\$ million)



¹ MAS had on 16 April 2020 raised the leverage limit for REITs listed on the Singapore Exchange from 45.0% to 50.0% (up to 31 December 2021) and deferred to 1 January 2022 on the implementation of the requirement to have a minimum adjusted interest coverage ratio of 2.5 times before the leverage limit can be increased from the then prevailing 45.0% limit up to a maximum of 50.0%.

OPERATIONAL REVIEW

Manulife US REIT's portfolio encompasses nine high-quality office buildings located in key U.S. markets with an NLA of 4.7 million sq ft, long WALE of 5.3 years and a high occupancy rate of 93.4% as at 31 December 2020.

Active Management During a Challenging Year

The onset of the COVID-19 pandemic in the U.S. in the first quarter of 2020 resulted in a major disruption to the U.S. office market as many companies commenced a WFH operating model. While in the U.S. it has been common for corporations to offer workers remote and flexible working options since the 1990s, either full time or part time, COVID-19 spurred an immediate and unprecedented WFH order for nearly all corporations and their office-using employees which ultimately brought both the economy and the office leasing market to a complete standstill.

Given the challenges and uncertainty, the Manager moved expeditiously to preserve occupancy and income across each asset within the portfolio. Some notable efforts included the installation of new air filters, bespoke operational handbooks and guidelines for each tenant tailored to their specific state and municipality. As the year progressed, the Manager also worked with the tenants to devise return-to-office protocol and safety measures and key capital expenditure projects while tenants were largely WFH.

As a result of the proactive and defensive efforts combined with the quality of the portfolio's assets, locations and tenants, MUST recorded several positive outcomes despite the challenges faced:

- Committed occupancy of 93.4% outperformed the U.S. Class A average occupancy levels of 84.0%¹
- ~99.0%² of gross rent collected for FY2020
- Executed ~279,000 sq ft of leases mainly from the Legal, Real Estate, Information, Finance and Insurance sectors
- Modest positive rental reversion rate of +0.1% (+4.7% excluding one mark-to-market lease renewal executed in 4Q2020)
- Finished extensive lobby refurbishment projects at Exchange and Figueroa
- Commenced elevator modernisation project at Plaza

Market Pause on Transactional Activity

MUST has achieved strong AUM growth since its IPO and believes there are further opportunities to identify properties that offer durable and growing income streams over the long term. The challenges brought about by the pandemic, however, resulted in a temporary pause on transactional activity and no assets were acquired during the year.

This pause was not unique to MUST as the broader U.S. office transactional market effectively froze from early March 2020. Sellers postponed plans for fear of limited buyer pools and concern as to how any still-active buyers would underwrite

or price new transactions. On the buy side, many groups who were likely to invest in U.S. office real estate in 2020 simply put their plans on hold due to a reduced risk appetite, the desire to preserve liquidity and the heightened uncertainty around how and when COVID-19 would conclude.

As a result, 2020 office transactional volumes plummeted roughly 44.0%³ below levels experienced in both 2019 and the average between 2015 and 2019.

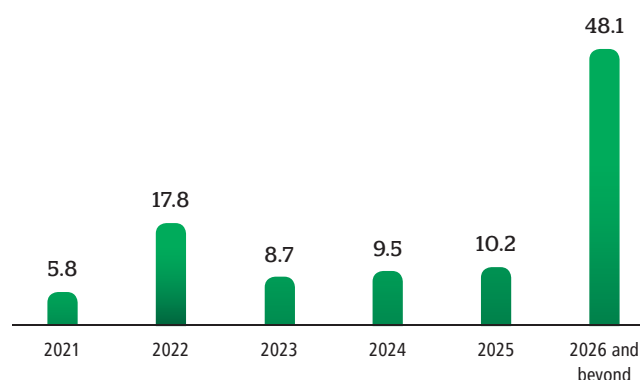
Transactional activity was put on hold for reasons including:

- Liquid and cheap debt markets that enabled owners to refinance instead of sell
- Significant bid-ask spread between buyers and sellers
- Uncertainty of future occupational demand and market rent assumptions
- Strong income/rent collection across the market
- A general wait-and-see approach to how the pandemic and political cycle might play out

Longer Term Lease Expiry Profile with Manageable Roll in the Near Term

A key theme to MUST's acquisition and portfolio construction strategy is to assemble a portfolio which delivers a durable income stream derived from a diversified mix of market, property and tenancy exposure. This approach resulted in a portfolio lease expiration profile that aims to avoid any outsized expiration risk in any given year and heavily weights the bulk of expirations to later years. Considering this strategy, the portfolio is reasonably well-positioned to withstand further COVID-19 related uncertainty with only 5.8% of leases by GRI expiring in 2021 and 48.1% of leases by GRI expiring in 2026 and beyond. Further, MUST's ongoing core competency is to manage the properties and lease maturities through proactive and regular engagement with tenants. Additionally, the Manager engages top leasing brokers to assist in identifying and attracting prospective tenants to fill vacancies where needed.

Lease Expiry Profile by GRI as at 31 December 2020 (%)



Note: Amounts may not sum to 100.0% due to rounding.

¹ Source: JLL Q42020 US Office Outlook.

² Data as at 12 February 2021.

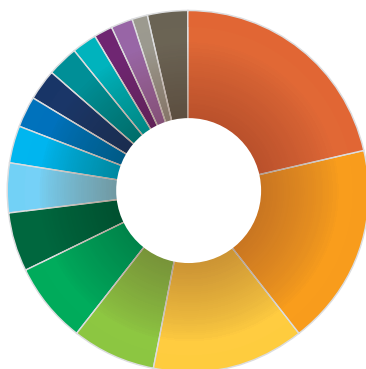
³ Source: Real Capital Analytics January 2021.

OPERATIONAL REVIEW

Well-Diversified Tenant Mix

The portfolio continues to enjoy a well-diversified tenant roster with some 16 trade sectors represented. The top three largest trades – Legal, Finance and Insurance and Retail Trade – make up approximately 53.3% of the portfolio's GRI as at end December 2020.

Trade Sector by GRI (%)



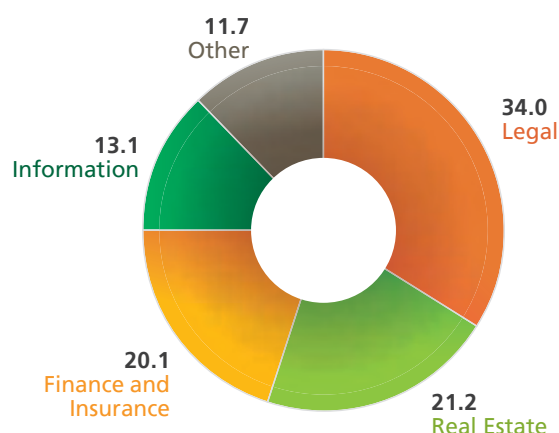
Trade Sectors	%
Legal	21.4
Finance & Insurance	18.1
Retail Trade	13.8
Real Estate	7.4
Information	7.1
Public Administration	5.4
Consulting	4.4
Grant Giving	3.3
Arts, Entertainment, & Recreation	2.9
Accounting	2.8
Healthcare	2.6
Advertising	2.3
Transport & Warehousing	1.8
Architectural & Engineering	1.8
Administrative & Support Services	1.5
Others ¹	3.4

¹ Others comprise of Accommodation and Food Services, Manufacturing, Wholesale Trade and Education.

Trade Sectors of New Leases signed in 2020

Of the new leases signed during 2020, 10 different trade sectors were represented, including the portfolio's two largest sectors, Legal and Finance and Insurance. The new leases, renewals, and tenant expansions executed in FY2020 had a WALE by NLA of 6.4 years and accounted for 6.3% of GRI.

2020 Leasing Trade Sector by GRI (%)



Note: Amounts may not sum to 100.0% due to rounding.



Plaza, Secaucus

The Manager executed a 12-year lease with a new tenant, Hartz Mountain, for ~53,000 sq ft, or 11.3% of the property NLA, in the first half of 2020.

- Improved the property's WALE from 6.9 to 7.4 years
- Lease commenced in August 2020, with no downtime as the previous lease expired in July 2020
- Agreement with tenant included an as-is delivery of space with no speculative capital investment needed



Tenant Retention and Rental Reversion

Notwithstanding a very challenging year due to the COVID-19 induced U.S. recession and WFH dynamic, MUST was able to successfully retain 56.6% of its tenants in 2020 with a rental reversion of +0.1% (the rental reversion is +4.7% for 2020 excluding one mark-to-market renewal).

There is no income support arrangement within the portfolio.

Passing Rent and Portfolio Rental Escalations by GRI

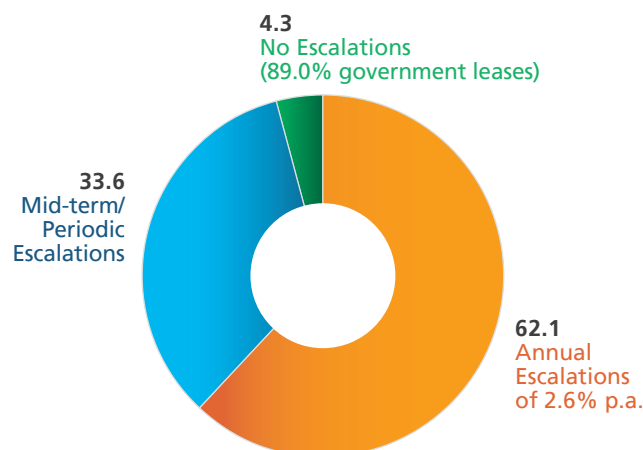
The portfolio's average passing rent as at 31 December 2020 and average rent set to expire over 2021-2022 are US\$40.88 psf and US\$40.97 respectively. The rents of the leases due to expire in 2021 and 2022 are on average 0.3% below the market rent.

This should provide MUST some buffer when renewing the 2020 and 2021 upcoming expiries.

Property	Passing Rent	2021- 2022 Expiring Rents	Average Market Rent ¹	2021- 2022 Expiries ²	Above/ (Below) Market Rent
Figueroa	\$42.67	\$40.14	\$42.86	6.3%	(6.3%)
Michelson	\$48.13	\$40.72	\$35.99	2.2%	13.1%
Peachtree	\$35.86	\$35.97	\$44.56	2.0%	(19.3%)
Plaza	\$32.95	\$33.70	\$37.83	1.0%	(10.9%)
Exchange	\$42.04	\$41.57	\$42.99	2.9%	(3.3%)
Penn	\$55.18	\$50.74	\$57.00	4.2%	(11.0%)
Phipps	\$38.44	\$39.46	\$39.04	0.5%	1.1%
Centerpointe	\$35.16	\$33.30	\$32.47	1.1%	2.6%
Capitol	\$41.45	\$42.23	\$39.98	3.5%	5.6%
Total	\$40.88	\$40.97	\$41.11	23.7%	(0.3%)

Moving on to the rest of the portfolio, 96.0% of the leases by GRI has annual or periodic rental escalations, with an average step-up of 2.0% per annum.

Rental Escalations by GRI (%)

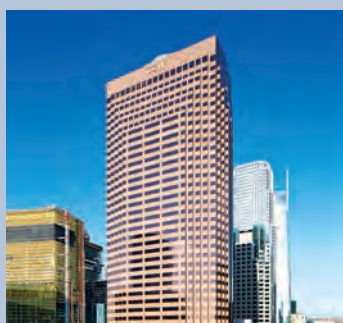


Top 10 Tenants

The portfolio's top 10 tenants contributed 35.8% of the portfolio's GRI as at 31 December 2020. The majority of these anchor tenants include headquarters, listed companies as well as government. This reflects the high quality and stability within MUST's broader portfolio. The total number of tenants was 176 as at 31 December 2020.

Top 10 Tenants by GRI (%)

Tenants	% of Portfolio GRI
The William Carter	6.3
TCW Group	4.1
Kilpatrick Townsend	3.7
The Children's Place	3.6
US Treasury	3.3
United Nations Foundation	3.3
Quinn Emanuel Trial Lawyers	3.1
Amazon	3.0
Hyundai Motor Finance	3.0
Quest Diagnostics	2.4
Total	35.8



Figueroa, Los Angeles

In 2020, MUST's existing legal tenant at Figueroa, Allen Matkins, agreed to an early renewal on its existing space and also expanded into new space for a 10-year period. The tenant now occupies a total of ~65,000 sq ft and accounts for 10.6% and 9.1% of the property's GRI and NLA, respectively. The preliminary renewal and space expansion extended the property's WALE profile from 3.4 to 3.7 years.

This lease exhibits the strength of the property's location and competitive position in the market and emphasises the success of Figueroa's asset enhancement initiatives which were completed in 1Q2020.

1 Source: CoStar Market Analysis & Forecast - As at 1 Jan 2021.

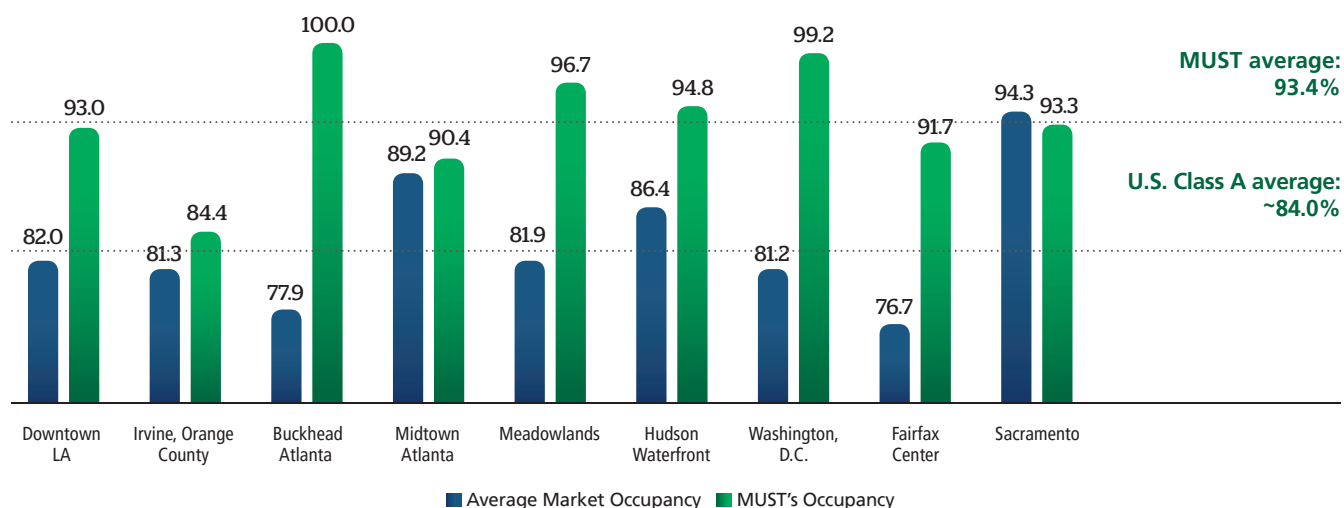
2 Calculated based on in-place occupancy of portfolio.

OPERATIONAL REVIEW

Strong Portfolio Occupancy Rate

As at 31 December 2020, the portfolio had a high occupancy rate of 93.4%, down 2.4% YoY, but still above the U.S. Class A average occupancy rate of ~84.0%.

Portfolio's Occupancy Above U.S. Market Average in Respective Submarkets (%)



Portfolio Valuation

The decline in valuation was due to the independent valuers factoring in lower rental growth, higher vacancies and higher leasing costs assumptions as a result of the COVID-19 pandemic. These independent valuers were appointed by the Trustee of MUST on recommendation of the Manager.

Property	Valuation (US\$ million)		Change	Direct Cap Rates as at 31 December 2020 ³
	As at 31 December 2020 ¹	As at 31 December 2019 ²		
Figueroa	320.0	337.6	(5.2)%	5.50%
Michelson	319.0	345.0	(7.5)%	5.25%
Peachtree	203.1	210.7	(3.6)%	5.75%
Plaza	114.6	119.9	(4.4)%	7.00%
Exchange	333.0	348.6	(4.5)%	5.50%
Penn	176.5	189.0	(6.6)%	5.25%
Phipps	212.1	220.1	(3.6)%	5.75%
Centerpointe	118.5	122.8	(3.5)%	7.50%
Capitol	196.0	201.3	(2.6)%	7.20%
Total	1,992.8	2,095.0	(4.9)%	

1 Valuations conducted by CBRE Valuation & Advisory Services (CBRE).

2 Valuations conducted by Colliers International Valuation & Advisory Services LLC, Newmark Knight Frank Valuation & Advisory, LLC and Cushman & Wakefield Western, Inc.

3 Based on overall cap rates used in direct capitalisation valuation approach.

Asset Enhancement Initiatives

During the year, the Manager conducted various capital projects at assets across the portfolio. The most noteworthy project was the completion of the lobby refurbishment at Exchange and the commencement of an elevator

modernisation project at Plaza. These projects aim to improve the properties competitiveness in the market and ensure best-in-class services and product offering for existing and new tenants.



Exchange, Jersey City

The Manager completed an extensive refurbishment to the lobby of Exchange. Approximately US\$10.0 million, the Exchange project included the following:

- Renovation of ceiling and installation of lighting in the lobby
- New flooring, reception, signage and a new café which is due to open

The successful project enhances Exchange's competitive position in the market and puts the property in a good position emerging out of COVID-19 with a fresh and new look for existing and new tenants alike.

We appreciate how the new lobby separates the parking foot traffic from the tenant traffic. The lit wall/background looks incredible, it's the first thing folks see as they exit the subway station directly across from Exchange and creates the type of envy from outsiders that our employees wear with pride as they walk into the "it" building. We also appreciate that everything was tastefully done to match the existing look and feel but with a modern flair. Kudos to the team!

Quote from tenant
Jackson Hewitt



Before

After

PROPERTY UNIVERSE

USA

✧ Sacramento

✧ Los Angeles

✧ Irvine

Secaucus ✧
Jersey City ✧

Washington, D.C. ✧

Virginia ✧

Atlanta ✧



MICHELSON

Location

3161 Michelson Drive, Irvine, CA
NLA

533,375 sq ft

Occupancy

84.4%

WALE by NLA

5.6 years

Latest Valuation

US\$319.0 million
(US\$598.1 psf)



FIGUEROA

Location

865 S. Figueroa St,
Los Angeles, CA

NLA

713,789 sq ft

Occupancy

93.0%

WALE by NLA

3.3 years

Latest Valuation

US\$320.0 million
(US\$448.3 psf)



CAPITOL

Location

400 Capitol Mall,
Sacramento, CA

NLA

500,662 sq ft

Occupancy

93.3%

WALE by NLA

5.0 years

Latest Valuation

US\$196.0 million
(US\$391.5 psf)



PLAZA

Location
500 Plaza Drive,
Secaucus, NJ
NLA
466,496 sq ft
Occupancy
96.7%
WALE by NLA
7.1 years
Latest Valuation
US\$114.6 million
(US\$245.7 psf)



PENN

Location
1750 Pennsylvania Ave NW,
Washington, D.C.
NLA
278,063 sq ft
Occupancy
99.2%
WALE by NLA
4.0 years
Latest Valuation
US\$176.5 million
(US\$634.7 psf)



PEACHTREE

Location
1100 Peachtree St NE,
Atlanta, GA
NLA
558,510 sq ft
Occupancy
90.4%
WALE by NLA
4.8 years
Latest Valuation
US\$203.1 million
(US\$363.6 psf)



CENTERPOINTE

Location
Centerpointe I & II
4000 & 4050
Legato Road,
Fairfax, VA
NLA
420,013 sq ft
Occupancy
91.7%
WALE by NLA
5.9 years
Latest Valuation
US\$118.5 million
(US\$282.1 psf)



EXCHANGE

Location
10 Exchange Place,
Jersey City, NJ
NLA
737,207 sq ft
Occupancy
94.8%
WALE by NLA
5.8 years
Latest Valuation
US\$333.0 million
(US\$451.7 psf)



PHIPPS

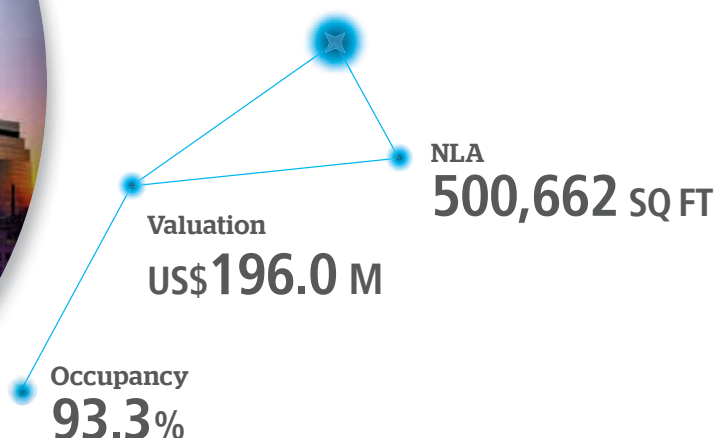
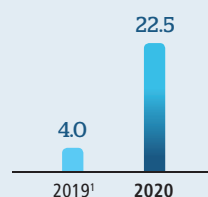
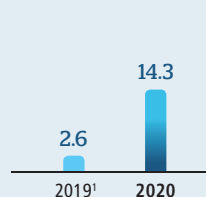
Location
3438 Peachtree Road NE,
Atlanta, GA
NLA
475,778 sq ft
Occupancy
100.0%
WALE by NLA
6.7 years
Latest Valuation
US\$212.1 million
(US\$445.8 psf)

PROPERTY UNIVERSE

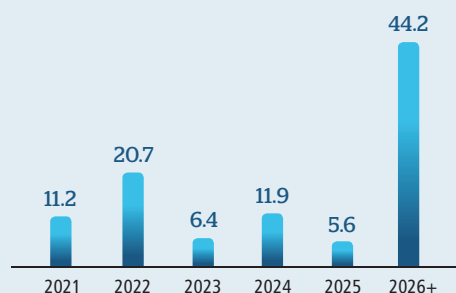


CAPITOL

400 Capitol Mall, Sacramento, CA

GROSS REVENUE
(US\$ MILLION)NET PROPERTY INCOME
(US\$ MILLION)

LEASE EXPIRY PROFILE BY NLA (%)



¹ The acquisition was completed on 29 October 2019.

Capitol is a freehold 29-storey Class A office building located at 400 Capitol Mall, Sacramento, California, and is a 15-minute drive to Sacramento International Airport. The property is the tallest building in Sacramento, towering 423 feet high and is uniquely positioned in the CBD. It is within walking distance to Golden 1 Center, the Downtown Commons, and benefits from the exposure to the live, work, play environment of Sacramento's downtown core and its growing influx of high-end residential, hotel and retail developments.

Land Tenure	Freehold
Building Completion	1992
Acquisition Date	29 October 2019
Purchase Price	US\$198.8 million (US\$397 psf)
WALE by NLA	5.0 years
No. of Tenants	39

TOP THREE TENANTS BY GRI (%)



10.5

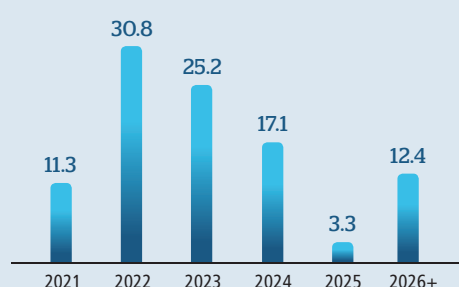
Wells Fargo

9.7

WeWork

9.6

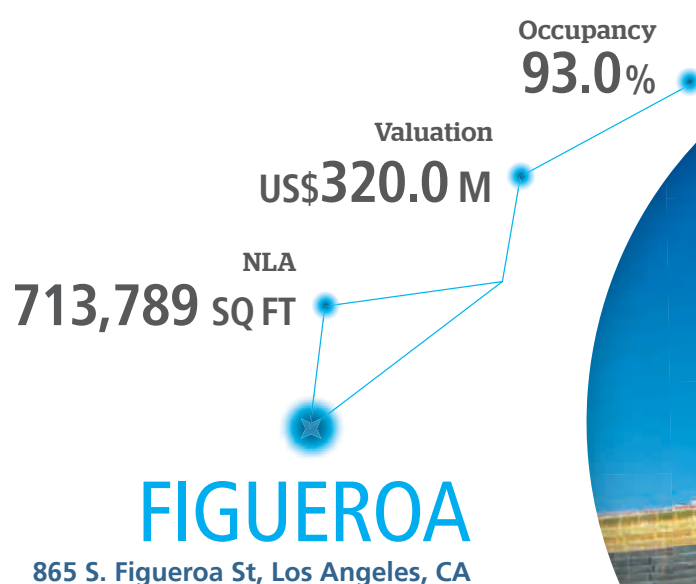
Weintraub Tobin
Chediak Coleman
& Gordin

GROSS REVENUE
(US\$ MILLION)**NET PROPERTY INCOME**
(US\$ MILLION)**LEASE EXPIRY PROFILE BY NLA (%)**

Note: Amounts may not sum to 100.0% due to rounding.

Figueroa is a 35-storey Class A office building located in the South Park district of Downtown Los Angeles, two blocks away from a variety of entertainment venues. The property offers ample amenities, which include a restaurant, a coffee shop, an adjacent carpark with 841 lots and a courtesy shuttle service which travels throughout the surrounding downtown area.

Land Tenure	Freehold
Building Completion	1991
Acquisition Date	19 May 2016
Purchase Price	US\$284.7 million (US\$410 psf)
WALE by NLA	3.3 years
No. of Tenants	29

TOP THREE TENANTS BY GRI (%)**25.7**TCW
Group**19.4**Quinn
Emanuel
Trial Lawyers**10.6**Allen
Matkins

PROPERTY UNIVERSE

Michelson is a 19-storey Trophy-quality office building located in Irvine, Orange County, California, within a mile of John Wayne International Airport. The property is surrounded by hotels, high-end residential properties, restaurants and other retail offerings. On-site amenities include a café, penthouse sky garden and a large carpark with 2,744 lots.

Land Tenure	Freehold
Building Completion	2007
Acquisition Date	19 May 2016
Purchase Price	US\$317.8 million (US\$597 psf)
WALE by NLA	5.6 years
No. of Tenants	13

TOP THREE TENANTS BY GRI (%)



24.8

Hyundai
Motor
Finance

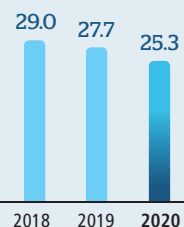
18.5

Gibson
Dunn

16.6

LA
Fitness

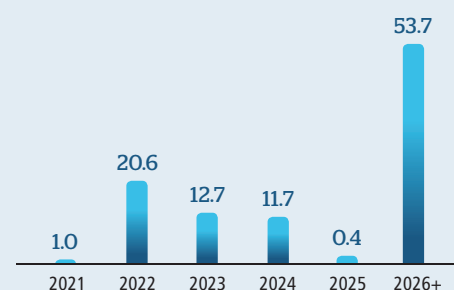
GROSS REVENUE (US\$ MILLION)



NET PROPERTY INCOME (US\$ MILLION)



LEASE EXPIRY PROFILE BY NLA (%)



Note: Amounts may not sum to 100.0% due to rounding.



Occupancy

84.4%

Valuation

US\$319.0 M

NLA

533,375 SQ FT

MICHELSON

3161 Michelson Drive, Irvine, CA





PLAZA

500 Plaza Drive, Secaucus, NJ

NLA
466,496 SQ FT

Valuation
US\$114.6 M

Occupancy
96.7%



Plaza is an 11-storey Class A office building located in the Meadowlands section of Secaucus, New Jersey, three miles from Manhattan. The building was substantially renovated in 2016 with the addition of a conference centre, fitness centre, and café, as well as an additional carpark.

Land Tenure	Freehold
Building Completion	1985
Acquisition Date	19 July 2017
Purchase Price	US\$115.0 million (US\$249 psf)
WALE by NLA	7.1 years
No. of Tenants	8

TOP THREE TENANTS BY GRI (%)



43.7

The Children's Place

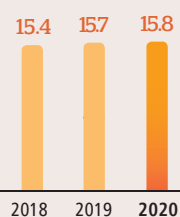
29.2

Quest Diagnostics

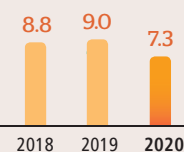
11.7

Hartz Mountain Industries

GROSS REVENUE (US\$ MILLION)



NET PROPERTY INCOME (US\$ MILLION)



LEASE EXPIRY PROFILE BY NLA (%)

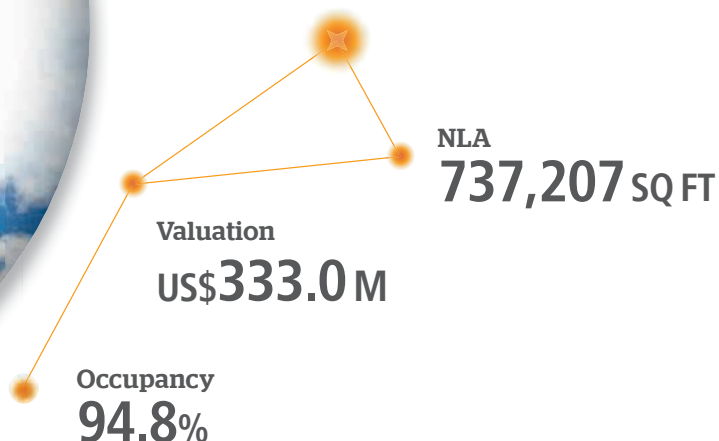
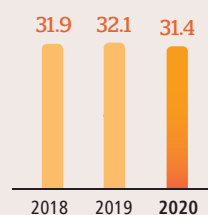
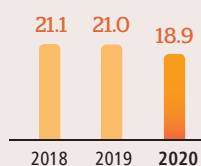


PROPERTY UNIVERSE

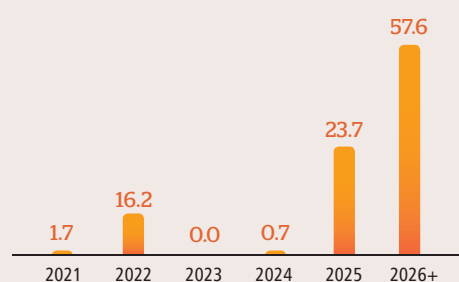


EXCHANGE

10 Exchange Place, Jersey City, NJ

GROSS REVENUE
(US\$ MILLION)NET PROPERTY INCOME
(US\$ MILLION)

LEASE EXPIRY PROFILE BY NLA (%)



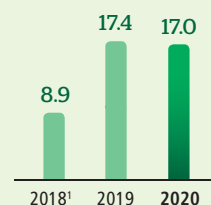
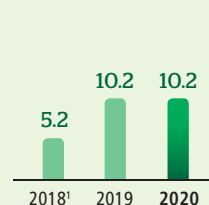
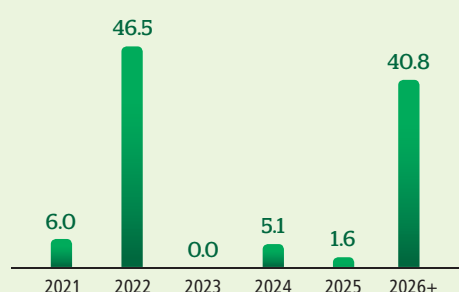
Note: Amounts may not sum to 100.0% due to rounding.

Exchange is a 30-storey Class A office building located along the Hudson River in Jersey City, New Jersey. The property offers unobstructed views of the Manhattan skyline, convenient access to New York City via an adjacent subway station and nearby water ferry terminal, and an attached carpark with 467 lots.

Land Tenure	Freehold
Building Completion	1988
Acquisition Date	31 October 2017
Purchase Price	US\$315.1 million (US\$431 psf)
WALE by NLA	5.8 years
No. of Tenants	24

TOP THREE TENANTS BY GRI (%)

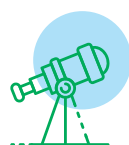
18.3
Amazon13.6
ACE11.5
Rabo
Support
Services

GROSS REVENUE
(US\$ MILLION)**NET PROPERTY INCOME**
(US\$ MILLION)**LEASE EXPIRY PROFILE BY NLA (%)**

¹ The acquisition was completed on 22 June 2018.

Penn is a 13-storey Class A office building located a block away from the White House in Washington, D.C., and in close proximity to the International Monetary Fund, the World Bank and the Federal Reserve. The Property is located within a highly amenitised mixed-use location that is walking distance away from multiple Metrorail stations and provides easy access to highways for suburban car commuters.

Land Tenure	Freehold
Building Completion	1964
Acquisition Date	22 June 2018
Purchase Price	US\$182.0 million (US\$656 psf)
WALE by NLA	4.0 years
No. of Tenants	10

TOP THREE TENANTS BY GRI (%)

38.5
US
Treasury

38.4
United Nations
Foundation

6.5
AOL

Occupancy
99.2%

Valuation
US\$176.5M

NLA
278,063 SQ FT

PENN

1750 Pennsylvania Ave NW, Washington, D.C.



PROPERTY UNIVERSE

Centerpointe is a two-tower, 11-storey freehold Class A office building located in Fairfax Center, a submarket within Fairfax County, Virginia, in the Washington, D.C., Metro Area. Centerpointe is located within 10 minutes from the Vienna/Fairfax-GMU Metrorail station, providing direct access to Arlington and downtown Washington, D.C. via the Metrorail Orange line. The property is approximately 15 minutes from Dulles International Airport and 30 minutes from Reagan National Airport.

Land Tenure	Freehold
Building Completion	1987 / 1989
Acquisition Date	10 May 2019
Purchase Price	US\$122.0 million (US\$290 psf)
WALE by NLA	5.9 years
No. of Tenants	19

TOP THREE TENANTS BY GRI (%)


22.7

 ASM
Research

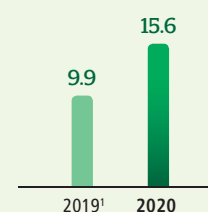
19.3

 Edelman
Financial
Services

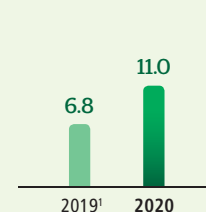
18.0

 Board of
Supervisors

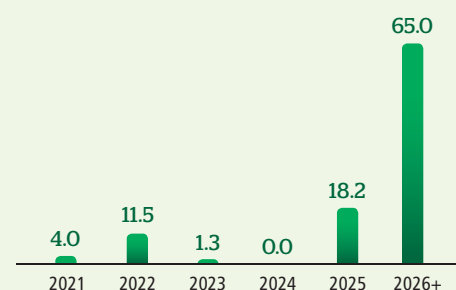
GROSS REVENUE (US\$ MILLION)



NET PROPERTY INCOME (US\$ MILLION)



LEASE EXPIRY PROFILE BY NLA (%)



Note: Amounts may not sum to 100.0% due to rounding.

¹ The acquisition was completed on 10 May 2019.



Occupancy

91.7%

Valuation

US\$118.5 M

NLA

420,013 SQ FT

CENTERPOINTE

Centerpointe I & II, 4000 & 4050 Legato Road,
Fairfax, VA

Class A



PEACHTREE

1100 Peachtree St NE, Atlanta, GA

NLA
558,510 SQ FT

Valuation
US\$203.1 M

Occupancy
90.4%



Peachtree is a 27-storey Class A office building located in the heart of Midtown Atlanta, well-connected to two subway stations. On-site amenities include a conference centre, fitness centre, a high-end restaurant and reserved parking in an attached carpark with 1,221 lots.

Land Tenure	Freehold
Building Completion	1991
Acquisition Date	19 May 2016
Purchase Price	US\$175.0 million (US\$315 psf)
WALE by NLA	4.8 years
No. of Tenants	24

TOP THREE TENANTS BY GRI (%)

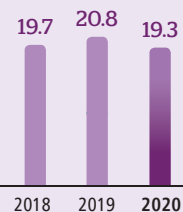


36.8
Kilpatrick
Townsend

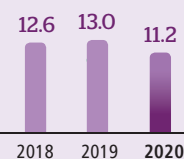
9.3
Triage
Consulting
Group

8.6
Grant
Thornton

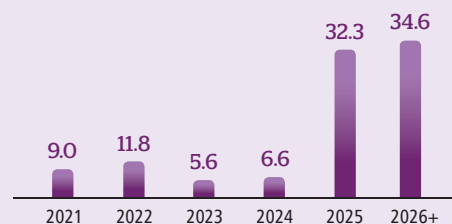
GROSS REVENUE (US\$ MILLION)



NET PROPERTY INCOME (US\$ MILLION)



LEASE EXPIRY PROFILE BY NLA (%)



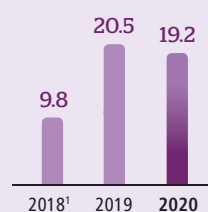
Note: Amounts may not sum to 100.0% due to rounding.

PROPERTY UNIVERSE

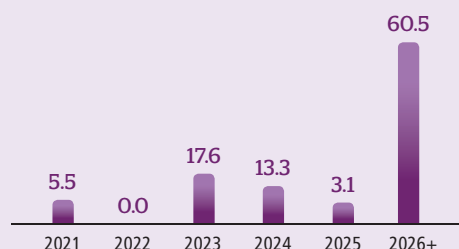


PHIPPS

3438 Peachtree Road NE, Atlanta, GA

NLA
475,778 SQ FTValuation
US\$212.1 MOccupancy
100.0%GROSS
REVENUE
(US\$ MILLION)NET PROPERTY
INCOME
(US\$ MILLION)

LEASE EXPIRY PROFILE BY NLA (%)



Phipps is a 19-storey Trophy office tower constructed in 2010 by the Sponsor. It has floor-to-ceiling window walls providing tenants with views in every direction. Phipps offers various facilities to its tenants, such as a farm-to-table café, a sundry shop, a fitness centre and a conference centre. There are five levels of covered parking with 1,150 parking stalls, as well as designated electric vehicle charging stations.

Land Tenure	Leasehold ²
Building Completion	2010
Acquisition Date	22 June 2018
Purchase Price	US\$205.0 million (US\$431 psf)
WALE by NLA	6.7 years
No. of Tenants	10

TOP THREE TENANTS BY GRI (%)



61.9

The William
Carter

12.7

CoStar
Group

12.6

Northwestern
Mutual

¹ The acquisition was completed on 22 June 2018.

² The property is held in a leasehold until December 2020 to provide it certain real estate tax advantages. The lease between the Development Authority of Fulton County ("Development Authority") and Hancock S-REIT ATL Phipps LLC ("ATL Phipps") expired pursuant to its terms on 31 December 2020, and ATL Phipps is in the process of acquiring the fee simple title to Phipps from the Development Authority. After the transfer of such fee interest, ATL Phipps will hold a fee interest in the property instead of a leasehold interest. For more details, see footnote on 'bonds for title' arrangement on page 126 of this Annual Report.

INDEPENDENT MARKET REPORT

By JLL as of 31 December 2020

U.S. Economy Overview



As the economy continues to recover, employment is now just 6.3% below its previous peak and even closer at 3.9% for professional services.

Containing second wave of COVID-19 and ability to vaccinate at scale will be critical in determining the rate of rebound.

Additional fiscal stimulus is currently in negotiation, but likely to be decided in the coming weeks.

The effects of COVID-19 have been profound: from February through April, the labor market contracted by 22.2 million jobs, equivalent to 14.5% of pre-pandemic employment but has since rebounded to 6.3% below its previous peak and even closer for office-using sectors such as professional services. Similarly, GDP now stands at 2.4% below its Q4 2019 peak as it benefits from growing spending and investment.

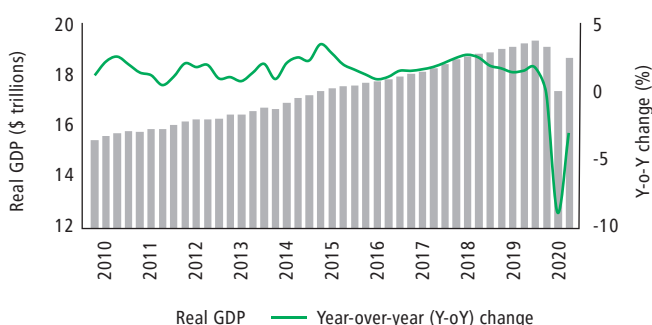
In an effort to combat the economic fallout from the pandemic, Congress passed an unprecedented stimulus in the form of the Coronavirus Aid, Relief and Economic Security (CARES) Act. This included a package valued at roughly \$2.2 trillion comprising direct payments, the Paycheck Protection Program (PPP), industry-specific bailouts and state and local government funding along with enhanced unemployment benefits to supplement state payments. After expiration in

December and a political stalemate, a second stimulus of \$900 billion with smaller and more targeted aid as well as an extension of business and unemployment programs passed as part of the more comprehensive Consolidated Appropriations Act for 2021. In line with the flipping of the Senate and the executive branch, there is an expectation for a third round of stimulus, although what form this will take is not yet clear.

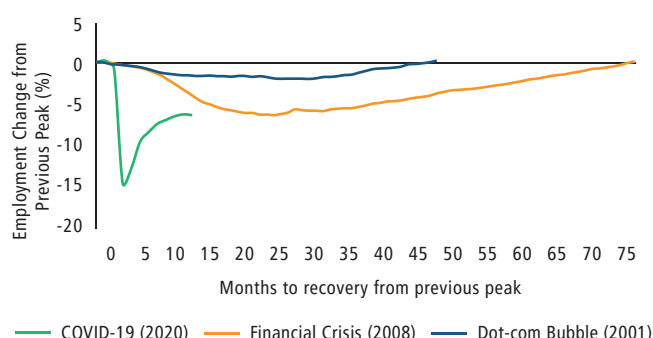
Importantly for the office market, the COVID-19 pandemic is a service-rather than office-driven downturn: office-using employment has held up remarkably well, with the segments of professional services yet to recover mostly within building services and other on-site requirements currently with limited demand due to stay-at-home advisories and requirements. There has been an uptick in permanent layoffs due to the prolonged macroeconomic slowdown, but this is low in comparison to the drop-off in leisure and hospitality employment and activity.

The economic recovery will likely take hold beginning in the latter portion of Q2 and into Q3 2021 once vaccines are widely available outside of front-line workers and those over the age of 65, enabling an opening up of many businesses with less risk of straining health care capacity. In the interim, unemployment will see a short-term increase – already borne out in initial claims – given seasonality and the current surge in cases leading to a reduction in overall activity. Further immediate relief will stabilize economic conditions and improve cash-on-hand for consumers to maintain spending, while longer-term infrastructure and health investments will boost GDP in the coming years.

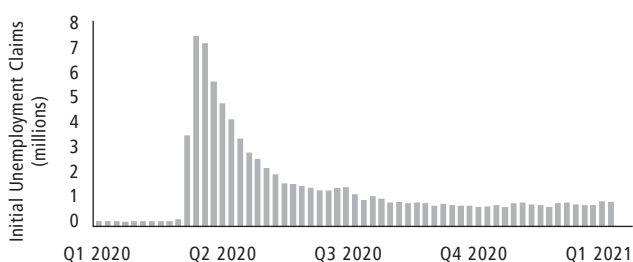
Real GDP Nearing Pre-Covid-19 Levels, Down 2.8% Y-O-Y



Jobs Recovery is Trending towards A "W" rather than A "V"



Weekly Unemployment Plateauing after Second Spike



Subdued Consumer Confidence to Weigh on Spending



INDEPENDENT MARKET REPORT

By JLL as of 31 December 2020

U.S. Office Overview



- Widespread uncertainty over both economic and health conditions impaired office fundamentals in 2020.
- Tenants delayed making long-term leasing decisions given heightened risks, unknown timelines for office re-openings and expanded remote work programs.
- Leasing fell by 47.3% over the year, while 68.7% of Q4 activity being largely short-term renewals brought down average terms to just 6.7 years.
- Give-backs of space amounted to 84 m.s.f. in 2020, pushing vacancy to 17.1%.
- Sublease space is now well past its dot-com peak and has expanded by 50.7% since the onset of COVID-19.

Gross leasing in Q4 was once again heavily subdued compared to historic norms, reaching just 25.2 m.s.f., bringing 2020 volumes to 125.6 m.s.f. Compared to 2019, this represents a 47.3% drop-off in transaction activity as long-term planning remains difficult apart from select highly capitalized users. Pulling down activity in Q4 was a lack of large-scale renewals that helped to buoy Q3 figures along with greater hesitation from the tech sector, which has been a core driver of net expansion over the past decade. In turn, finance represented 20.1% of all leasing in 2020, while tech fell to 17.7%; in previous years, the two were roughly tied. Residual leasing came mostly from government and energy renewals.

Tenants continue to opt for shorter leases to delay decision-making as an interim step: 68.7% of quarterly transactions were renewals, of which 43% were five years or less in duration. As a result, the average deal term dropped even further in Q4 to 6.7 years for leases larger than 20,000 s.f., well below the pre-COVID-19 average of 8.5 years. Lease lengths will increase as the market begins to recover later in 2021 and into 2022.

Mirroring broader macroeconomic and demographic trends, gateway markets saw a 51.5% reduction in year-over-year leasing compared to 42.9% elsewhere on account of

higher exposure to remote work-friendly industries such as tech, greater demographic shifts and more restrictive virus containment measures. Activity will moderately pick up in mid-2021 as vaccination becomes more widespread.

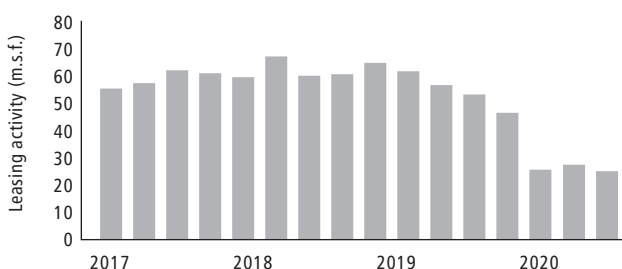
The U.S. office market recorded the first instance of more than 40 m.s.f. of occupancy losses in a given quarter in Q4, with a further 40.6 m.s.f. of negative net absorption bringing 2020 total occupancy declines to an unprecedented 84 m.s.f. This compares to 55 m.s.f. of occupancy losses experienced during the entirety of the financial crisis.

Underlining the structural challenges for denser gateway geographies, 52.1% of negative net absorption occurred in CBDs despite them comprising 38.5% of national inventory. Within CBDs, however, losses have been more acute in commodity product, with Class B properties reporting occupancy decreasing 1.5x faster than in Trophy and Class A buildings. This trend is likely to continue given an even more accelerated flight to quality by tenants with the confluence of more generous concession packages and lease terms along with demands for best-in-class ventilation and building systems for employee health and wellbeing.

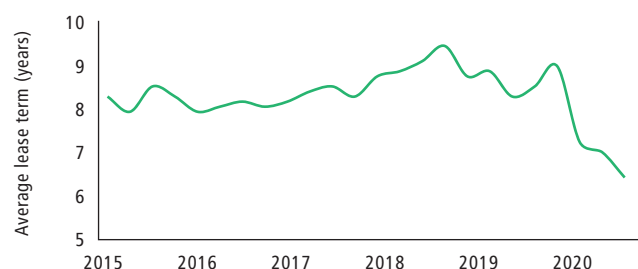
As with leasing, occupancy losses have been most pronounced in gateway geographies. More than one-third of 2020's give-backs took place in New York and the Bay Area alone, approaching 30 m.s.f. in the process, at a rate 2.2x faster than the national office market as a whole. Similarly, negative net absorption was also higher in more expensive and tech and energy-oriented markets such as Seattle (-3.1%), Boston (-3.0%), Denver (-2.9%), New Jersey (-2.5%) and Los Angeles (-2.3%). On the contrary, secondary and tertiary markets were more resilient, benefiting from more diversified tenant bases and expectations for inbound migration: metro areas with less than 60 m.s.f. of total inventory recorded net absorption of -1.3% of inventory, 60 basis points lower than the national average.

This mix of give-backs (both planned pre-pandemic and in response to changing needs in the past nine months) and new supply hitting the market pushed vacancy up 110 basis points to 17.1%, rising twice as fast in CBDs than in the suburbs. Unlike net absorption, however, vacancy rose faster for Class A product on account of completions, which will reverse faster as tenants continue to relocate to higher quality buildings.

Leasing is Subdued Relative to Historical Averages



Short-Term Extensions are Pulling Down Term Lengths



Office closures, work-from-home initiatives and financial pressures led many tenants to place space on the sublease market. In Q4, an additional 18.4 m.s.f. of sublease space hit the market, bringing the segment to more than 141.5 m.s.f. Over the course of the pandemic, the sublease market has expanded by nearly 47.6 m.s.f., or 50.7%.

Shadow space – sublease product that is available but not yet vacant – now stands at 48.8 m.s.f., which will keep total vacancy on an upward trend through much of 2021 as current users eventually vacate these blocks. Sublease has been a disproportionate contributor to rising vacancy: despite representing 13% of current vacancy, it has been responsible for 29% of space added onto the market since the onset of the pandemic. As a result, sublease as a share of total vacancy is up 38% and set to rise further as much of the current shadow space is realized as vacant in the coming quarters.

At the market level, sublease vacancy represents the largest share of total vacancy in San Francisco (43.0%), New York (30.5%), Seattle (28.5%), Austin (27.5%), Fairfield County (23.8%), Silicon Valley (20.7%) and the San Francisco Peninsula (20.5%).

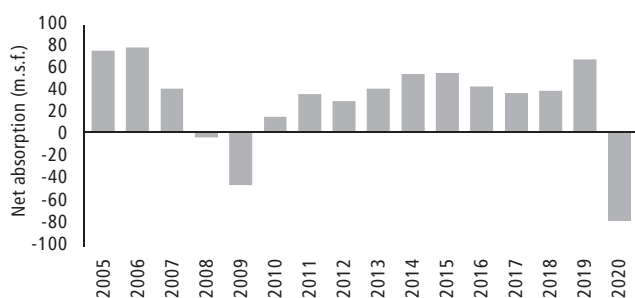
Throughout 2020, tech has been by far the largest driver of large (>50,000 s.f.) sublease blocks, totaling 5.9 m.s.f., some of which include partial or full headquarters listings in the Bay Area and other industry hubs. Other major drivers

include finance, insurance, energy and retail tenants, which have borne the brunt of the current economic downturn.

Annual completions fell in 2020 compared to 2019 by 16.8%, largely a result of COVID-19 induced construction delays, leading to the broader construction pipeline remaining relatively static at 123.9 m.s.f. Oversupply remains a significant risk through 2022, however, despite a longer timeframe for delivery of projects currently underway through 2025. Few large-scale projects delivered in Q4, with only three (167 N Green in Chicago, the TSA HQ in Northern Virginia and 45 L in Washington, D.C.) larger than 500,000 s.f. being occupied during the final three months of the year. Groundbreakings were even more restricted; apart from Visa's new headquarters beginning construction in San Francisco, all starts were less than 250,000 s.f., almost all of which were majority or fully pre-leased at the time of groundbreaking. Preparatory works for the expansion of 1 Madison in New York also started, underlining the positive longer-term sentiment in gateway markets.

Liquidity once again improved in Q4, bringing sales volumes up by a further \$24.8 billion to \$78.6 billion at year-end. At 42.4%, annual sales volumes for office trailed industrial and multi-family significantly, but remained above retail and hotels. As with leasing, primary markets saw a greater shift in cap rates, rising to 6.2% (+21 basis points), whereas secondary geographies registered a 12-basis-point increase.

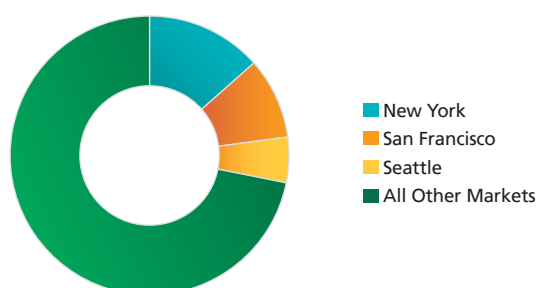
Net Absorption Hit A Record Low of -84 M.s.f. in 2020



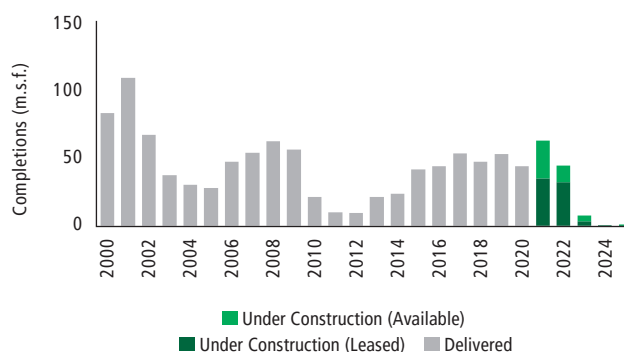
Sublease Space has Surpassed Dot-Com Levels



NYC, SF and Seattle Account for 28% of Sublease Growth



2021 will See a Jump in Completions, Adding to Vacancy



INDEPENDENT MARKET REPORT

By JLL as of 31 December 2020

Atlanta (Buckhead and Midtown)



- Atlanta has recovered faster than most major markets: unemployment is below the national average at 5.6% and employment is only 1.2% below its pre-pandemic level.
- Midtown and Buckhead have shown greater resilience in the face of the current downturn.
- While leasing velocity continued to slow through the end of the year, the metro saw both a headquarters relocation and sizable headquarters expansion in Q4.
- Midtown stands to be one of the bright spots in the Atlanta office market upon recovery, benefiting from inbound growth in tech, media and finance.

Office Market Trends

Midtown remains the most active and dynamic component of Atlanta's office market despite higher density, reliance on public transit and concentration of tech users that are more amenable to remote work. Headlining 2020 transactions was Microsoft's expansion into Hines' two-building Atlantic Yards development for 523,511 s.f., solidifying Atlanta as a critical focal point for mega-cap tech expansion. Proximity to Georgia Tech as well as a younger talent pool are key in attracting Microsoft and other tenants to Midtown. Buckhead, on the other hand, has been more subdued, with activity largely coming in the form of renewals from high-value financial and professional services firms, which comprise the bulk of the submarket's tenant base.

Compared to the U.S. office market, Midtown and Buckhead have shown greater resilience in the face of the current downturn. As a share of inventory, combined occupancy losses of -0.9% (393,573 s.f.) in 2020 were less acute than the national CBD average of -2.6%, although they were marginally more severe than in suburban Atlanta. Asking rent declines have been modest relative to expectations, with landlords instead offering greater concession packages to preserve face rents. There is now nearly 1.4 m.s.f. of available sublease space across both submarkets – a 44.4% expansion compared to year-end 2019 – which was the primary driver of vacancy rising to 17.5%.

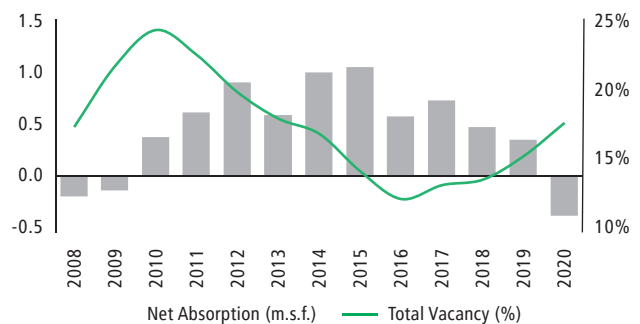
Sales activity was exceptionally quiet throughout the year: only one asset (3328 Peachtree Road NE in Buckhead) sold for more than \$5 million, as investors demonstrated significant caution given uncertainty over longer-term workplace trends. Record levels of dry powder, combined with attractive pricing and growth prospects, will likely mean a substantive increase in sales transactions as the broader economy recovers in 2021 and 2022.

Outlook

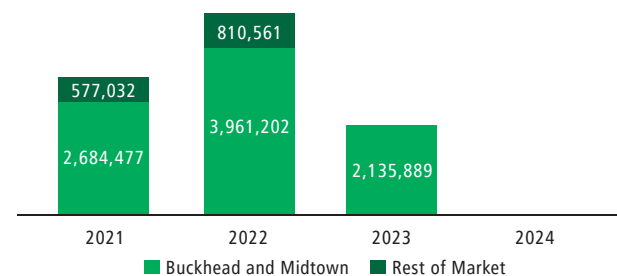
As the primary destination for both inbound corporate migration, particularly from tech users, Midtown stands to

Overall Market Statistics		Forecast
YTD net absorption (s.f.)	(958,286)	✓
Under construction (s.f.)	4,850,357	✓
Total vacancy (%)	19.4%	⬆
Sublease vacancy (s.f.)	2,089,522	⬆
Asking rent (\$ p.s.f.)	29.35	➤
Concessions	Rising	⬆

Despite Increase, Vacancy below Financial Crisis Levels



Buckhead/Midtown Capture the Majority of Construction



Class A Cap Rates are Relatively Stable



be one of the bright spots in the Atlanta office market upon recovery. Multiple transformative developments, including Midtown Union, 1105 WP, Atlantic Yards and the Norfolk Southern HQ – all pre-leased – will sustain demand for top-tier core space and cement the region as a leader in tech, R&D, media and creative arts.

Los Angeles (Downtown)



Los Angeles registered total pandemic-induced contraction of 716,100 jobs – roughly 15.5% of total employment – driving unemployment to 20.8%.

Unemployment well above the national average of 6.9% and unlikely to meaningfully decline further until widespread vaccination enables the re-opening of the tourism, entertainment and media industries.

The presence of mega-cap tech, media and entertainment tenants has kept skilled employment remarkably stable in light of economic headwinds.

Los Angeles has one of the largest and deepest pools of specialized professional services talent, with niches in entertainment law, international finance and streaming technology.

As the busiest port in the country and a focal point for imports and exports to Asia, Los Angeles will remain a critical component of national logistics strategy and target for investment.

Office Market Trends

Downtown's office market throughout the course of the past decade has been largely stable by both local and national standards. Net absorption and vacancy have both wavered on an annual basis, the latter hovering between 16% and 19% in a given year.

Much of the high-value growth in the regional economy has taken place on the Westside and in Mid-Wilshire submarkets such as Santa Monica, Hollywood and Culver City, leaving Downtown largely reliant on government, legal services and banking users that have renewed both before and during the course of the COVID-19 pandemic.

Similarly, development and sales activity has been sporadic throughout 2020 and in previous years. Only one property totaling 116,000 s.f. – the Herald Examiner Building – is currently being renovated for office use, although a number of proposals exist in the Arts District for creative and adaptive reuse aimed at tech and artistic tenants such as Honey, which established its headquarters at the former Coca-Cola Building in 2018.

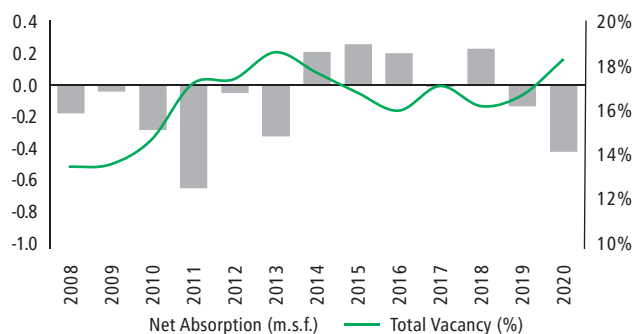
From a sales perspective, Silverstein made headlines with its deeply discounted acquisition of the U.S. Bank Tower from OUE for \$430 million, while 915 Wilshire also switched hands.

Outlook

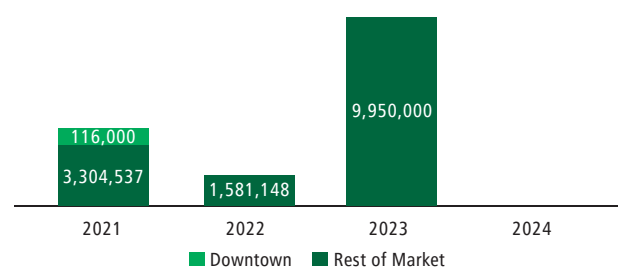
Downtown Los Angeles' short- and long-term trajectory will remain broadly focused on its booming multi-family market, with numerous large-scale developments underway and in planning. This will catalyze future boutique office

Overall Market Statistics		Forecast
YTD net absorption (s.f.)	(4,305,819)	✓
Under construction (s.f.)	6,044,795	✓
Total vacancy (%)	16.3%	^
Sublease vacancy (s.f.)	6,512,324	^
Asking rent (\$ p.s.f.)	45.48	>
Concessions	Rising	^

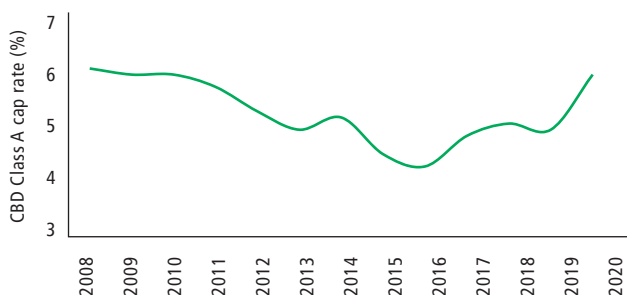
CBD Demand had already been Wavering Pre-Pandemic



Only One Building is under Construction in the Cbd



Class A Cap Rates are Rising, but may Moderate in 2021



development in the form of adaptive reuse for companies taking advantage of a growing nearby residential population, but corporate-grade new construction is unlikely. Firms based on the Westside may set up satellite offices Downtown for de-densification purposes, but the amount of demand for this is currently unclear.

INDEPENDENT MARKET REPORT

By JLL as of 31 December 2020

New Jersey (Hudson Waterfront and the Meadowlands)



The Tri-State Area's high cost of living, domestic movement of corporate jobs to the South and Mountain West and the fallout from tax reform passed in 2017 continue to catalyze out-migration.

Intra-market migration to the suburbs is causing demand for new housing and will help to ameliorate the state and many of its municipalities' strained revenue bases.

The local office market, however, has gained relatively little from potential relocations out of New York City as companies opt to help remote workers set up home offices in lieu of establishing satellite locations.

Conditions remain overwhelmingly tenant favorable, as has been the case throughout the current cycle. 847,575 s.f. of negative net absorption pushed Hudson Waterfront vacancy to a record 23.3%.

Office Market Trends

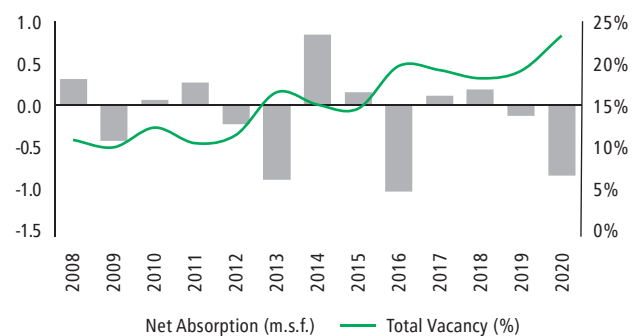
The local office market, unlike the housing market, has gained relatively little from potential relocations out of New York City as companies opt to help remote workers set up home offices in lieu of establishing satellite locations. Leasing activity instead was driven by financial and insurance renewals in Jersey City as well as being one of the targets of AIG's Tri-State Area consolidation into two Manhattan offices and one Jersey City location at 30 Hudson Street. Nearby, BNP Paribas renewed 188,000 s.f. at 525 Washington Boulevard, while Hartz Mountain Industries relocated within Secaucus to a more mixed-use location.

Conditions remain overwhelmingly tenant favorable, as has been the case throughout the current cycle. 847,575 s.f. of negative net absorption pushed Hudson Waterfront vacancy to a record 23.3%, having incrementally risen over the past decade despite modest employment and population growth. On the other hand, occupancy barely budged in the Meadowlands, leading vacancy to stay stable at 23.5% at year-end. In the absence of meaningful new development apart from the Offices at Maxwell Place in Hoboken, oversupply is less of a concern as much as continued consolidation or move-outs as part of wider relocations.

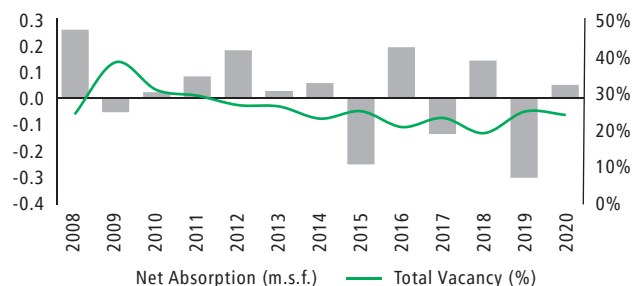
The sale of 545 Washington Boulevard to Harbor Group from LeFrak, which had already disposed of a number of assets in 2019, was by far the most notable sale of the year, followed by the trade of the Liberty Innovation Center. Investment is likely to be subdued given anemic local office market fundamentals and muted tenant demand to improve cash flows and boost rents, although investors may find that this is a time for opportunistic acquisitions.

Overall Market Statistics		Forecast
YTD net absorption (s.f.)	(3,970,767)	✓
Under construction (s.f.)	162,700	>
Total vacancy (%)	25.6%	^
Sublease vacancy (s.f.)	6,014,303	^
Asking rent (\$ p.s.f.)	29.04	✓
Concessions	Rising	^

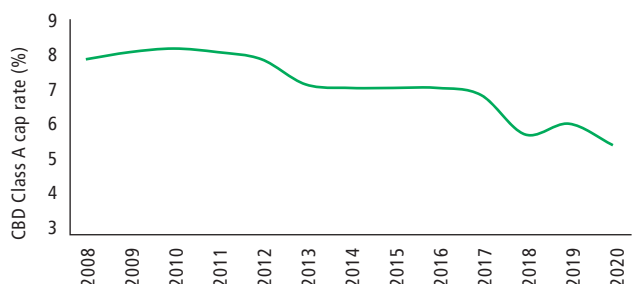
Hudson Waterfront Vacancy Hit A New High in 2020



Meadowlands Vacancy Approaching 25% ss Losses Mount



Class A Cap Rates are Hovering around 5.5%



Outlook

Compared to New York City, the Hudson Waterfront and Meadowlands submarkets have been relatively stable in recent years, reducing the office-related fallout from COVID-19. Activity may, however, be induced as the state's incentives program has been revamped and could attract cost-conscious tenants.

Northern Virginia (Fairfax Center and Fairfax City)



Insulated by the federal government, unemployment peaked in April 2020 at 9.8%, making it one of the lowest peak levels of unemployment among primary geographies.

Northern Virginia had emerged in recent years as a leader in regional economic growth with renewed focuses on defense – in particular cybersecurity – and professional services and consulting related to contracting.

These strengths and their geographic inelasticity will be critical in ensuring that Northern Virginia recovers more quickly than peer markets.

In 2020, Fairfax's leasing activity was dominated by renewals from government and defense users, with overall volumes well below historic norms.

Office Market Trends

Fairfax Center and Fairfax City continue to grapple with aging inventory and consolidation of activity into distinct nodes such as the Toll Road, the Rosslyn-Ballston Corridor and National Landing. As a result, occupancy losses occurred nearly 1.9x faster in Fairfax than the broader Northern Virginia market (-3.0% vs. -1.6% of inventory), pushing vacancy to 23.3% in the process. Although Northern Virginia's Class A market saw occupancy losses of just -0.2% over the course of the year, the relative dearth of quality space meant that the flight to quality characteristic of relocating users during the pandemic was not realized in Fairfax.

In 2020, Fairfax's leasing activity was dominated by renewals from government and defense users, with overall volumes well below historic norms. Owing to re-entry planning uncertainties as well as the submarkets' tenant profiles, there was no large leasing in 2020, further subduing activity from baseline expectations. Investment was slightly more active as \$133.9 million in office assets across five sales traded hands, however, and pricing was consistent in the \$125-\$275 p.s.f. range.

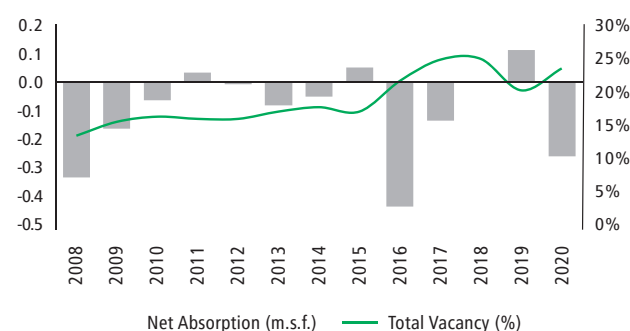
Outlook

Congressional alignment bodes well for office activity and investment in Metro DC and in particular Northern Virginia, which will likely aid the market in its recovery beginning later in 2021 as appropriations and procurement are more fully fleshed out. A sustained emphasis on cybersecurity and intelligence efforts may lead to overspill in Fairfax given corporate parks' greater inherent levels of security.

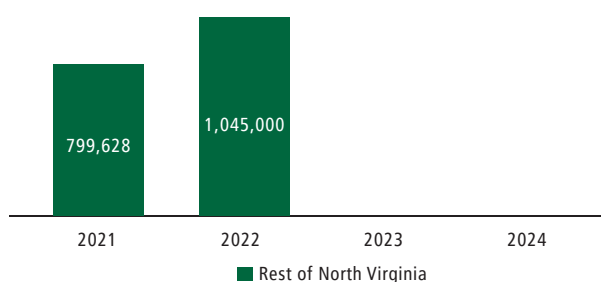
At the same time, shifting tenant preferences and the need for space that focuses on top-of-the-line ventilation and wellbeing amenities along with greater connectivity and

Overall Market Statistics		Forecast
YTD net absorption (s.f.)	(2,427,139)	✓
Under construction (s.f.)	1,868,429	✓
Total vacancy (%)	20.0%	^
Sublease vacancy (s.f.)	1,845,717	^
Asking rent (\$ p.s.f.)	35.79	>
Concessions	Rising	^

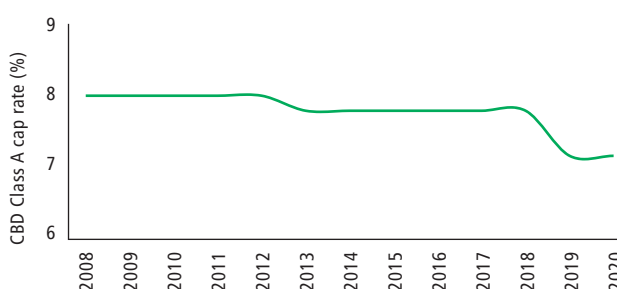
Vacancy Continued its Pre-Pandemic Upward Trend



New Construction has Shifted away from Fairfax



Class A Cap Rates have had little Movement this Cycle



access will be roadblocks for more holistic growth in Fairfax. Investors may find value in repurposing older campuses for educational, government or medical use, which will help to reduce supply and, in turn, vacancy rates.

INDEPENDENT MARKET REPORT

By JLL as of 31 December 2020

Orange County (Irvine)



- Compared to the neighboring markets of Los Angeles and San Diego, Orange County has withstood the economic brunt of COVID-19 in a more resilient manner.
- The county also benefits from less reliance on international tourism and visitors and a greater share of economic output coming from growth sectors such as automation, semiconductor manufacturing and finance.
- Orange County has a number of macroeconomic and demographic issues that need to be addressed to ensure longer-term growth.
- Occupancy fell by just 1% in 2020 compared to 1.7% for Orange County as a whole, while Irvine's 14.5% vacancy rate is 60 basis points below the county average.
- Irvine will particularly reap the rewards of its established innovation ecosystem comprised of numerous educational and research incubators and institutions.

Office Market Trends

Irvine and Irvine Spectrum's tenant bases focused on high-value engineering, tech, automation and banking are keeping fundamentals healthy in the context of current public health concerns. Occupancy fell by just 1% in 2020 compared to 1.7% for Orange County as a whole, while Irvine's 14.5% vacancy rate is 60 basis points below the county average. The rent premium for space in these submarkets has diminished slightly, but is still strong at 4.9%.

From a leasing perspective, Panasonic Avionics led all activity as it relocated its headquarters to 222,150 s.f. at Park Place from its previous home in Lake Forest. Elsewhere, transactions were mostly short-term extensions from tech, hedge funds and health services tenants in an effort to delay decision-making.

Two projects are currently under construction in Irvine, both being developed by the Irvine Company, and make up the majority of 2021 deliveries in Orange County and a significant portion of the entire pipeline. With only one anchor tenant, these will lead to a short-term bump in vacancy, but this should abate as Irvine remains at the core of the region's economy and office market, being a prime choice for new and expanding tenants.

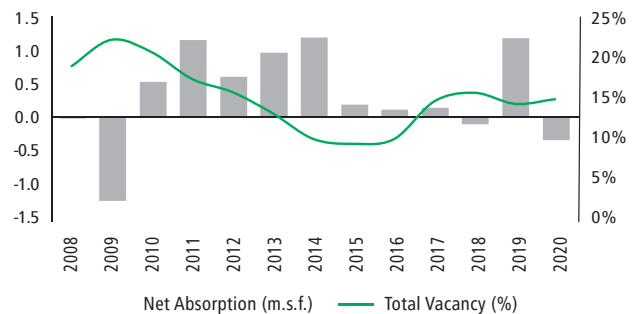
On the other hand, the market saw little in the way of investment sales, a temporary slump before renewed sales volume likely to be realized starting in mid-2021.

Outlook

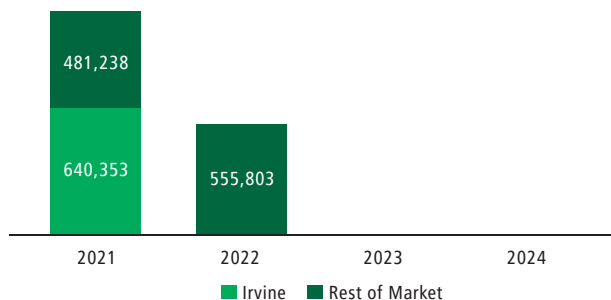
Orange County's economic base, lower volatility and cost advantages when compared to Los Angeles will result in a

Overall Market Statistics		Forecast
YTD net absorption (s.f.)	(1,658,458)	>
Under construction (s.f.)	1,021,209	✓
Total vacancy (%)	15.1%	^
Sublease vacancy (s.f.)	1,314,885	^
Asking rent (\$ p.s.f.)	36.48	>
Concessions	Rising	^

Net Absorption was Negative, but only Moderately so



No New Construction in Irvine will Allow for Tightening



Class A Cap Rates Compressed Slightly in 2020



more traditional recovery trajectory. Irvine will particularly reap the rewards of its established innovation ecosystem comprised of numerous educational and research incubators and institutions, remaining attractive for growth-oriented companies.

Sacramento (Overall)



Sacramento's government-heavy economic profile provides significant insulation from downturns and a buffer against greater volatility.

Lower real estate costs and proximity to the Bay Area are likely to influence movement into the market as users with flexible work opportunities seek affordable housing and reduced commute.

A lack of meaningful new supply delivering over the past decade means that Sacramento has a dearth of Trophy or Class A+ space, which will keep fundamentals more in check.

Government, health and education users dominated leasing activity throughout the year.

Sacramento is likely to come out of COVID-19 less scathed than other West Coast office markets, buoyed by a counter-cyclical and heavily credit-worthy tenant base.

Office Market Trends

Throughout 2020, Sacramento saw 624,784 s.f. of negative net absorption, which was mostly attributable to direct (-477,105 s.f.) rather than sublease (-147,649 s.f.) occupancy declines, unlike many other markets. Equating to 1.4% of inventory, this is 50 basis points slower than the rate of occupancy loss nationally and far more resilient than San Francisco, Los Angeles, Orange County and the suburban Bay Area. As a result, vacancy only rose to 13.8%; in context, peak vacancy during the financial crisis was 24.8%. Asking rents are still trending upwards, but rising concessions are leading to flat and in some cases falling effective rents.

In line with expectations, government, health and education users dominated leasing activity throughout the year. The U.S. Army Corps of Engineers, Covered California and the California Department of Employment all renewed their footprints for a combined total of 611,857 s.f., while the UC Davis Health System relocated to Capital Center II in Rancho Cordova.

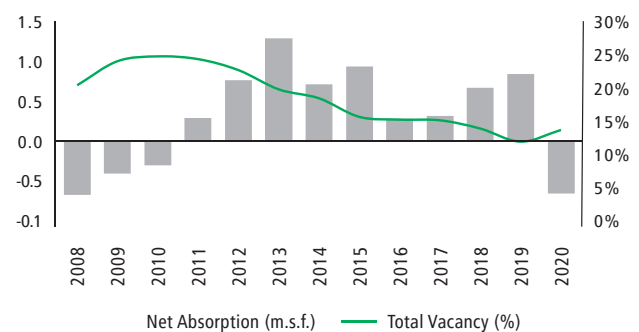
Two assets – Park Tower in the CBD and the HPE Campus in Roseville – traded hands for more than \$100 million in 2020, with a combined value of \$266.5 million and pricing of nearly \$350 p.s.f. for the former. These deals were complemented by a slew of smaller (sub-\$30 million) transactions. On the other hand, construction activity is now non-existent; this will keep fundamentals in check over the short-term, although demand remains for quality space in both urban and suburban submarkets.

Outlook

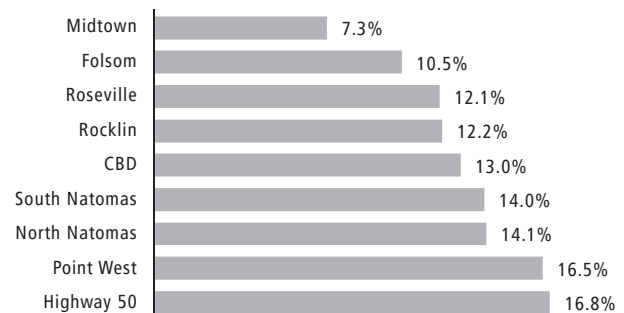
Sacramento is likely to come out of COVID-19 less scathed than other West Coast office markets, buoyed by a counter-

Overall Market Statistics		Forecast
YTD net absorption (s.f.)	(658,230)	>
Under construction (s.f.)	0	>
Total vacancy (%)	13.9%	^
Sublease vacancy (s.f.)	397,223	^
Asking rent (\$ p.s.f.)	26.28	>
Concessions	Rising	^

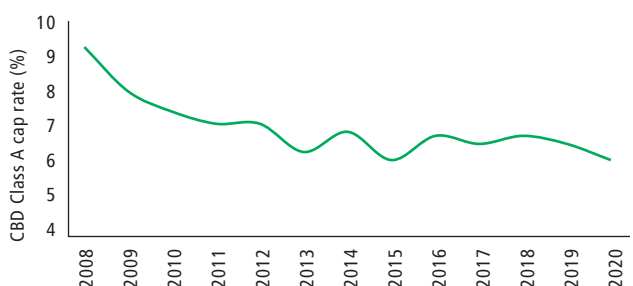
Little New Supply is Keeping Fundamentals in Check



Vacancy Remains Under 15% in most Submarkets



Class A Cap Rates have Dipped only Slightly in Recent Years



cyclical and heavily credit-worthy tenant base. Migration from more expensive geographies could provide some additional room for runway, but will be dependent upon the longer-term viability of satellite offices and how companies handle office re-entry.

INDEPENDENT MARKET REPORT

By JLL as of 31 December 2020

Washington, D.C. (CBD)



- Metro DC unemployment peaked in April 2020 at 9.8%, making it one of the lowest peak levels of unemployment among primary geographies.
- DC's squeezed federal and consulting employment base has outweighed its nascent tech sector.
- 2.3 m.s.f. of deliveries over the past three years and COVID-19 induced give-backs, have exerted significant upward pressure on vacancy.
- Landlords have responded with a 2.9% decrease in average asking rents and TI allowances routinely exceeding \$150 p.s.f. for Class A assets.
- Vacancy will remain elevated in the CBD and throughout most of the DC core.

Office Market Trends

Despite Washington, D.C.'s traditionally counter-cyclical office trends, multiple years of rightsizing from legal, consulting and professional services firms, combined with 2.3 m.s.f. of deliveries over the past three years and COVID-19-induced give-backs, have exerted significant upward pressure on vacancy. Total vacancy at year-end 2020 reached 18.2%, a 440-basis-point rise over the year.

Compared to other gateway geographies, this was barely the result of rising sublease space, but rather planned relocations from tenants to new supply and the remaining blocks in these buildings being available directly. Landlords have responded with a 2.9% decrease in average asking rents and TI allowances routinely exceeding \$150 p.s.f. for Class A assets.

The Federal Reserve's three-part, 375,476-s.f. renewal at International Square dominated CBD transactions in 2020 and was supplemented by Wiley Rein relocating to Tishman Speyer's recently delivered 2050 M Street NW, joining Paul Hastings as another law firm moving there this year. Leasing in 2021 will also be subdued, in part because a large share of firms have already relocated in recent years, pushing subsequent expirations to the 2030s.

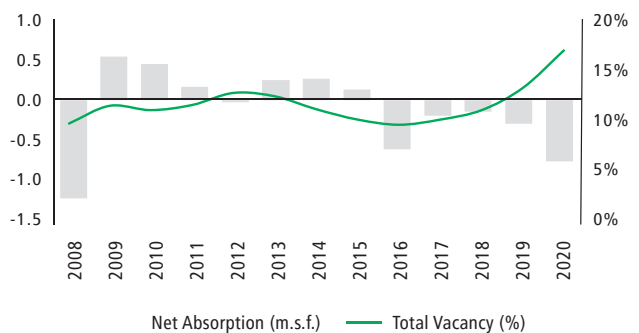
Two speculative developments – 2100 Pennsylvania Avenue NW and 2100 L Street NW – are currently under construction in the CBD. Both have anchor tenants, but their delivery will lead to a net increase in vacancy as these are from relocating users who will be giving back a greater amount of space than they plan to take on.

Outlook

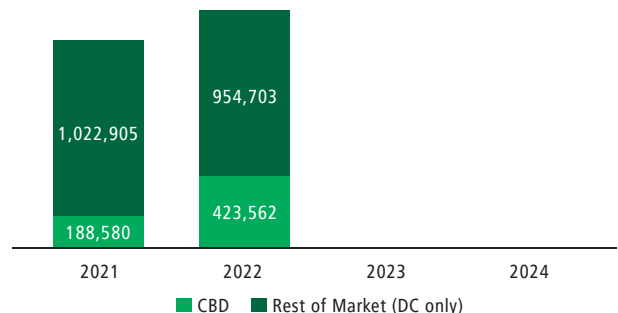
Vacancy will remain elevated in the CBD and throughout most of the DC core for the foreseeable future in the absence of key growth drivers from an office demand standpoint and a gradual re-entry to the workplace.

Overall Market Statistics		Forecast
YTD net absorption (s.f.)	(1,281,491)	✓
Under construction (s.f.)	2,694,750	✓
Total vacancy (%)	15.8%	⬆
Sublease vacancy (s.f.)	2,233,431	⬆
Asking rent (\$ p.s.f.)	59.42	➤
Concessions	Rising	⬆

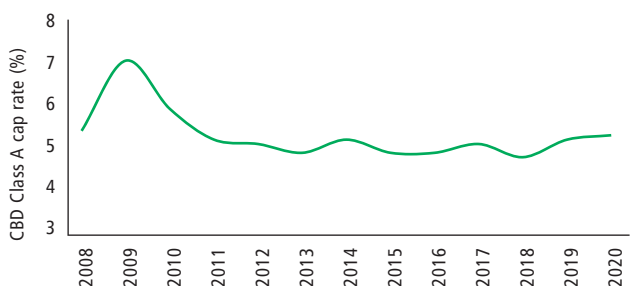
Vacancy Rose by 440Bp in 2020 to A Record 18.2%



All New Supply will Deliver by 2022



Class A cap rates see little movement without large deals



Local policy to accelerate the repurposing of obsolete office space for residential use has gained steam and may help to alleviate vacancy rates and stem future occupancy losses.

Leasing Activity				
Tenant	Address	Class	Lease Type	Size (s.f.)
Atlanta (Buckhead and Midtown)				
Microsoft	Atlantic Yards	A	New lease	523,511
Macy's	383 17 th Street NW	A	New lease	107,712
JLL	3344 Peachtree Road NE	Trophy	Renewal	105,396
Ameris	3500 Piedmont Road NE	A	Expansion	58,847
Ameris	3490 Piedmont Road NE	A	Blend and extend	51,000
DLA Piper	One Atlantic Center	Trophy	Renewal	46,195
Los Angeles (Downtown)				
LA Dep't of Water and Power	233 S Beaudry Avenue	A	Relocation	132,000
Morgan Lewis	One California Plaza	Trophy	Renewal	92,044
Pillsbury	725 S Figueroa Street	Trophy	Relocation	66,000
Wells Fargo	Aon Center	A	Expansion	65,610
Latham & Watkins	Gas Company Tower	Trophy	Renewal	50,000
Alliant	Bank of America Plaza	Trophy	Renewal	40,048
New Jersey (Hudson Waterfront and the Meadowlands)				
AIG	30 Hudson Street	A	Relocation	227,852
BNP Paribas	525 Washington Boulevard	A	Renewal	188,000
Hartz Mountain Industries	500 Plaza Drive	A	Relocation	52,580
News America Marketing	545 Washington Boulevard	A	New lease	42,643
AXA	500 Plaza Drive	A	Renewal	41,465
Snow Joe	221 River Street	A	New lease	40,000
Northern Virginia (Fairfax Center and Fairfax City)				
Fairfax County Board of Supervisors	10777 Main Street	C	Renewal	61,563
Avixa	11242 Waples Mill Road	C	Renewal	28,993
Teoco	12150 Monument Drive	A	Renewal	25,724
MAG Aerospace	12730 Fair Lakes Circle	A	Renewal	25,454
Commonwealth of Virginia	10680 Main Street	C	New lease	20,701
Tiber Creek Consulting	12015 Lee Jackson Highway	B	Renewal	19,926
Orange County (Irvine)				
Panasonic Avionics	Park Place	A	Relocation	222,150
American Advisors	Irvine Towers	A	Renewal	61,368
Mobilityware	440 Exchange	B	Renewal	50,000
Smile Brands	100 Spectrum Center	A	Renewal	49,722
Intercontinental Capital	400 Spectrum Center	A	Relocation	44,534
Microchip Technology	165 Technology Drive	B	New lease	43,920

INDEPENDENT MARKET REPORT

By JLL as of 31 December 2020

Leasing Activity (CONT'D)					
Tenant	Address	Class	Lease Type	Size (s.f.)	
Sacramento (Overall)					
U.S. Army Corps of Engineers	1325 J Street	A	Renewal	230,319	
UC Davis Health	10850 White Rock Road	A	New lease	194,150	
Covered California	1601 Exposition Boulevard	B	Renewal	123,417	
Centene	10730 International Drive	A	Renewal	104,569	
State of California Dep't of Employment	9815 Goethe Road	B	Renewal	80,000	
Centene	10734 International Drive	A	Renewal	73,552	
Washington, D.C. (CBD)					
Federal Reserve	1850 K Street NW	B	Renewal	188,005	
Wiley Rein	2050 M Street NW	Trophy	Relocation	166,250	
Federal Reserve	1825 I Street NW	B	Renewal	106,040	
Wilson Sonsini	1700 K Street NW	A	Renewal	100,000	
Federal Reserve	1875 I Street NW	B	Expansion	81,431	
U.S. Secret Service	1111 18 th Street NW	B	Renewal	74,234	
Office sales					
Building	RBA (s.f.)	Sales price (\$)	Price (\$ p.s.f.)	Buyer	Seller
Atlanta (Buckhead and Midtown)					
3328 Peachtree Road NE	33,407	\$21,200,000	\$635	Renasant	Origin/Steel
Los Angeles (Downtown)					
U.S. Bank Tower	1,371,483	\$430,000,000	\$314	Silverstein	OUE
915 Wilshire Boulevard	376,000	\$196,000,000	\$521	Deka	Lincoln
821 Traction Avenue	20,389	\$16,500,000	\$809	-	-
Farmers & Merchants Building	16,446	\$8,200,000	\$499	Main Street Trading	Gilmore
1143 S Hope Street	14,543	\$7,900,000	\$543	Neama Rahmani	California Group
New Jersey (Hudson Waterfront and the Meadowlands)					
545 Washington Boulevard	866,706	\$372,800,000	\$430	Harbor	LeFrak
Liberty Innovation Center	300,000	\$94,500,000	\$315	Thor	Prudential
43 Meadowlands Parkway	113,145	\$7,500,000	\$66	Moshe Yan	Hartz Mountain
Northern Virginia (Fairfax Center and Fairfax City)					
1 Fair Oaks Plaza	214,214	\$58,000,000	\$271	Tritower	Beacon
Pender Business Park	170,940	\$25,100,000	\$147	Jill Martin	OPIT
3920 Pender Drive	83,130	\$23,000,000	\$277	Wash. Alliance Capital	OPIT
4375 Fair Lakes Court	73,133	\$17,600,000	\$241	Global Medical REIT	Jill Martin
10366 Democracy Lane	82,818	\$10,200,000	\$123	Capstone	Courthouse Plaza One
Orange County (Irvine)					
Broadcom HQ	660,900	\$355,000,000	\$537	PRP	Fivepoint
Pacifica Irvine Spectrum	110,400	\$43,000,000	\$389	Meridian/Harrison St	BlackRock
111 Pacifica	67,500	\$26,200,000	\$387	Toda	Canopi
Von Karman Tech Center	100,461	\$25,400,000	\$253	Dayani	KBS
2405-2445 McCabe Way	89,479	\$21,000,000	\$234	Mlink	Swift

Office sales (CONT'D)					
Building	RBA (s.f.)	Sales price (\$)	Price (\$ p.s.f.)	Buyer	Seller
Sacramento (Overall)					
Park Tower	481,885	\$165,000,000	\$342	Prime US	Hines/GEM
HPE Campus	447,364	\$101,500,000	\$227	Dimah	Stonemont
Lava Ridge Business Center	138,836	\$29,900,000	\$215	KB Exchange Trust	Barker Pacific
3010 Lava Ridge Court	139,000	\$29,300,000	\$211	Kingsbarn	Barker Pacific
2891 Douglas Boulevard	110,791	\$29,200,000	\$264	Kingsbarn	Barker Pacific
Arena Gateway	85,153	\$28,100,000	\$330	New York Life	Swift
Washington, D.C. (CBD)					
1899 Pennsylvania Avenue NW	195,545	\$92,200,000	\$472	MRP/Sterling Bay/GSS	Paramount
1129 20 th Street	176,000	\$84,800,000	\$482	Monument	Prologis
1301 Connecticut Avenue NW	63,400	\$32,500,000	\$512	Alduwaliya	Shorenstein
Active development pipeline					
Building	Developer	Spec/BTS	Completion	Size (s.f.)	Anchor
Atlanta (Buckhead and Midtown)					
Norfolk Southern HQ	Cousins	BTS	2021	750,000	Norfolk Southern
1105 West Peachtree Street NW	Selig	Speculative	2021	679,153	Google, Smith Gambrell
Midtown Union	Granite	Speculative	2022	612,947	Invesco
Atlantic Yards	Hines	Speculative	2021	523,511	Microsoft
712 West Peachtree Street NW	Portman	Speculative	2021	488,628	-
1 Phipps Plaza	Simon	Speculative	2021	340,000	-
Los Angeles (Downtown)					
Herald Examiner Building	Georgetown	Speculative	2022	470,000	ASU Enterprise Partners
New Jersey (Hudson Waterfront and the Meadowlands)					
The Offices at Maxwell Place	Toll Brothers	Speculative	2021	110,700	-
Orange County (Irvine)					
Spectrum Terrace	Irvine Company	Speculative	2021	344,353	TGS
Innovation Park	Irvine Company	Speculative	2021	296,000	-
Washington, D.C. (CBD)					
2100 Pennsylvania Avenue NW	Boston Properties	Speculative	2022	423,562	WilmerHale
2100 L Street NW	Akridge	Speculative	2021	188,580	Morrison & Foerster

Disclaimer: Methodology

JLL leverages proprietary leasing data with a blend of public, government-issued and third-party sources to produce our economic and market reports.

Office inventory spans 50+ U.S. local markets and is generally limited to investment-grade assets larger than 30,000 s.f., excluding medical office and owner-occupied assets.

Net absorption is recognized upon lease commencement and/or physical move-in, not lease sign date. Vacancy is recognized upon physical move-out or lease expiration date, not the time at which space is advertised for lease.

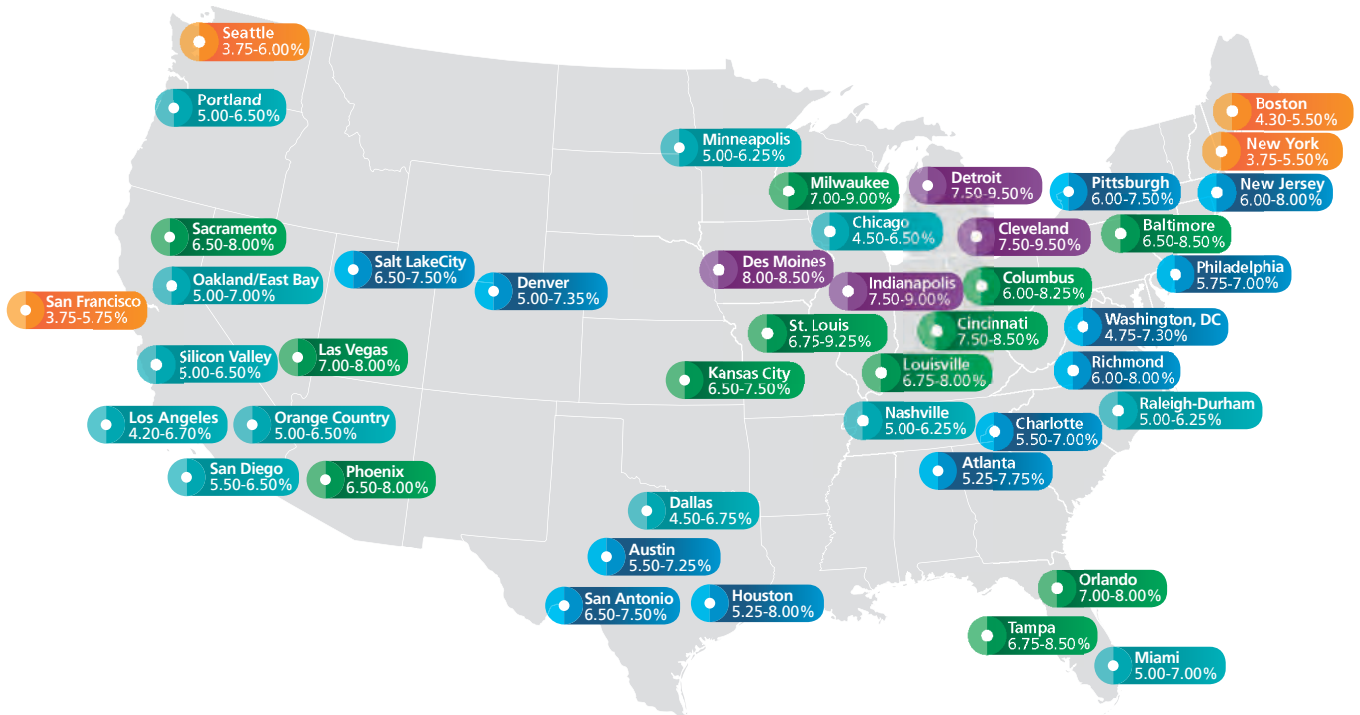
All sources are deemed reliable, but in some cases, information cannot be independently verified.

INDEPENDENT MARKET REPORT

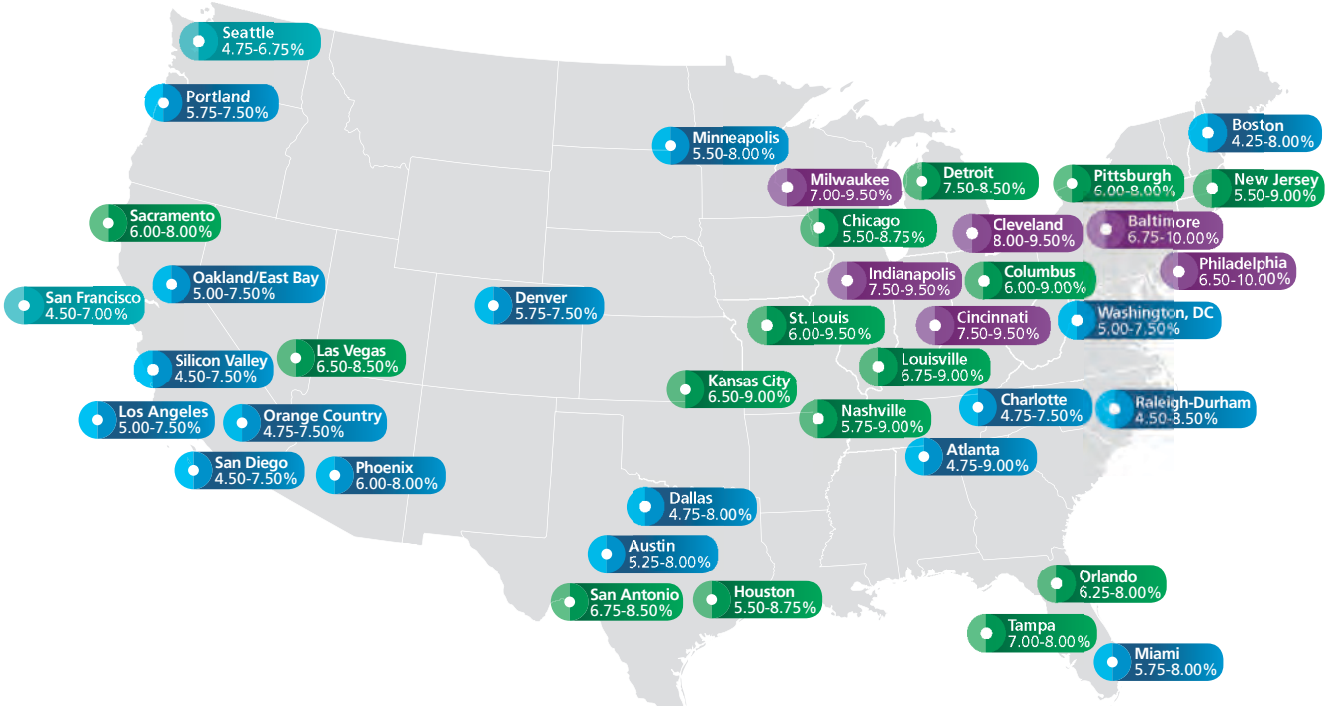
By JLL as of 31 December 2020

Cap Rates By Market

CBD Class A Cap Rates by Market



Suburban Class A Cap Rates by Market



INVESTOR AND MEDIA RELATIONS

The Manager remains committed to proactively engage the investment community with timely and transparent disclosures in order to create long-term value for its Unitholders.

Stakeholder Engagement

In line with MUST's half-yearly distributions, the REIT moved to half-yearly financial reporting in 2020 while providing quarterly operational updates. Moving away from quarterly reporting allows the Manager to engage investors more frequently with less blackouts and focus on the strategy of the REIT.

MUST provides regular updates using IR tools such as press releases, presentation slides, website, webinars, social media, meetings, conference calls and annual/sustainability reports. All announcements are issued in a timely manner through the SGXNet, uploaded on MUST's website and disseminated via email alerts to its subscribers. Unitholders can contact the Manager via dedicated IR email and hotline found on its website.

IR in a World of COVID-19

The world was shaken with the emergence of COVID-19 in 1Q2020. Like most firms, the Manager was unable to meet with investors physically both locally and overseas. With strict social distancing measures in place globally, the IR team adapted swiftly in its engagement with the investment community through its 2Rs strategies.

1. Reinforce Proactive Engagement

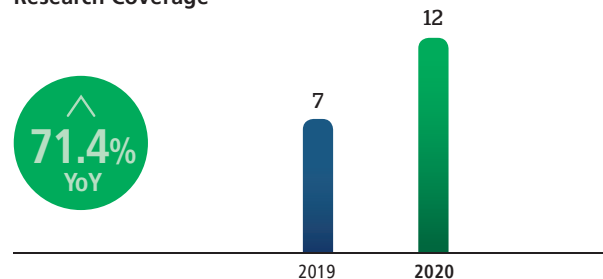
In the face of any crisis or uncertainty, the timeliness and frequency of communication becomes paramount for investors. During the pandemic, the Manager increased the frequency of its engagement with the investment community through virtual non-deal roadshow/conferences, panel discussions, 1-on-1 meetings, calls and engaged more than 1,700 analysts, media and investors (+24.0% YoY).

In 2020, MUST also witnessed the higher demand of information flow of its portfolio. Analysts were provided a spreadsheet of MUST's past financial and operational data in order to aid them in their financial modelling. Together with the Manager's rigorous updates and continuous engagement, the REIT had five new research coverage in 2020, bringing a total of 12 research houses covering MUST.

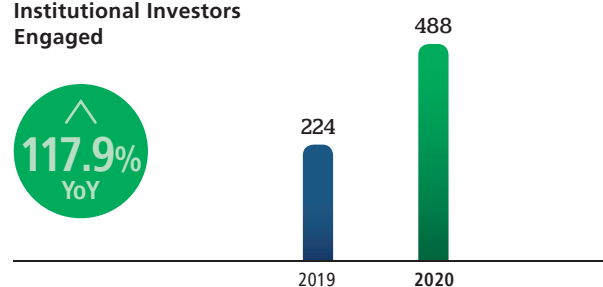
Being recognised as thought leaders in the U.S. real estate and IR industry, the Manager was invited to speak at various virtual panel discussions/conferences. The discussion topics included the future of office and the REIT's journey into the FTSE EPRA Nareit Index which were attended by investors and IR professionals.

The volatility of the stock market was heightened by the U.S. election in 4Q2020 which were followed closely by investors globally. Post-election, the IR team as part of its thought leadership initiative organised a webinar

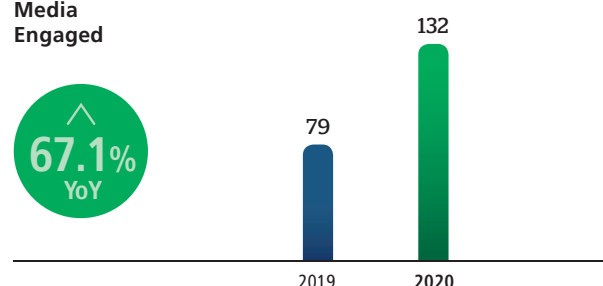
Research Coverage



Institutional Investors Engaged



Media Engaged



and invited CBRE to share their views on the U.S. office market. The event was hugely successful and attended by close to 70 institutional investors, analysts, media and staff. More information can be found under the External Relations section in the Sustainability Report.

2. Reinvent Communication Tools – Living in a Digital World

One of the biggest challenges during this period was the inability to meet with investors face to face. The Manager had to think out of the box and expanded its communication toolkit with greater use of technology such as webinars, live chats, social media and videos to engage its stakeholders. The advantage of living in a digital world allowed the Manager to engage and meet with close to 500 institutional investors (+117.9% YoY), and 130 media (+67.1% YoY). Efforts to engage the retail investors resulted in collaborations with journalists/financial bloggers through webinars, videos and radio interviews.

Despite the physical limitations of meeting the analysts and media, MUST showed its appreciation by sending out GrabFood e-vouchers as part of the REIT's fourth year anniversary.

INVESTOR AND MEDIA RELATIONS

On 18 May 2020, MUST convened its fourth AGM virtually, the first amongst the SREITs. The live-streaming allowed Unitholders to watch the proceedings online. Unitholders were encouraged to send their questions either electronically or by post, together with their proxy forms. The REIT received a total of 70 questions which were grouped into topics and addressed during the presentation via a Q&A format. To promote greater transparency, all materials, submitted questions, resolutions and minutes of the AGM were announced and published on SGXNet and made available on its website at www.manulifeusreit.sg.

Though 2020 was a challenging year, MUST's relentless push for IR and governance excellence yielded results as shown in the Awards and Accolades table on page 55.



Live from LA

Travel was at a standstill in 2020 with the outbreak of the pandemic. MUST produced a short video – 'Live from LA' to bring U.S. to the investment community as seeing is believing.



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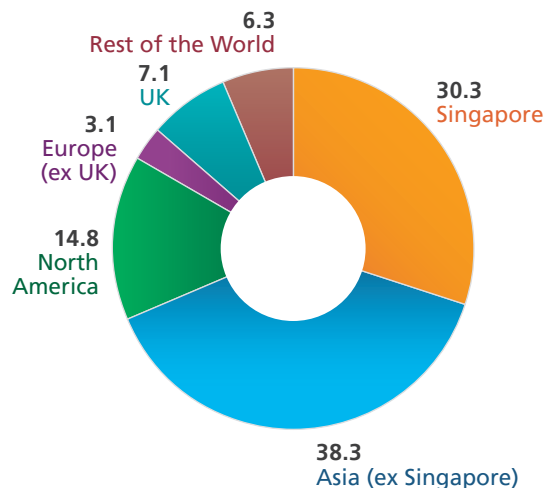


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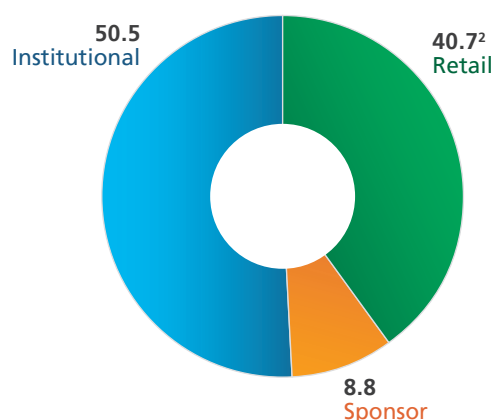


to view
the video

Unitholders by Geography¹ (%)



Unitholders by Type (%)



Note: Amounts may not sum to 100.0% due to rounding.

Analysts Coverage

1	Bank of Singapore (New)
2	CGS-CIMB Research
3	Citi Research (New)
4	CLSA Singapore
5	Credit Suisse (New)
6	DBS Bank Ltd
7	KGI Securities
8	Lim & Tan Securities
9	Maybank Kim Eng Research
10	Phillip Securities (New)
11	RHB Securities Singapore
12	UOB Kay Hian (New)

¹ Excludes unidentified and unanalysed holdings.

² Includes high net worth investors.

Awards and Accolades



Inclusion in Key Indices

- GPR General (World) Index
- GPR General ex-US Index
- GPR General Far East Index
- GPR General Singapore Index
- GPR General Quoted (World) Index
- GPR General Quoted ex-US Index
- GPR General Quoted Far East Index
- GPR General Quoted Singapore Index
- GPR/APREA Composite Index
- GPR/APREA Composite Singapore Index
- GPR/APREA Composite REIT Index
- GPR/APREA Composite REIT Singapore Index
- GPR/APREA Investable REIT 100 Index
- GPR/APREA Investable REIT 100 Singapore Index
- GPR LFFS Sustainable GRES Index
- FTSE EPRA Nareit Developed Index
- FTSE EPRA Nareit Green Real Estate Index
- iEdge S-REIT Index
- iEdge SG ESG Leaders Index
- iEdge SG ESG Transparency Index
- iEdge SG Real Estate Index
- Solactive CarbonCare Asia Pacific Green REIT Index NTR

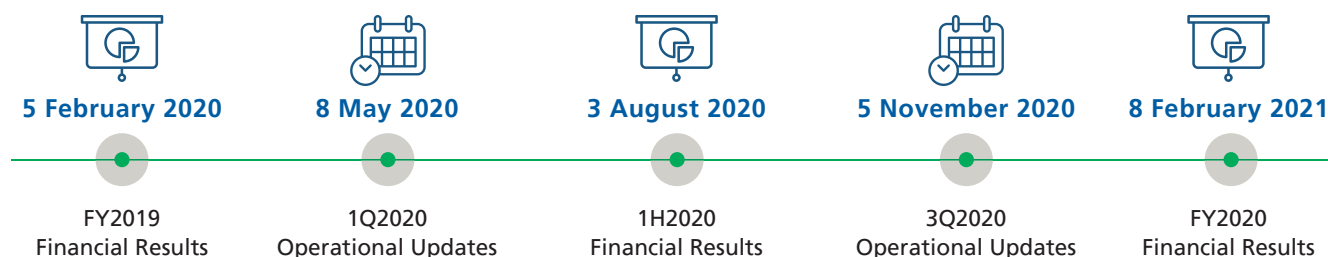
IR Contact

For any feedback and inquiries, please contact:

Ms Caroline Fong,
Chief IR and Capital Markets Officer
Email: carol_fong@manulifeusreit.sg

INVESTOR AND MEDIA RELATIONS

Calendar of Events



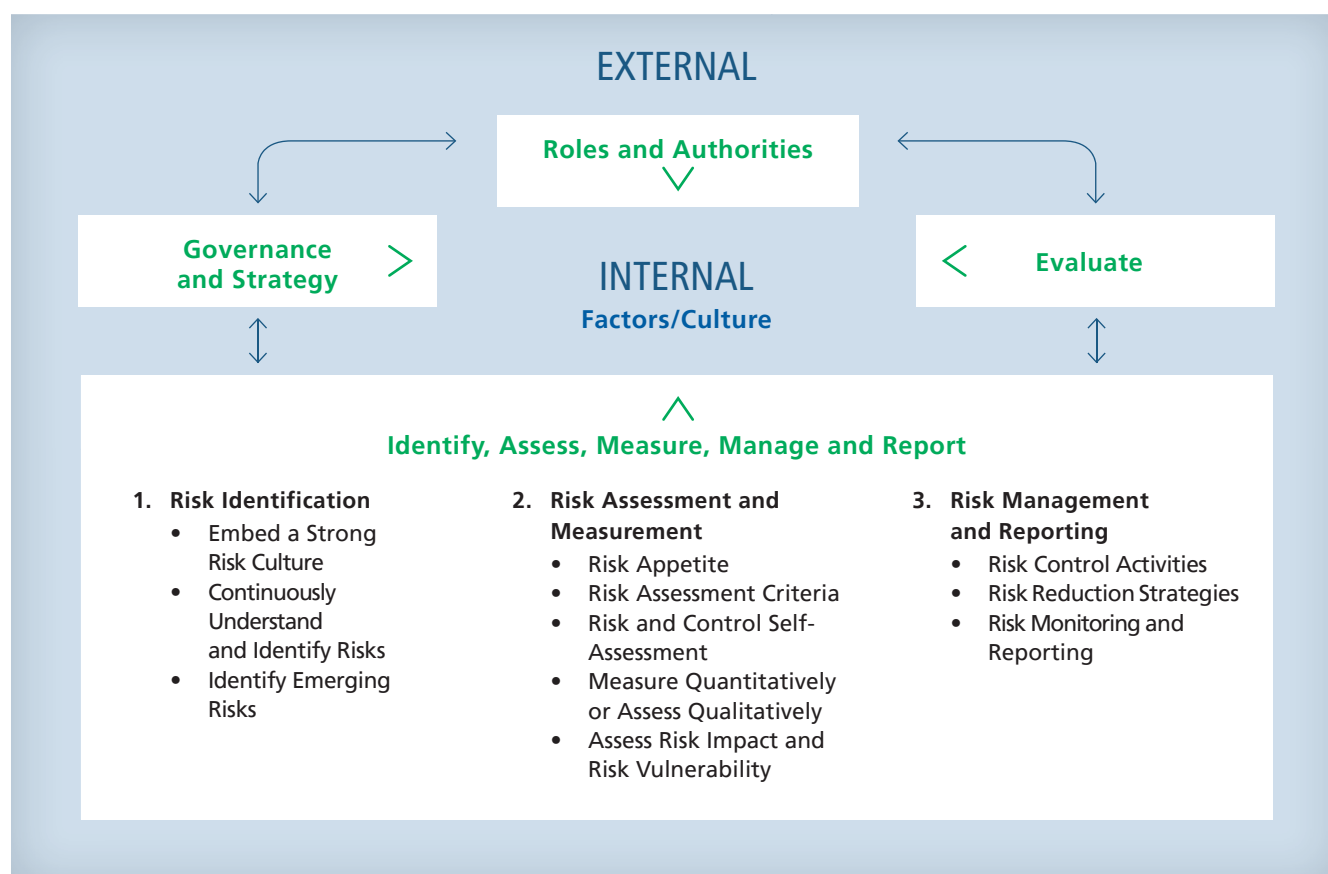
Date	Events
1 st Quarter	7 Jan DBSV Pulses of Asia, Singapore
	5 Feb FY2019 Financial Results: Analyst Briefing
	5 Feb FY2019 Financial Results: Media Luncheon
	6 Feb FY2019 Financial Results: Investor Luncheon
	11 Feb Non-deal Roadshow (NDR), Bangkok
	24 Mar COVID-19 Updates: Analysts, Media and Investor Call
2 nd Quarter	14 Apr U.S. Tax Call Updates: Analyst, Media and Investors
	8 May 1Q2020 Operational Updates: Analyst & Media Briefing
	8 May 1Q2020 Operational Updates: Investor Briefing
	12 May SGX-NH Securities Conference, Korea
	18 May Annual General Meeting
	23 Jun SGX-Yuanta Securities Corporate Presentation, Taiwan
3 rd Quarter	3 Aug 1H2020 Financial Results: Analyst & Media Briefing
	3 Aug 1H2020 Financial Results: Investor Briefing
	4 Aug 1H2020 Financial Results: Presentation to Phillip Securities
	19 Aug NDR, Malaysia and Bangkok
	26 Aug Citi-REITAS-SGX C-Suite Singapore REITs & Sponsor Forum
	4 Sep DBS-SGX-REITAS: Futures of Real Estate Series Conference
	9 Sep 'Ask Me Anything' Live Chat by Seedly
	14 Sep IRPAS/REITAS Panel Discussion
	24 Sep NDR, Taiwan
	30 Sep SGX-Credit Suisse Real Estate Virtual Corporate Day
	30 Sep Investor Day: Work From Home Seminar by ProButterfly
4 th Quarter	7 Oct NDR, Japan
	13 Oct MoneyFM Radio Interview
	5 Nov 3Q2020 Operational Updates: Analyst & Media Briefing
	5 Nov 3Q2020 Operational Updates: Investor Briefing
	5 Nov SREITs Corporate Day, Korea
	10 Nov REITAS-SGX Lunch Webinar
	18 Nov Thought Leadership Webinar by CBRE
	24 Nov REITAS Round Table Presentation

Note: All events from February to December 2020 were held virtually due to COVID-19.

ENTERPRISE RISK MANAGEMENT

All of MUST's activities involve elements of risk-taking. The objective is to balance the REIT's level of risk with its business, growth and profitability goals, in order to achieve consistent and sustainable performance over the long-term that benefits MUST and its Unitholders.

ERM Framework



The Manager employs an enterprise-wide approach to all risk-taking and risk management activities supporting the business objectives. Under the Enterprise Risk Management (ERM) framework, risk management strategies are established for each of the principal risks. The Manager embeds a strong risk culture and a common approach to risk management integral to the REIT's risk management practices. This allows individuals and groups to make better risk-return decisions that align with the REIT's overall risk appetite, strategic objectives and our Unitholders' requirements.

These ERM practices are influenced and impacted by internal and external

factors, which can significantly impact the levels and types of risks MUST might face in its pursuit to strategically optimise risk-taking and risk management. The Manager's ERM framework incorporates relevant impacts and mitigating actions as appropriate.

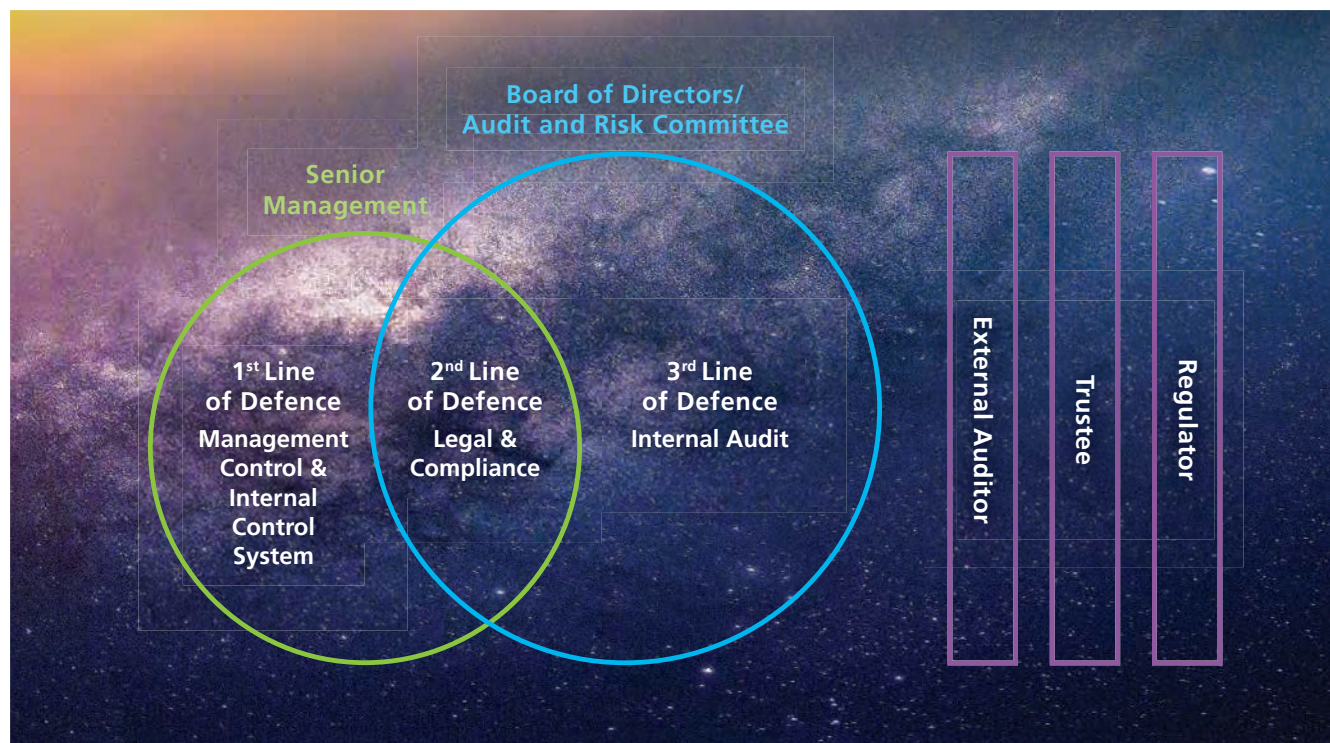
The Board is responsible for the governance of risk across the REIT and ensuring sound risk management and internal control systems. This includes the overall risk strategy based on risk appetite, risk identification, risk measurement and assessment, risk monitoring and reporting, risk control and mitigation. The Board is supported by the Audit and Risk Committee (ARC) for the oversight of risk management

and delegates this through a governance framework that is centred on the three lines of defence model:

- MUST's 1st line of defence includes the management team and respective leaders of the Manager, also referred to as business units and functional support groups. They are ultimately accountable for the risks they assume and for the day-to-day management of the risks and related controls.
- The 2nd line of defence includes the oversight functions such as the Legal and Compliance teams. The ARC also contributes to the oversight of risk-taking and risk mitigation activities.

ENTERPRISE RISK MANAGEMENT

Three Lines of Defence



- The 3rd line of defence comprises the outsourced Internal Audit team from the Sponsor, which provides independent assurance that controls are adequate, effective and appropriate relative to the risk inherent in the business, and that risk mitigation programmes and risk oversight functions are effective in managing risks.

Risk-taking activities are managed within the REIT's overall risk appetite and approved by both the ARC and the Board. Risk appetite defines the amount and types of risks MUST is willing to assume, which comprises risk philosophy, risk appetite statements and risk limits and tolerances.

This requires business units and functional support groups to identify and assess key and evolving risks arising from their activities on an ongoing

basis. A standard inventory of risks is used in all aspects of risk identification, measurement and assessment, and monitoring and reporting.

Risk limits and tolerances are reviewed on an annual basis to ensure that they remain appropriate taking into consideration MUST's overall risk objectives and risk management plans, business strategy and changing external environment.

Risk reduction strategies and activities are defined individually for each risk and can include full or partial risk offset, full risk elimination or risk reduction within limits. Financial risk mitigation tactics include ensuring aggregate risk exposures remain within MUST's risk appetite and limits. In addition, another tactic is to follow MUST's approved plans so as to reduce aggregate risk exposure and keep them within risk limits.

The identification and assessment of external environment for emerging risks plays a pivotal role in the ERM Framework. The ability to detect and adapt to changes in the environment may not only prevent problems arising but also help the Manager identify new opportunities.

The risk reporting will be presented to the ARC and the Board to highlight, but not limited to, the risk profile, risk dashboard on high risks, unresolved major risk issues and new or emerging risks. The following describes the risk management strategies to identify certain key risks.

Key Risks	Details	Key Mitigation Actions
Economic Risk	MUST may be adversely affected by economic and real estate market conditions in the U.S. These conditions may have a negative impact on the ability of tenants to pay their rents in a timely manner or to continue their leases. This in effect may reduce MUST's cash flow, which may cause a decline in rents and market value of the properties.	The Manager manages this by adopting a disciplined approach towards financial management and monitors economic developments closely.
Regulatory and Compliance Risks	- MUST is required to comply with applicable and relevant legislations and regulations that include the SGX-ST Listing Rules, International Financial Reporting Standards, SFA, Code of Collective Investment Scheme, U.S., Barbados and Singapore tax laws, regulations and rulings. - Changes in legislations and regulations including amendments to laws and regulations, legal judgements and their interpretation may impact MUST's distributable income.	- The Manager has established a compliance monitoring programme to assist in ensuring compliance with regulatory requirements, company policies and procedures. - The Manager actively monitors regulatory changes and its impact to the REIT, and implements appropriate strategies to mitigate the impact.
Fraud and Bribery Risks	- The risk of loss as a result of a knowing misrepresentation or concealment of a material fact or a willful or deliberate act or failure to act with the intention of obtaining unauthorised benefits. - Fraud and bribery may result in reduced profitability and adversely affect reputation.	- The Manager is committed to the highest standards of integrity and has no tolerance for any fraud and bribery in its business conduct. - The Manager has a Code of Business Conduct and Ethics in place that affirms its commitment to ethical conduct and its practice of complying with all the applicable laws, so as to avoid actual or potential conflicts of interest. - In addition, it has a whistle-blowing policy that serves to encourage its employees and any other individuals to raise concerns about possible improprieties in matters of financial reporting and other malpractices in confidence via various channels.
Liquidity and Funding Risks	- Risk associated with liquidity and cash flow management which may affect the ability to meet payment obligations. - Poor visibility of cash flows may lead to poor planning and decision making on actual funding needs and may lead to unnecessary increase to financing costs.	- The Manager closely monitors and actively manages the REIT's debt maturity profile, operating cash flow and the availability of funding. - To manage liquidity risk, the Manager establishes various banking facilities to ensure that sufficient funds are available to meet its capital, refinancing and operating needs.
Interest Rate Risk	Exposure to interest rate fluctuations may affect the cost of borrowings and have material impact on MUST's financial performance.	- A substantial portion of MUST's borrowings are fixed rate interest-bearing loans. - The Manager uses derivative financial instruments such as interest rate swaps to substantially mitigate interest rate risk exposure on the remaining floating rate borrowings. - The exposure to interest rate risks is further managed through regular reviews with senior management on the optimal mix of fixed and floating rate borrowings.

ENTERPRISE RISK MANAGEMENT

Key Risks	Details	Key Mitigation Actions
Leasing Risk	MUST is subject to the risk of non-renewal, non-replacement of leases and a decrease in demand for office space. Any downturn in the businesses, bankruptcy or insolvency of a tenant may result in such tenant deciding not to renew its lease at the end of a lease cycle or to terminate the lease before it expires.	- The Manager establishes a diversified tenant base, continuously monitors the lease expiry profile and undertakes proactive tenant engagement. - The Manager has also established leasing guidelines to ensure lease concentration risk is mitigated.
Credit Risk	Credit risk is the risk of financial loss to MUST should a tenant fail to meet its contractual obligations and arises principally from rental arrears. Some of the factors that affect the ability of tenants to meet their obligations under their leases include poor economies in which they have business operations, competition and their financial position.	- The Manager manages credit risk through staggered lease maturities and diversification of revenue sources by ensuring no individual tenant contributes a significant percentage of the gross revenue. - In addition, MUST also obtains security deposits and letters of credit from tenants.
Property Management Risk	- Poor property management may affect tenant satisfaction and renewal probability. - Cost overruns may reduce NPI and DPU, and negatively impact the valuation of the properties.	- The Manager is committed to creating and cultivating environment-friendly, safe and healthy workplaces. - The Manager has established processes and procedures that seek to ensure that the buildings operate efficiently and are well-equipped in managing the risk that arises from the operations and management of the buildings. These include the Building Safety Solution and Life Safety System.
Investment Risk	- The acquisition of properties contributes to the growth objectives of MUST. - Poor investment decisions or inadequate due diligence may lead to undetected material defects, onerous obligations, breaches of law or regulations, etc. These issues could lead to investments not generating the required target returns.	- The risks involved in investment activities are managed through a rigorous and disciplined set of evaluation processes which include, but are not limited to meeting investment criteria, discounted cash flow assessment, yield accretion test, due diligence reviews and independent valuations. - All investment decisions are reviewed and approved by the Board.
Information Technology, Business Disruption and System Failure Risks	- Unauthorised access, disclosure, modification or deletion of sensitive and confidential data such as market sensitive information that may affect share price, bid information, intellectual property and/or financial information. - Information resources are not securely developed, transmitted or stored and cyber security being compromised.	- The Manager has an enterprise-wide business continuity and disaster recovery programme. This includes policies, plans and procedures that seek to minimise the impact of natural or man-made disasters, and is designed to ensure that key business functions can continue normal operations in the event of a major disruption. - The business continuity team also establishes and conducts regular testing.

Key Risks	Details	Key Mitigation Actions
Property Damage Risk	Significant damage to property as a result of severe events caused by natural and other disasters, human negligence or wilful attack may severely disrupt MUST's business operations and lead to the loss of rental from tenants.	- Each property has adequate insurance coverage for the risks such as all risk, wind, flood, fire, earth movement, gross rent loss, vandalism/public disturbance and terrorism. - With support from its Sponsor, the Manager has in place a global Business Continuity Plan (BCP). This includes policies and procedures that seek to minimise the impact of natural or man-made disasters, and is designed to ensure that key business functions can continue normal operations in the event of a major disruption. - The business continuity team establishes and conducts regular BCP testing.
Environmental Risk	- Physical risk arises from weather events and long-term or widespread environmental changes, such as climate change, fire and earthquake. - Transitional risk arises from the processes of adjustment to an environmentally sustainable economy, such as punitive actions for polluting the environment and changed expectation from the stakeholders to address environment impact.	- The Manager follows the Sponsor's sustainable real estate policy and works in conjunction with the Sponsor to implement various initiatives to drive a greener future such as environmental management system, green building certification, carbon emissions and energy efficiency. - Assessment of potential acquisition includes examination of environmental and social sustainability risks and opportunities.
Pandemic Risk	- An epidemic of an infectious disease has spread across a large region, for instance multiple continents or worldwide, affecting a substantial number of people. - This could affect MUST's office business as a result of a decline in office usage and demand, adverse effects on tenants' business, as well as health and safety concerns of our tenants, employees and vendors. - Pandemic risk can have an adverse impact on the business operations, financial results and future prospect, leading to downward valuation of MUST's properties.	- The business continuity team establishes and conducts regular BCP testing. - Established playbooks such as <i>Return to Office: Tenant Guidebook</i> and <i>Return to Office: Best Practices Playbook</i> to provide guidance on what needs to be done amidst the COVID-19 pandemic.

SUSTAINABILITY REPORT

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87	Ethical Corporate Behaviour
91	GRI Content Index



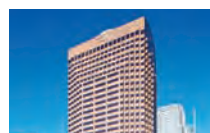
SUSTAINABILITY MISSION

To create value for stakeholders through continuous sustainability efforts based on the principle

A life is worth living through giving

ABOUT THIS REPORT

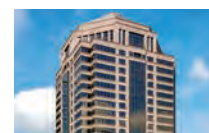
Manulife US REIT (MUST or the REIT) is a Singapore Real Estate Investment Trust (REIT) managed by Manulife US Real Estate Management Pte. Ltd. (the Manager), established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets. The Manager is wholly owned by The Manufacturers Life Insurance Company (Sponsor), part of the Manulife Group (Group). John Hancock Life Insurance Company (U.S.) (JHUSA) has been appointed as the property manager (Property Manager) for the properties. Manulife Investment Management Private Market (US) LLC has been appointed as the asset manager (Asset Manager) for the properties.



FIGUEROA
Los Angeles



MICHELSON
Irvine



PEACHTREE
Atlanta



PLAZA
Secaucus



EXCHANGE
Jersey City



PENN
Washington, D.C.



PHIPPS
Atlanta



CENTERPOINTE
Virginia



CAPITOL
Sacramento

Reporting Scope

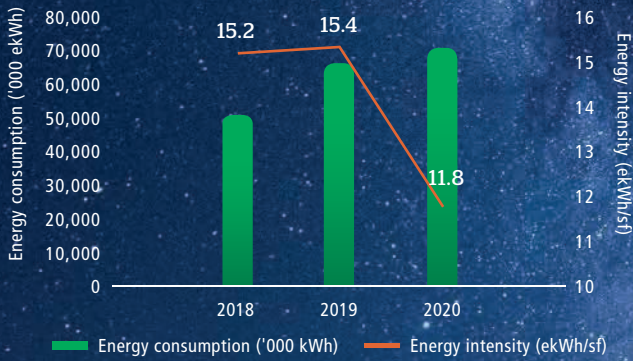
As at 31 December 2020, the REIT owns a total of nine properties that are strategically located in prime areas of key U.S. cities. This report focuses on the activities of the Manager, the REIT and its nine properties.

This Sustainability Report showcases the REIT's sustainability approach, initiatives and performance from 1 January to 31 December 2020, with comparative data for the same period in 2018 and 2019. This report has been prepared by the Manager in compliance with the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rules 711A and 711B, with reference to the Global Reporting Initiative (GRI) Standards (2016) and includes consideration of the GRI Construction and Real Estate Sector Disclosures. The GRI Content Index outlines the material indicators relevant to MUST and can be found on pages 91 to 93 of this Annual Report. A pdf version can be downloaded from <http://www.manulifeusreit.sg/sustainability-overview.html>.

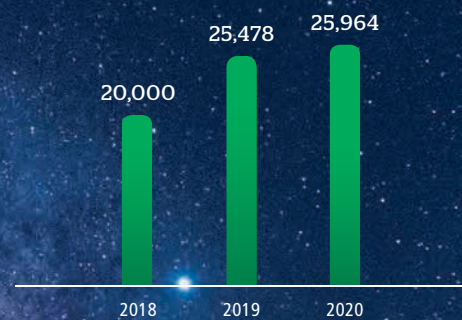
We are constantly striving to improve our sustainability disclosures to the investment community. If you have any questions or feedback, please reach out to the sustainability team at usreitinquiry@manulifeusreit.sg.

OUR ESG HIGHLIGHTS

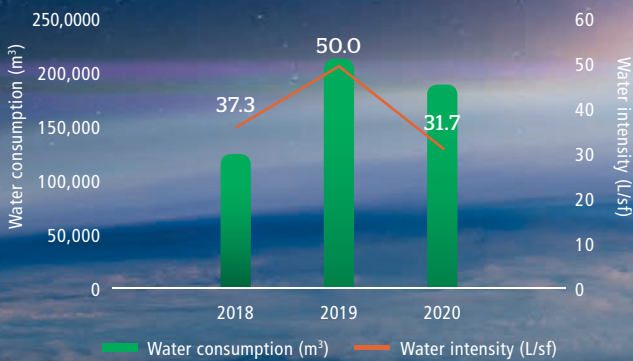
Energy Consumption and Intensity^{1,2}



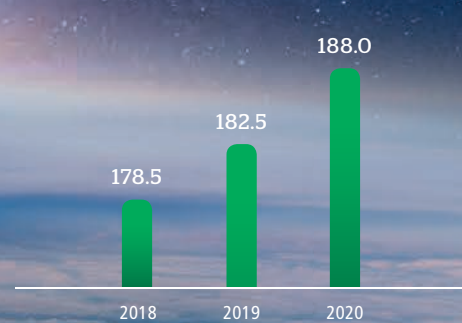
Corporate Social Responsibility (CSR) Contribution (\$)



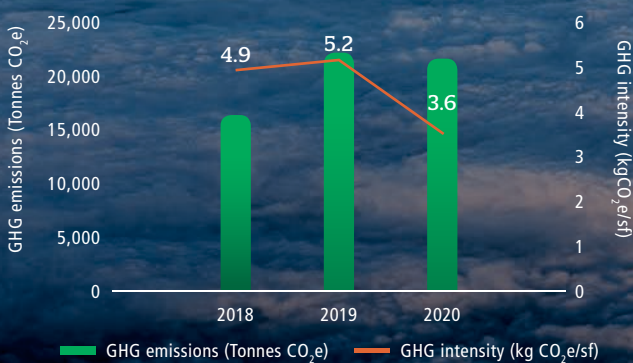
Water Consumption and Intensity¹



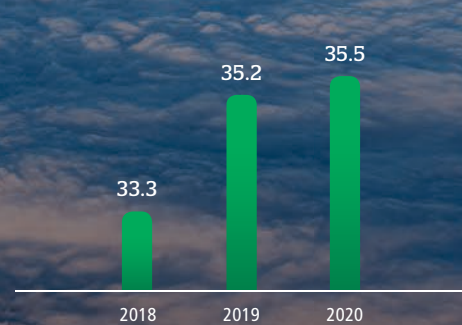
CSR Contribution (hours)³



Greenhouse Gas (GHG) Emissions and Intensity¹



Average Training per Employee (hours)



- 1 MUST has updated some of its building areas of measurement. Building areas now reflect some parking areas directly below the buildings, where applicable, and calculated in accordance with best practices. As such, the resource intensity data presented will see a difference from the previous years.
- 2 All years reporting energy intensity are normalised for weather only; and calculated by total normalised energy consumption/total gross floor area. Energy data has not been normalised for occupancy due to the significant occupancy variations during the pandemic.
- 3 MUST has updated its CSR Contribution (hours) in 2020 to include additional employee engagement coffee/breakfast sessions.

BOARD STATEMENT

With a firm belief in responsible investing, the Board strives to integrate the best Environmental, Social and Governance (ESG) practices into MUST's operations and works closely with the Sustainability Steering Committee (SSC) to drive internal and external sustainability efforts.

Pursuing Excellence

In 2020, MUST maintained a leading ESG position with numerous accolades that were widely recognised in the industry. For the first time, the REIT submitted an assessment for the Global Real Estate Sustainability Benchmark (GRESB) at the Public Disclosure level, and received a rating of 'A', ranking 1st out of 10 peers with a score of 96. MUST was also awarded 5 Star in its GRESB Real Estate Assessment, ranking 4th out of 15 peers with a score of 88.

For the third year running, the REIT retained its SGX Fast Track status, exemplifying the Board's commitment to upholding

high standards of corporate governance. In addition, MUST was ranked 4th by the Governance Index for Trusts (GIFT) and 9th by the Singapore Governance Transparency Index (SGTI) amongst 45 REITs and Business Trusts listed on the SGX-ST.

MUST was included in the GPR LFFS Sustainable GRES Index this year, a European index launched in 2017 for institutional investors in the listed real estate sector. MUST remained in the iEdge SG ESG Leaders Index and iEdge SG ESG Transparency Index in 2020, proving its status as an ESG leader as the former includes companies ranked above the 25th percentile within its global peer group. In 2020, MUST also achieved an 'A' in the MSCI ESG Ratings.

Exceeding Goals

Apart from receiving various accolades from the industry, MUST achieved the following targets for 2020 listed below.



Energy Intensity (ekWh/sf)

11.8

23.2%
YoY



Water Intensity (L/sf)

31.7

36.6%
YoY



GHG Intensity (kg CO₂e/sf)

3.6

30.7%
YoY



CSR Contribution (hours)

188.0

3.0%
YoY



CSR Contribution (S\$)

25,964

1.9%
YoY



Average Training per Employee (hours)

35.5

0.9%
YoY



Participation in Employee Engagement Survey

100%



Incidents of Non-Compliance/Corruption

Zero

MESSAGE TO STAKEHOLDERS

Dear Stakeholders

At MUST, we believe that our long-term success is tied to ESG, and that sustainability, as an integral part of our operations is the way forward. In 2020, the disruption to lives and economies made us more certain than ever that the longevity of MUST's business depends on four strategic areas of sustainability and we will place our focus on these to identify and manage business risks and opportunities.

Through our frequent engagement with external and internal stakeholders, we recognise that environmental, social and governance factors are increasingly being assessed and monitored by investors as part of their investment process. Hence, in 2020, we committed resources to integrate a wide range of ESG programmes and initiatives across our business whilst ensuring that the interests of our Unitholders were not only maintained but also enhanced.

Our fourth Sustainability Report showcases the progress made in 2020, with focus on four strategic areas that matter most to our stakeholders:

Sustainable Properties

Create value for tenants and Unitholders by reducing the environmental impact of our properties

External Relations

Understand and meet the needs of investment, tenant and local communities through regular and effective engagement initiatives

Human Capital

Attract and retain talent by cultivating a positive work environment that focuses on diversity, equal opportunities, training, health and wellness

Ethical Corporate Behaviour

Ensure continued adherence to regulations through, the highest standards of governance and best practices by employing stringent corporate compliance and internal audit practices

Commitment to Sustainable Properties

With the expertise and support of MUST's Sponsor and Property Manager, we ensure that our buildings consistently outperform their market peers in terms of eco-efficiency and cost-effectiveness. Eight of our nine properties have met rigorous standards established by the U.S. Environmental Protection Agency and were ranked among the top 25th percentile of similar properties for energy efficiency to be ENERGY STAR® certified. Currently, 86.5% of MUST's portfolio by Gross Floor Area (GFA) is green building certified by either Leadership in Energy and Environmental Design (LEED™), ENERGY STAR® or both. In 2020, with the COVID-19 pandemic raging, tenants placed higher priority on air quality and ventilation which are crucial to reducing the spread of airborne diseases. To emphasise our commitment to providing tenants with a healthy working environment, we have set a new long-term target to increase green building certifications with the aim of achieving 100.0% by 2030. This year, we have also engaged MSCI Real Estate Climate Value-at-Risk to assess the physical and regulatory risks of our entire portfolio.

With several initiatives (refer to pages 76 to 77) launched to minimise the REIT's environmental footprint in 2020, MUST recorded energy, water and GHG intensity reductions of 23.2%, 36.6% and 30.7% respectively. These improvements were also attributed to the lower physical occupancies of our buildings due to COVID-19. Reductions translated into a positive financial impact for the year, as we incurred lower utilities expenses for all seven properties reported in 2019 on a like-for-like basis.

In March 2021, to further our commitment on sustainable properties, we obtained MUST's maiden sustainability-linked loan of US\$250 million which allows the REIT to enjoy savings in borrowing costs as it achieves energy, water and GHG targets.

Our Asset Manager has set a GHG reduction target of 80% by 2050 for its portfolio which includes all of MUST's nine properties. In 2021, our Asset Manager is developing a model to identify GHG reduction opportunities specifically for MUST's buildings. By projecting GHG emissions reduction scenarios and identifying relevant financial implications, the model will direct strategic, operational and capital planning within the portfolio to reduce MUST's GHG footprint. As a result, management will initiate GHG reduction targets for the portfolio from 2022.

Managing External Relations

Despite COVID-19 curbing physical interactions in 2020, we continued to find meaningful connections with our investment, tenant and local communities via virtual engagement. Adapting to the new normal, we explored new outreach opportunities enabling collaboration with different groups in the community.

Enriching the Investment Community

Despite strict social distancing measures in 2020, MUST engaged with more than 1,700 investors, analysts and media via virtual meetings, panel discussions, calls and Green Dot Series webinars. MUST was the first SREIT in Singapore to conduct a virtual Annual General Meeting (AGM). We also embraced mediums such as social media, live chats, radio interviews and an on-the-ground video in our outreach to the investment community. As previously, but of even greater importance in a pandemic scenario, bi-annual e-newsletters post our financial results were distributed to our retail Unitholders to engage them, and event feedback surveys were sent to institutional investors, analysts and media.

As part of our Green Dot Series, we collaborated with financial blogger, ProButterfly and organised an Investor Day webinar on Working From Home (WFH) for our retail Unitholders. Post the U.S. election, we invited CBRE to share its views on the future of U.S. office. Additionally, we created a dedicated 'Green Dot Series' webpage featuring up-to-date independent market reports and thought leadership articles. A new 'Sustainability' page is also available on our website where investors can have easy access on our ESG progress and initiatives. The success of our thought leadership programme has enabled us to reach many more investors and given us greater geographical reach. As at 31 December 2020, excluding our Sponsor, institutional investors made up about 60.0% of our Unitholder base.

Our Investor Relations (IR) efforts were recognised by the investment community as we won the Best in Sector: Financials (including real estate) by IR Magazine Awards – South East Asia 2020.

Prioritising Tenants' Health and Safety

With the COVID-19 outbreak affecting millions of individuals in the U.S., we recognised the importance of providing a safe and healthy workplace for our tenants. To reduce transmission risks, we upgraded the air filters and increased frequency of cleaning in all our properties. Social distancing signages have been displayed in the lobbies, washrooms and common spaces. Planning for a safe return to work is equally important at our buildings. Over recent weeks, we have been pleased to see more tenants returning to their offices, armed with a tenant guidebook issued to them to facilitate their return.

In a collaboration with Dr Joseph Allen, a leading U.S. expert in the healthy buildings industry, our Property Manager conducted two healthy buildings webinars to guide our tenants on recommended health and safety practices during the pandemic. Through those informative webinars, participants were given crucial information on how to take care of themselves in the workplace.

In 2020, approximately 52.0% of tenants participated in our tenant satisfaction survey. For overall satisfaction, an

overwhelming 88.0% of tenants responded with 4 or 5 star ratings. In addition to conducting tenant satisfaction surveys every alternate year at our properties, we maintained regular conversations with tenants to assess any additional needs and concerns.

Doing What We 'MUST' for the Local Community

We actively seek opportunities to engage the elderly and, in 2020, the pandemic did not stop us from making a difference. Riding on the themes of green and sustainable living, we collaborated with Everything Green to organise a 28-day virtual vegetable gardening contest for the Methodist Welfare Services (MWS) elderly and our staff. This event provided a platform to connect once again with elderly participants from MWS, with whom we have formed a relationship over previous years of partnership. In 2020, we continued our outreach to community groups such as St. Luke's Hospital, Project Dignity and TeddyThotz to support and bring joy to the elderly.

Beyond community service, MUST remains committed to procuring goods and services from local social enterprises across all possible business functions, including corporate gifts and catering. The integration of social procurement across various functions also gave MUST an opportunity to showcase such goods and services to its wide network of internal and external stakeholders. Donation drives were held throughout the year to encourage the spirit of giving and promoting a culture of recycling. These included care packages for migrant workers and supplying those in need with personal protective equipment (PPE). This year, we recorded a CSR contribution of 188.0 hours and S\$25,964.

Nurturing our Human Capital

In a year like none other due to the pandemic, our employees worked harder than ever to ensure that our Unitholders' interests were upheld. Throughout the year, we engaged staff on their career goals to identify suitable training courses for each of them. In 2020, the average training hours per employee increased to 35.5 hours. In 2021, in recognition of the importance of ESG to all employees, and as part of MUST's commitment to sustainability, every member of the team will undertake an ESG course.

In 2020, with health and wellness a priority for our employees as they adapted to the new working conditions brought about by the pandemic, we organised regular physical and mental health talks. We also provided PPE to staff in Singapore and to our team members overseas. During the pandemic, our Breakfast on the House (BOTH) programme which started in 2019 continued to play a huge role as a two-way communication platform between senior management and staff. In recognition of the challenges faced in 2020, all employees are allocated five extra leave days in 2021. As our employees return to the office, in order to ensure safety in the workplace, and provide peace of

MESSAGE TO STAKEHOLDERS

mind, all staff who are unable to obtain a medical referral for COVID-19 testing will have their swab test subsidised by the Manager.

Our Ambassadors of Change (AOC) programme, launched in 2019, gathers staff feedback and generates ideas for enhancing staff engagement and creating a more congenial work environment. In 2020, ideas implemented received a positive reception as reflected in the 100.0% participation and higher score in our employee engagement survey, as assessed by leading independent provider Gallup, Inc.

Ethical Corporate Behaviour

Ethical and responsible corporate practices remain of paramount importance to MUST and are essential to long-term growth in Distribution per Unit (DPU) and Net Asset Value (NAV). Our robust corporate governance structure allows us to monitor any changes in relevant laws and regulations to ensure that our internal policies and practices remain compliant and of the highest standard. Minutes of our AGM and any Extraordinary General Meeting (EGM) are to be found on our website. In 2020, we also furthered our commitment to sustainability by incorporating links to sustainability performance in our incentive pay policies for all employees.

MUST was ranked 4th out of 45 REITs and Business Trusts in GIFT 2020, an improvement from a ranking of 6th in 2019. The REIT also ranked 9th out of 45 REITs and Business Trusts in SGTI 2020, an increase of 19.1 points and a jump of 24 positions higher. As a sign of the Board's commitment to upholding high corporate governance standards, MUST retained its SGX Fast Track status for the third year running.

In addition to receiving accolades in IR and corporate governance, MUST's sustainability efforts are well-recognised by major ESG benchmarks with a 5 Star rating in GRESB Real Estate Assessment, 'A' in GRESB Public Disclosure and 'A' in MSCI ESG Ratings.

In 2020, there were no incidents of non-compliance with any laws and regulations pertaining to the following economic, environmental and social areas:

- Zero incidents of non-compliance concerning the health and safety impact of products and services
- Zero incidents of non-compliance with regard to marketing communications
- Zero incidents of non-compliance with laws and regulations in social and economic areas
- Zero incidents of corruption

Through upholding our corporate governance and fair practices, we aim to create long-term value for our Unitholders and other stakeholders, and maintain the trust that they have placed in us.

We express our thanks to the Board and our stakeholders for their strong support for our ESG programme and sustainability initiatives through 2020. In 2021, we are committed to further strengthening our ESG capabilities and reaching our targets in order to ensure a sustainable future for MUST.

Jill Smith
Chief Executive Officer



SUSTAINABILITY APPROACH

Sustainability Structure

Collaborating with our Sponsor

MUST is aligned to the goals of its Sponsor and Asset Manager, who is dedicated to the following key sustainability commitments:

1 • Signatory
to the United Nations-supported Principles for Responsible Investment (PRI)¹

2 • Signatory
to the Equator Principles and a member of the United Nations Environmental Programme Finance Initiative

3 • Published
sustainability reports for several years (e.g. Manulife Financial Corporation Sustainability Report and Public Accountability Statement)

4 • Participated
in the Carbon Disclosure Project

5 • Listed
in the Dow Jones Sustainability Index

6 • First Life Insurance Company in the World
to issue a Green Bond² in 2017

We are in regular communication with our Sponsor's real estate team to manage the sustainability performance of our properties and ensure that MUST's overall strategy and programmes are aligned to the Sponsor's. We have also set up quarterly meetings involving the Head of Global Real Estate Sustainability, Manulife Investment Management, our Property Manager and the SSC to discuss MUST's progress in its sustainability efforts.

Working with our Property Manager

Our Property Manager aims to provide healthy and efficient workspaces for tenants across MUST's portfolio. In 2017, our Property Manager launched an internal Sustainable Building Standards outlining 13 sustainability focus areas to enable benchmarking and target setting for all of MUST's properties:

Environmental

- Energy management and assessments
- Energy measurement and analysis
- Water management and assessments
- Water management programme
- Indoor environment quality
- Alternative transportation

Social

- Health and wellness programming
- Procurement programme and tracking
- Tenant engagement
- Community engagement
- Employee engagement

Governance

- Certifications and sustainability brand
- Sustainability management

MUST's properties are evaluated semi-annually based on these 13 focus areas on a scale of level 1 through 5, with all properties expected to achieve at least 'level 3 - Strong sustainability practices, achievable for all office properties' which they did.

These standards are aligned to the commitments in the Sponsor's Real Estate Sustainability Framework, as well as industry best practices, including GRESB, LEED™ and BOMA BEST®.

¹ Manulife Investment Management was recognised in the PRI Leaders' Group 2020, a 10-year initiative honouring signatories at the cutting edge of responsible investment. This year, 36 signatories, including Manulife Investment Management, were recognised for demonstrating responsible investment excellence in climate reporting throughout their organisation and portfolios.

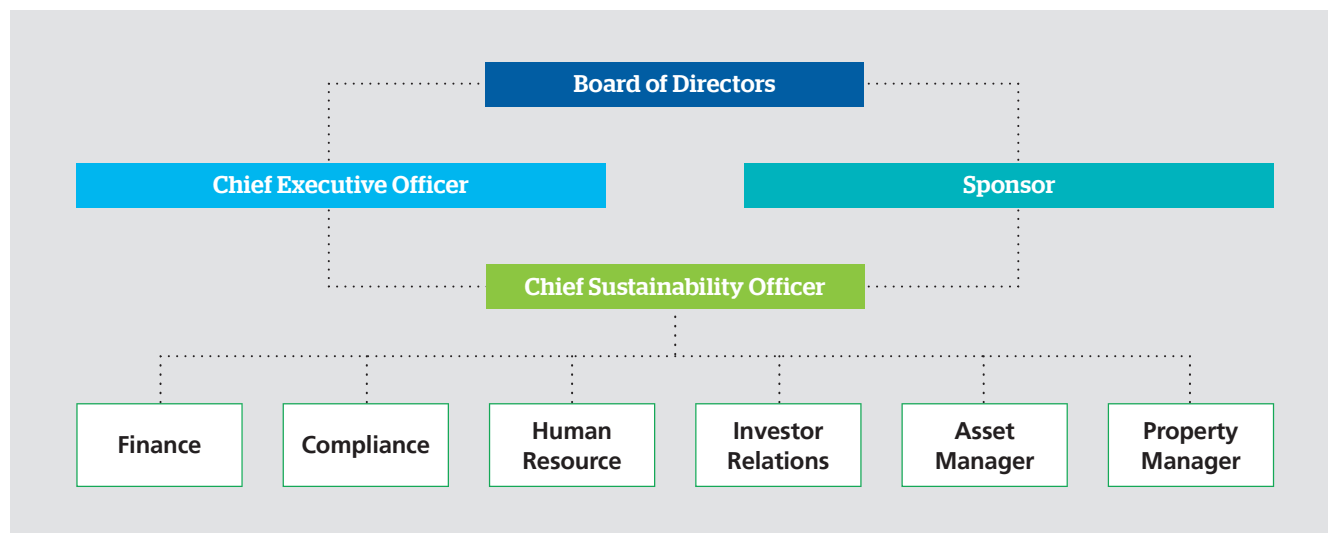
² Green Bonds are an instrument for issuers to raise funds for projects that have benefits to the environment.

SUSTAINABILITY APPROACH

Sustainability Steering Committee

Established in 2017, MUST's SSC drives sustainability strategies, sets targets, oversees monitoring processes and reviews sustainability performance for the REIT.

The SSC is led by Chief Sustainability Officer (CSO), Caroline Fong, and includes representatives from Finance, Compliance, Human Resource, Investor Relations, Asset Manager and Property Manager. The Board also meets regularly to discuss the REIT's sustainability direction and initiatives.



Our Sustainability Strategy

Materiality Assessment

MUST underwent a three-phase materiality assessment in 2017 conducted by an external consultant to identify material ESG topics relevant to our operations. Thereafter, annually,

the continued relevance of these topics are reviewed and confirmed in the context of our key sustainability focus areas. For 2020, our material ESG topics remained unchanged.



Identification of material topics was performed to evaluate the relevance of the selected ESG factors against current business operations.

Several rounds of internal discussions were conducted between management and employees that were proxy to the various stakeholder groups.

A management review was conducted to evaluate and prioritise the importance of the ESG factors raised by considering the company's significant economic, environmental, and/or social impact in its daily operation. The top ESG factors were consolidated and subsequently endorsed by our management.

Committing to the United Nations Sustainable Development Goals

Looking ahead on a global level, we continue to align our sustainability initiatives to the United Nations Sustainable Development Goals (UN SDGs). The UN SDGs are a universal call to action to end poverty, protect the planet and improve

the lives and prospects of all life on earth, set out across a 15-year plan. Hence, we have mapped MUST's material ESG topics and initiatives to the UN SDGs:

Sustainability Focus Area	Material Topics	UN SDGs Supported	Highlights of Environmental and Social Benefits
Sustainable Properties 	- GRI 201 – Economic Performance - GRI 302 – Energy - GRI 303 – Water - GRI 305 – Emissions	    	- Less pressure on natural resources such as natural gas and water - Lower GHG emissions - Healthier workspaces and more satisfied tenants
External Relations 	GRI 413 – Local Communities		- More relevant investment options and better financial stability for the investment community - Drive social benefits through inclusive tenant and local community investment
Human Capital 	- GRI 401 – Employment - GRI 404 – Training and Education - GRI 405 – Diversity and Equal Opportunity	 	Provide career opportunities that elevate the local talent market, which contributes to the local socio-economic setting
Ethical Corporate Behaviour 	- GRI 205 – Anti-corruption - GRI 307 – Environmental Compliance - GRI 416 – Customer Health and Safety - GRI 417 – Marketing and Labelling - GRI 419 – Socioeconomic Compliance		Engage in advancing public policy discussion that promotes environmental and social improvements

MUST's Strategic Sustainability Objectives

To pledge our commitment to reduce our environmental footprint and create sustainable value for our stakeholders in the

long-term, we have outlined MUST's strategic sustainability objectives based on the identified material topics:

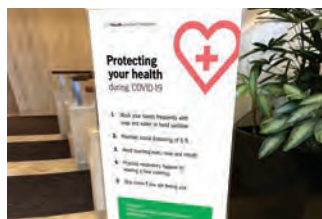
 Environmental	Achieve 100.0% certified green buildings by 2030 by acquiring and maintaining sustainable buildings	Minimise climate risk by integrating climate risk assessments into individual asset business plans	Set GHG reduction target by building a GHG scenario model
 Social	Increase the investment community's understanding of U.S. market dynamics and emerging office trends through thought leadership initiatives under Green Dot Series	Prioritise physical and mental health of our tenants and employees through regular workshops and other communications	
 Governance	Focus on diversity for Board and senior management	Include ESG factors in the annual performance targets of all employees	

SUSTAINABILITY APPROACH

Stakeholder Engagement

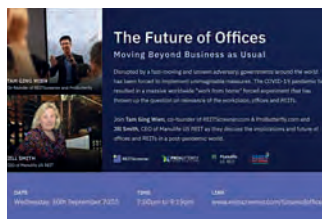
MUST recognises the need and importance of taking care of our stakeholders' interests, especially so during the COVID-19 pandemic. More so than ever, we need to ensure business continuity and accountability to stakeholders.

In 2020, we identified the needs of our tenants, investors, local community, employees and provided business updates and focused on their well-being.



Tenants

- Issued return to office guidebook
- Upgraded air filters
- Increased frequency of cleaning
- Implemented social distancing measures in buildings



Investors

- First SREIT to hold virtual AGM
- Met with ~1,700 investors, analysts and media
- Produced 'on-the-ground' video to showcase Downtown LA & asset during COVID-19
- Published sustainability and thought leadership pages on websites



Local Community

- Donated hand sanitisers, surgical and reusable masks to MWS
- Donated surgical masks to St. Luke's Hospital
- Distributed biscuits to Migrant Worker Centre
- Conducted virtual gardening with MWS elderly



Employees

- Provided employees with thermometers, surgical and reusable masks
- Delivered fruit baskets to employees and their families
- Organised health workshops and webinars on mental and physical well-being
- Engaged staff via virtual BOTH

To ensure the effectiveness of MUST's engagement programmes, we sought verbal feedback from our stakeholders during meetings and written feedback through event surveys, tenant satisfaction and employee engagement surveys. This feedback enabled us to tailor a wide range of initiatives to engage each stakeholder group based on their specific needs.

Internally, MUST's C-Suites update the Board of Directors regularly on the performance of the portfolio, investment landscape, capital management and investor feedback.

Internal Stakeholders

Stakeholders	Engagement Method	Frequency of Engagement	Expectations/Interests
Directors	• Meeting/calls	Ongoing	• Regular and timely updates on REIT's operations and performance
	• Board meetings	Ongoing	
Employees	• Employee coffee chat	Monthly	• Fair and equal opportunities • Safe and healthy working environment • Effective training • Regular engagement
	• BOTH		
	• WFH arrangements		
	• Health talks and fitness classes • Company cohesion activities • Half-days • Celebratory events	Quarterly	
	• Performance reviews	Semi-annually	
	• Employee engagement surveys	Annually	

External Stakeholders

Stakeholders	Engagement Method	Frequency of Engagement	Expectations/Interests
Investors	- Thought leadership programmes 1-on-1 and group meetings/calls - Website with email alerts, general hotline, dedicated IR contact, property videos, AGM minutes and audio webcast - Networking events	Ongoing	- Sustainable financial, portfolio and ESG performance - Good corporate governance and transparency - Access to senior management - Investor education on U.S. economy and real estate sector
	- Local and overseas roadshows/conferences - Local and overseas conference calls	Quarterly	
	- AGM - Investor day	Annually	
	EGM	When Required	
Analysts and Media	- Thought leadership programmes 1-on-1 and group meetings/calls - Media interviews - Website with email alerts, general hotline, dedicated IR contact, property videos, AGM minutes and audio webcasts - Briefings - Conference calls - Networking events	Ongoing	- Sustainable financial, portfolio and ESG performance - Good corporate governance and transparency - Access to senior management - Analyst and media education on U.S. economy and real estate sector
Regulators	- SGX announcements - Circulars (when required) - Website	Ongoing	- Good corporate governance and transparency - Compliance with policies, rules and regulations
	- AGM/EGM - Annual report - Sustainability report	Annually	
Tenants	- Tenant appreciation events - Sustainability educational events - Donation drives	Ongoing	- Safe, comfortable and productive working environment - Energy-efficient space - On-site amenities - Engagement activities
	Tenant satisfaction survey	Alternate year	
Local Community	- Social enterprise procurement - Donation drives (e.g. shoes, hand sanitisers and masks)	Ongoing	- Interaction and fulfilling relationships with the wider community - Financial independence - Support in monetary donation/donation drives
	CSR events	Semi-annually	
	Cash donations	Annually	

Achieving Tangible Results

Global Real Estate Sustainability Benchmark (GRESB)

GRESB Real Estate Assessment

In 2020, MUST participated in the GRESB Real Estate Assessment for the fourth year running, and received a 5 Star rating for the third year. With a score of 88, MUST was ranked 4th out of 15 listed U.S. office REITs. As GRESB changed their methodology in 2020's calculation, our scores achieved in prior years should not be compared to those attained in 2020.

MUST's score¹ outperformed its peers in all three aspects of ESG:

- Environmental: 52/62 (Benchmark average score: 45)
- Social: 17/19 (Benchmark average score: 16)
- Governance: 19/20 (Benchmark average score: 17)

¹ Scores may not sum to 100 due to rounding.

SUSTAINABILITY APPROACH

MUST was awarded full points for GHG, data monitoring & review, building certifications, leadership, policies, reporting and targets. As a result of this review, the following opportunities were identified to strengthen our sustainability focus in 2021:

- Provide ESG related training for all employees in 2021
- Include disclosures on employee safety indicators (refer to page 85)

GRESB Public Disclosure

For the first time in 2020, MUST submitted an assessment under the GRESB Public Disclosure, and received a rating of 'A'. With a stellar score of 96, MUST was ranked 1st out of 10 Asia offices. MUST was awarded full points in its disclosure of sustainability governance, sustainability implementation and stakeholder engagement practices.

MSCI ESG Ratings

Since 2018, we have been rated by MSCI ESG with a 'BBB' rating. As at 22 December 2020, MUST's MSCI ESG Rating was upgraded from 'BBB' to 'A' with improvement to our governance scores.

Material Topics & Boundaries

For 2020, the following topics and boundaries were covered under the scope of reporting.

Material Topics	Material Sub-topics	Aspect Boundary (Where the Impact Occurs)
Sustainable Properties		
Economic Performance	GRI 201 – 1: Direct economic value generated and distributed	MUST
Energy	GRI 302 – 1: Energy consumption within the organisation GRI 302 – 2: Energy intensity	MUST, tenants
Water	GRI 303 – 1: Water withdrawal by source	MUST, tenants
Emissions	GRI 305 – 1: Direct (Scope 1) GHG emissions GRI 305 – 2: Emission Indirect (Scope 2) GHG emissions GRI 305 – 4: GHG emission intensity	MUST, tenants MUST, tenants MUST, tenants
External Relations		
Local Communities	GRI 413 – 1: Operations with local community engagement, impact assessments, and development programmes	MUST
Human Capital		
Employment	GRI 401 – 1: New employment hires and employee turnover	MUST
Training and Education	GRI 404 – 1: Average hours of training per year per employee GRI 404 – 2: Programmes for upgrading employee skills and transition assistance programmes GRI 404 – 3: Percentage of employees receiving regular performance and career development reviews	MUST
Diversity and Equal Opportunities	GRI 405 – 1: Diversity of employees	MUST
Ethical Corporate Behaviour		
Anti-corruption	GRI 205 – 3: Confirmed incidents of corruption and action taken	MUST
Environmental Compliance	GRI 307 – 1: Non-compliance with environmental laws and regulations	MUST
Customer Health and Safety	GRI 416 – 2: Incidents of non-compliance concerning the health and safety impacts of products and services	MUST
Market and Labelling	GRI 417 – 3: Incidents of non-compliance concerning marketing communications	MUST
Socioeconomic Compliance	GRI 419 – 3: Incidents of non-compliance with laws and regulations in the social and economic area	MUST

SUSTAINABLE PROPERTIES

OBJECTIVE

Create value for tenants and Unitholders by reducing the environmental impact of our properties

INITIATIVES AND RATIONALE¹

- Participated in the GRESB Real Estate Assessment 2020
- Nominated green champions at all properties to coordinate sustainability efforts and report on the Sustainable Building Standards
- Offered webinars and online materials at properties to educate tenants on sustainability topics
- Organised Earth Hour events to raise awareness on sustainability

STAKEHOLDERS



PERFORMANCE

Certifications

- LEED™ Platinum: Capitol
- LEED™ Gold: Michelson, Exchange, Penn, Phipps
- Energy Star®: Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn, Phipps, Capitol

GRESB Real Estate Assessment 2020

- 5 Star with score of 88
- Ranked 4th out of 15 listed U.S. office REITs
- Full points awarded for GHG, data monitoring and review, building certifications, leadership, policies, reporting and targets

Intensity²

- Energy Intensity 11.8 ekWh/sf (-23.2% YoY)
- Water Intensity 31.7 L/sf (-36.6% YoY)
- GHG Intensity 3.6kg CO₂e/sf (-30.7% YoY)

TARGETS

Maintain 5 Star rating for GRESB Real Estate Assessment

Reduce or maintain energy, water and GHG intensity

MUST's properties are included in the Sponsor's GHG reduction target of 80% by 2050

Achieve green certification for 100.0% of portfolio by 2030

¹ Please refer to page 76 to 77 of the Sustainability Report for our full list of initiatives in reducing energy and water consumption as well as our GHG emissions across all our properties.

² MUST has updated some of its building areas of measurement. Building areas now reflect some parking areas directly below the buildings, where applicable, and calculated in accordance with best practices. As such, the resource intensity data presented will see a difference from the previous years.

SUSTAINABLE PROPERTIES

We aim to create value for tenants by reducing the environmental impact of our properties and generating positive financial impact for our Unitholders. MUST's sustainability performance is monitored and managed by our Sponsor using the Sustainable Building Standards and assessed externally by GRESB Real Estate Assessment.

Our Asset Manager has in place a set of energy, water, GHG and waste diversion targets for all properties under Manulife Investment Management's real estate arm. These targets cover the properties in MUST's portfolio and progress are reported annually in Manulife's publicly available real estate sustainability report. In 2021, we are taking another step forward and will be working with our Sponsor to set targets specific to MUST's properties.

Our Approach to Reducing Footprint

Assessing Climate Change Risks

In 2020, we evaluated the impact of climate change on MUST's portfolio through both internal and external assessments. Internally, our Asset Manager conducted a programme to understand the climate change risks faced by our portfolio, and our corresponding resilience to these risks. The programme included reviewing of climate resilience initiatives such as flood risk management, conducting internal interviews with functional departments, providing training webinars to property managers and documenting property measures.

We have also engaged MSCI Real Estate Climate Value-at-Risk to assess the physical and regulatory risks of our entire portfolio.

By identifying physical and transition risks, we were able to identify opportunities to improve the climate resilience of our properties. In 2021, new requirements on property climate resilience will be included in our Asset Manager's Sustainable Building Standards.

Identifying Carbon Reduction Opportunities

To achieve viable reductions in GHG emissions, our Asset Manager developed a model to identify GHG reduction opportunities across its portfolio including MUST's properties. This included projecting GHG emissions reduction scenarios and identifying the financial implications of pursuing a GHG reduction strategy. As a result, our Asset Manager has set a GHG reduction target of 80% by 2050 for its portfolio including MUST's properties.

In 2021, to further reduce our GHG footprint, we are working with our Asset Manager to develop a GHG model specific to MUST's properties.

Embedding Sustainability in Our Operations

To maximise resource efficiency across MUST's portfolio, we tapped into all aspects of our operations over the years to implement a vast variety of initiatives and policies at our properties:



Energy



Retrofitted energy-saving Light Emitting Diode (LED) lights in buildings to improve energy efficiency



Monitored and controlled energy efficiency of Heating, Ventilation, and Air Conditioning (HVAC) through cloud-based remote Building Management System



Installed an intelligent HVAC platform (Load Base Optimisation System) to increase energy efficiency



Installed Variable Frequency Drive on condenser water pumps to reduce water and energy consumption



Installed charging stations at various locations for electric vehicles and shuttle buses



Installed a STEM Battery Storage System with AI system to store energy during off-peak period and distribute evenly throughout the day



Purchased energy from renewable sources



Water



Used reclaimed water in building operations and installed automatic handsfree faucets to improve water consumption efficiency



Installed low flow fixtures, which are plumbing fixtures that use significantly less water than conventional fixture



Metered out water subsystem to monitor and better manage water usage



Implemented the collection and reuse of greywater



Carried out improvements to the cooling tower water management to allow circulatory water to be more efficiently treated



Others



Conducted events for tenants and staff on sustainability awareness in buildings



Implemented native landscaping to provide habitat for wildlife and reduce the environmental impacts associated with lawn care



Made capital upgrades, piloted technologies, adjusted operating practices to reduce energy usage, the main driver of GHG emission at our properties

The Property Manager's Engineering and Technical Services team regularly monitors consumption performance for reporting and quality assurance. This helps us assess opportunities for capital and operational improvements, provides timely recommendations on capital plans, reduces costs and increases tenant satisfaction.

Green Champions are nominated at all MUST's properties to coordinate sustainability efforts and report each property's performance on the Sustainable Building Standards. In 2020, our Sponsor held its annual Real Estate Sustainability Awards for all properties under Manulife Real Estate including MUST's assets. We are delighted that the Green Champion in Figueroa was awarded Green Champion Leader 2020. The key initiatives organised at Figueroa included installing LED lighting in common areas; increasing waste diversion through the introduction of a new recycling programme that includes paper, aluminium cans, glass and food waste; and replacing transportation shuttles with 100.0% electric shuttles - one of the first in Downtown Los Angeles. These initiatives resulted in approximately 30.0% reduction in electrical use as well as a reduction in the building's carbon footprint.

Aside from proactive management initiatives, we also seek to enhance the value of our properties and improve tenant satisfaction through Asset Enhancement Initiatives (AEI). In 2018, we launched a US\$8.0 million AEI at Figueroa for lobby renovation, café and exterior landscaping, and a US\$12.0 million AEI at Exchange for lobby renovation and a new glass wall feature. Both projects were completed in 2020 and are expected to help attract and retain tenants by keeping our buildings relevant.

Compliant with U.S. industry practice, MUST's properties are insured against fire accidents, property damages, terrorisms, quakes, business interruptions and public liabilities, including personal injuries.

Working with Our Tenants

Tenants play an active role in our efforts to maximise portfolio efficiency as they have direct control of energy and water usage in our buildings. As at 31 December 2020, three out of nine properties in MUST's portfolio (Figueroa, Peachtree and Phipps) are currently operating on triple net leases.

This provides tenants with incentives to identify and improve on inefficient practices, aligning their interests to MUST's overall environmental goals.

Commitment to Green Buildings

Certifications	Properties
LEED™ Platinum	Capitol
LEED™ Gold	Michelson, Exchange, Penn, Phipps
Energy Star®	Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn, Phipps, Capitol

Our efforts to reduce energy, water and other resources across our properties are widely-recognised by green building rating bodies. Currently, 86.5% of MUST's portfolio by GFA is green-certified by either LEED™ and/or ENERGY STAR®.

As the most extensively used green building rating system in the world, LEED™ is a globally recognised symbol of sustainability achievement. LEED™ provides a framework to create healthy, highly efficient and cost-effective green buildings. Five of the nine properties in MUST's portfolio are LEED™ certified. This includes four LEED™ Gold certifications and one LEED™ Platinum certification.

ENERGY STAR® is a U.S. Environmental Protection Agency programme that has become the industry standard to rate a facility's energy performance. According to studies by the programme, certified buildings are likely to have lower operating costs, are more marketable, contribute fewer GHG emissions, command higher rental rates, and have increased asset value. To be eligible for certification, properties are required to be among the top 25th percentile of similar properties for energy efficiency. Eight of nine properties in MUST's portfolio are ENERGY STAR® certified.

With air quality included in the scoring of these rating systems, we believe that our certified buildings will gain a competitive advantage against similar buildings as tenants prioritise air quality and ventilation to reduce COVID-19 transmission risks. To emphasise our commitment to green buildings, we have set a new long-term target to increase green building certifications with the aim towards achieving 100.0% by 2030.

SUSTAINABLE PROPERTIES

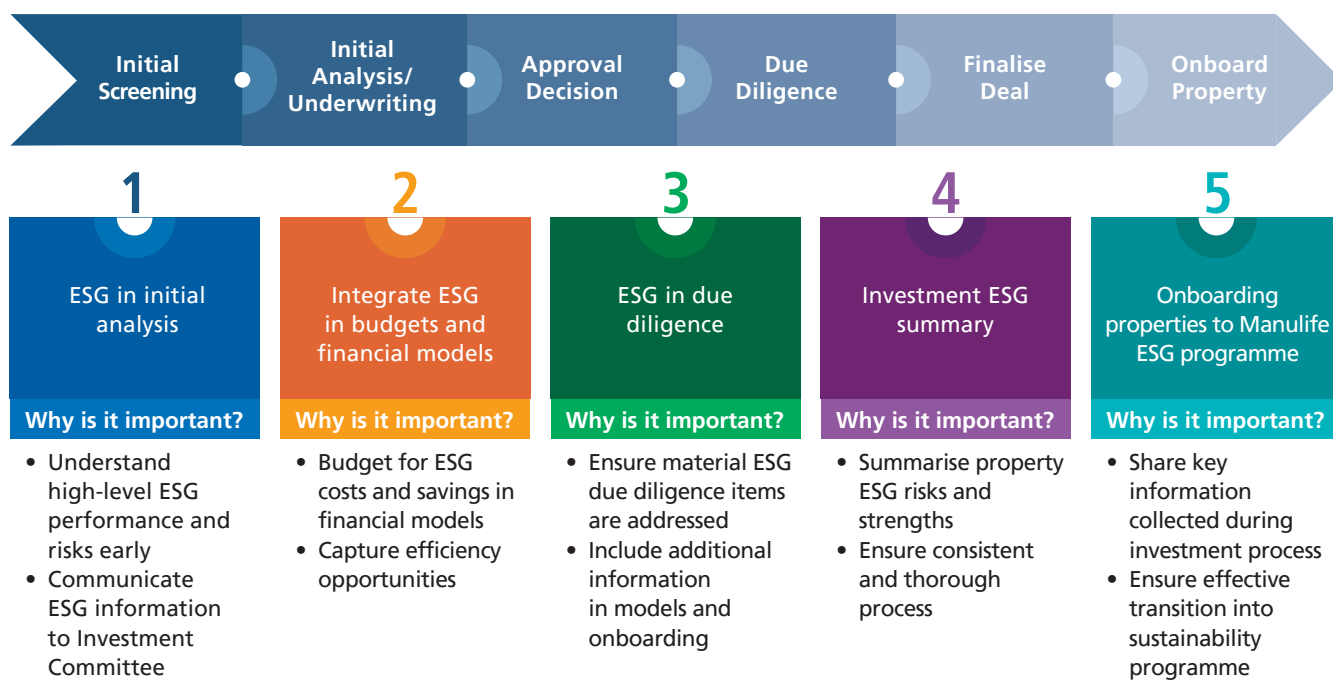
Acquiring Sustainable Buildings

At MUST, potential acquisitions are sourced by MUST's Chief Investment Officer and our Asset Manager. The acquisition opportunities are then vetted by the Manager and presented to the Board for approval. By integrating ESG considerations in various stages of our acquisition process, we are able to ensure the continuity of MUST's sustainable operations.

In the initial screening of acquisition opportunities, we integrate ESG considerations to assess the sustainability performance and risks of the properties. The Manager then considers ESG metrics when vetting the assets to capture efficiency opportunities.

Once approved, environmental and social sustainability risks and opportunities are identified in our due diligence process. Considerations such as contamination, energy performance, and tenant engagement programmes are checked by our specialists in the Engineering and Technical Services departments. In the final stages of the acquisition, a summary of ESG risks and strengths will be recorded to ensure MUST's consistent sustainability performance. Once acquired, the new properties will be onboarded to our existing ESG programme.

By integrating ESG in the entire acquisition process, we were able to ensure that MUST's portfolio will continue to operate sustainably.



Plaza, Secaucus

Reviewing MUST's Environmental Performance

Our sustainability approach has achieved significant performance improvements across our portfolio this year, with 23.2% reduction in energy intensity, 36.6% reduction in water intensity and 30.7% reduction in GHG intensity. These reductions can also be attributed to the lower physical occupancies of the properties due to COVID-19.

Consumption/emissions		
	2020	2019
No. of Properties	9	7
Energy ('000 ekWh)	70,586.3	66,861.3
Water (m ³)	193,570.1	212,555.3
GHG (tonnes CO ₂ e)	21,950.7	22,055.3

Intensity ¹			
	2020	2019	Change (%)
Energy ² (ekWh/sf)	11.8	15.4	(23.2)
Water ³ (L/sf)	31.7	50.0	(36.6)
GHG ⁴ (kg CO ₂ e/sf)	3.6	5.2	(30.7)

Energy Consumption

In our portfolio, eight out of nine properties in MUST's portfolio are either LEED™ and/or ENERGY STAR® certified, giving us a competitive advantage over similar buildings in our cities. We were able to translate the energy-efficiency of our buildings into cost savings for MUST. Some of the initiatives include replacing conventional lightbulbs with energy-efficient LED bulbs and installing waste diversion and recycling facilities in our properties.

Overall, MUST's portfolio recorded a 23.2% reduction in energy intensity in 2020.

Water Consumption

To ensure that our properties are resource-efficient, water is a key focus in our property management. Under our Sustainable Building Standards, water consumption is managed and

monitored with guidelines on the implementation of water-efficient strategies and implementation, such as fixtures and fittings. Across MUST's properties, we use third-party water as well as reusing reclaimed water wherever possible⁵.

Overall, MUST's portfolio recorded a 36.6% reduction in water intensity in 2020.

GHG Emissions

We recognise the significance of climate change and seeks to reduce the amount of GHG emissions from its business operations. As described on page 76, even though MUST's carbon emissions are monitored and reduced under our Sponsor's efforts to reduce the footprint of all properties under Manulife Investment Management's real estate arm, we are working with the Sponsor in 2021 to further reduce our GHG emissions in the following year.

Overall, MUST's portfolio recorded a 30.7% reduction in GHG intensity in 2020.

Environmental Efforts in Singapore

In line with MUST's environmental goals, the Manager launched various initiatives to minimise its environmental footprint in our Singapore office at Manulife Tower. This included the installation of a centralised automated sensor system to prevent unnecessary wastage of energy. The system is linked to the lights and air conditioners, switching these appliances off automatically after 7 pm on weekdays, 1 pm on Saturdays and the entire day on Sundays and public holidays.

Recycling facilities for paper, plastic and cans are located in the lobby of Manulife Tower to cultivate environmentally friendly practices in the workplace. Our employees have also proactively set up a recycling corner in the office to collect all recyclables for weekly drop off at the recycling facilities. Employees are also encouraged to print only when necessary, using the double-sided setting on Forest Stewardship Certified (FSC) paper provided in the office.

In 2020, as part of going green, the Manager obtained Unitholders' approval to issue its annual reports electronically.

- 1 MUST has updated some of its building areas of measurement. Building areas now reflect some parking areas directly below the buildings, where applicable, and calculated in accordance with best practices. As such, the resource intensity data presented will see a difference from the previous years.
- 2 Energy intensity was calculated by total normalised energy consumption/total gross floor area. All years reporting energy intensity are normalised for weather only; and not occupancy due to the significant occupancy variations during the pandemic.
- 3 Water intensity was calculated by total water consumption/total gross floor area.
- 4 GHG intensity was calculated by total GHG emissions/total gross floor area.
- 5 MUST is currently in the midst of transitioning to the refreshed GRI 303: Water and Effluents 2018 standard. Enhancements to the Management Approach and data disclosure will be made in the next Sustainability Report.

EXTERNAL RELATIONS

OBJECTIVE

Understand and meet the needs of the investment, tenant and local communities through regular and effective engagement initiatives

INITIATIVES AND RATIONALE

INVESTMENT COMMUNITY

- Engaged investment community through virtual AGM, conferences and thought leadership webinars – met approximately 1,700 investors, analysts and media (+24.0% YoY)
- Produced 'Live from LA' video to provide on the ground colour of Figueroa and Los Angeles

TENANT COMMUNITY

- Held regular tenant engagement events and issued return to office guidebook to create a positive and safe working environment
- Conducted tenant satisfaction survey to stay up to date with tenants' satisfaction, needs and concerns

LOCAL COMMUNITY

- Channelled CSR, corporate gifts and employee engagement budget towards social procurement
- Organised a virtual gardening contest with seniors from MWS
- Donated hand sanitisers and masks to elderly from MWS and St. Luke's Hospital and biscuits to the Migrant Workers' Centre

STAKEHOLDERS



PERFORMANCE

INVESTMENT COMMUNITY

- Received 'A' for GRESB Public Disclosure 2020 with score of 96, ranking 1st out of 10 Asia offices
- Awarded Best in Sector – Financials (including real estate) by IR Magazine Awards, South East Asia 2020

TENANT COMMUNITY

- 88.0% of tenants who participated in tenant satisfaction survey responded with a 4 or 5 Star rating on overall satisfaction

LOCAL COMMUNITY

- Total CSR contribution of 188.0 hours (+3.0% YoY) and S\$25,964 (+1.9% YoY)

TARGETS

Maintain 'A' rating for GRESB Public Disclosure

Publish at least one independent market report of MUST's cities on website yearly

Engage the investment community (analysts, media, institutional and retail investors) at least two times a year

Maintain 4 or 5 Star rating for overall satisfaction in tenant satisfaction survey

Commit at least S\$20,000 to CSR activities

EXTERNAL RELATIONS

MUST places a strong emphasis on strategic communications. We engage in effective and meaningful engagement through initiatives that are tailored to each stakeholder group.

Investment Community

In 2020, we stepped up our efforts to engage different members of the investment community, including institutional and retail investors, analysts, media and financial bloggers. Our three main modes of engagement are:



Regulatory reporting and other communication materials

- Strengthening corporate disclosures to enhance transparency and accessibility of information



Engagement events

- Maintaining effective interaction and providing regular access to senior management



Green Dot Series – a thought leadership initiative

- Increasing awareness and understanding U.S. economy and office real estate sector

MUST follows the SGX-ST regulatory requirements and its IR Policy in its engagement initiatives. Regular engagement was conducted through the following initiatives:

Regulatory	Non-Regulatory
• AGMs/EGMs • Annual reports • Sustainability reports • SGX announcements • Circulars • Corporate website	• Results briefings with audio webcasts • Roadshows/conferences/seminars • Conference calls • Media interviews • Retail investor days • Green Dot Series initiatives • Networking events • U.S. site visits • Investor presentations/press releases • Half-yearly factsheets • E-newsletters • Investor packs on tax forms • Website initiatives: – General hotline – Dedicated Green Dot Series and Sustainability pages – Dedicated IR contact – Property videos – Archived audio webcasts – Email alerts – AGM/EGM minutes – FAQs – IR policy – Financial and operational data spreadsheet

Reinforcing Proactive Engagement Using Digital Tools

In the face of a pandemic, the frequency of communication becomes paramount. Besides holding virtual meetings and calls to engage the investment community, MUST reinforced its proactive engagement via various digital platforms.

Our website now includes new sections dedicated to 'Green Dot Series' and 'Sustainability'. The 'Green Dot Series' section on the website allows easy access to thought leadership articles and independent market reports on MUST's cities. Apart from MUST's sustainability strategy, mission, and property certifications, the Sustainability section in our website provides more information on our four sustainability focus areas. Through this initiative, we hope to enhance the transparency of MUST's operations and showcase our ongoing commitment towards sustainability. In our efforts to increase research coverage for MUST, we produced a spreadsheet of our past financial and operational data to aid analysts with their financial modelling. Together with our proactive engagement, we saw five new research houses initiating coverage on MUST in 2020.

Additionally, a 'Live from LA' video was produced to provide investors insights on our property and Downtown Los Angeles during the pandemic. Separately, MUST has also enhanced its outreach to institutional investors, analysts and media via digitalised email communications. This included a survey to gather feedback on MUST's engagement and how the investment community would like to be engaged in the upcoming year. Bi-annual e-newsletters post our financial results were also distributed to retail investors to engage them.

Green Dot Series – a Thought Leadership Initiative

In order to further our reach, MUST collaborated with journalists, bloggers, brokers and regulatory bodies to share insights about the real estate sector.

For our annual retail Investor Day, we worked with ProButterfly to organise a WFH webinar. The event was attended by over 560 retail investors, wherein approximately 50.0% are MUST's Unitholders. In September, MUST participated in Seedly's Ask Me Anything (AMA) series to reach out to the younger investment community. The AMA platform encouraged communication through question and answer with youths in the investment community. We also invited CBRE to share about the future of America and office post the U.S. election. The webinar drew over 60 attendees including institutional investors, analysts, media and internal stakeholders such as MUST's Directors and employees.

Additionally, MUST participated in various interviews with the investment community, including Investor Relations Professionals Association (Singapore)'s panel discussion to share our index inclusion story and REITsWeek's video interview on office demand during the COVID-19 pandemic in the U.S.

Tenant Community

MUST proactively engages the tenant community to maintain the relationship with our tenants and target potential tenants. The Property Manager oversees MUST's tenant engagement programmes to ensure that they are aligned to the Sustainable Building Standards and relevant to our tenants' needs and interests.

EXTERNAL RELATIONS

Ensuring a Safe Working Environment

MUST's nine properties remained open during the pandemic in 2020. We issued a tenant guidebook providing details on COVID-19 restrictions such as mask-wearing, social distancing requirements in common areas, and detailed initiatives such as the installation of upgraded air filters.

Aligned with our commitment to better provide a safe working environment, we also provided relevant COVID-19 building guidance in our properties to ensure the smooth flow of visitors.

Managing Personal Well-being during a Pandemic

In response to the pandemic, MUST held two Healthy Buildings webinars with Dr. Joseph Allen, a leading expert in the healthy buildings industry to provide tenants with guidance on staying safe and healthy. We will continue to organise these informative sessions to help tenants understand the best practices and procedures for their workspaces during this COVID-19 outbreak.

Raising Awareness on Electronic Waste

In 2020, one of our properties conducted its Annual E-Waste Event. This event aims to encourage and train our tenants on how to dispose electronic waste (e-waste) and the importance of doing so. Manulife's personnel and tenants participated in the event with an overwhelming response that resulted in five gaylord bins filled with e-waste. MUST recognises the impact of this event and plans to organise it at least once a year as part of our efforts to reduce environmental footprint.

Cultivating a Healthy and Active Culture

MUST firmly believes in providing an all-rounded environment for tenants. In 2020, we organised the annual FitTrip Rx Fitness Competition, where each participant weighs in and out 12 weeks apart on InBody machines. These machines provide a detailed breakdown of participants' body composition, breaking down body fat and muscle mass percentages. Throughout the 12 weeks, participants exercised to gain muscle and reduce body fat with the guidance of fitness centre employees. Through this annual event, we hope to encourage healthy and active living amongst tenants. This competition has seen positive reception with more tenants joining the fitness centre every year. Due to the positive feedback, we intend to organise the competition in 2021 as well.

Gearing Up in Emergency Preparedness

In 2020, we partnered with Cardiac Solutions to conduct the annual Automated External Defibrillator (AED) & Cardiopulmonary Resuscitation (CPR) online training for tenants. The training provided tenants and Manulife employees on information on the techniques of administering AED and CPR over a 2-hour virtual session. At the end of the training, participants were provided with a CPR certification that is valid for two years.

Through the training session, participants not only acquired a life skill but gained confidence in potentially saving a life. MUST hopes that this can help tenants and employees feel safer at their workplace and will continue this course on a regular basis.

Monitoring Tenant Satisfaction

To better understand the needs and concerns of our tenants, we engage Kingsley Associates to conduct tenant satisfaction surveys every alternate year at all MUST's properties.

The survey gathers information on tenants' overall satisfaction, perception of property, satisfaction with management, leasing and maintenance, renewal intentions and likelihood of property recommendations. In the latest survey conducted in 2020, 88.0% of the tenants who participated in the survey responded with a 4 or 5 Star rating on overall satisfaction. Due to the COVID-19 pandemic, we received a lower participation rate of 52.0% with our buildings operating at a much lower physical occupancy than in 2018. Our ability to market the survey was limited to email this year, whereas in past years, it would have been promoted via on-site collaterals, which likely affected our survey participation rate this year.

Our tenant outreach programmes resulted in MUST leasing 5.9% of our portfolio by NLA in 2020 and maintaining a high occupancy of 93.4% as at 31 December 2020.

Local Community

Beyond profitability, we are committed to giving back to the local community. Our CSR programmes in 2020 focuses on engaging the elderly, supporting social enterprises and helping communities affected by the pandemic.

Reaching Out to the Elderly Community and Migrant Workers

To comply with social distancing measures, we took a different approach to our volunteerism this year and continued to show our love and support to isolated elderly via virtual engagements.

In September, to encourage sustainable living, MUST organised an 'I Can Plant, So Can You!' virtual gardening event. Seniors from MWS and MUST's employees participated in a workshop/contest to nurture the tallest and healthiest vegetables over a period of 28 days and the top five participants with the healthiest greens received awards for their hard work. Not only was the event enjoyable, it was highly rewarding for the elderly and our staff to grow and care for their plants and reap what they sowed. At the onset of the COVID-19 pandemic, we also took care of our community partners, by donating reusable masks procured from a social enterprise, hand sanitisers and surgical masks to the elderly from MWS and patients in St. Luke's Hospital.

Beyond serving the elderly and needy, our hearts went out to the migrant workers who were not allowed to leave their dormitories. We reached out to Migrant Workers' Centre to offer some cheer by sending biscuits to migrant workers. In 2020, we recorded a CSR contribution of S\$25,964 (+1.9% YoY) and 188.0 hours (+3.0% YoY).

Encouraging our Employees to Make a Difference

Apart from CSR activities organised by MUST, all employees are given two days of paid volunteer leave per year to support the organisation of their choice. This was utilised by staff in 2020. By doing so, we hope to ingrain the 'living through giving' mentality, not just at work but in their everyday life.

HUMAN CAPITAL

OBJECTIVE

Attract and retain talent by cultivating a positive work environment that focuses on diversity, equal opportunities, training, health and wellness

INITIATIVES AND RATIONALE

DIVERSITY AND EQUAL OPPORTUNITY

- Practiced fair recruitment and provided equal opportunities regardless of age, gender or ethnicity
- Provided mandatory diversity and inclusion training
- Reported diversity data to the Board of Directors bi-annually
- Whistle-blowing and escalation procedures in place for anonymous grievances reporting

HEALTH AND WELLNESS

- Provided thermometers, masks and fruit baskets
- Subsidised health screening
- Provided free external professional advice and counselling
- Conducted workshops on mental and physical health
- Encouraged regular movement with height adjustable desks

TRAINING AND DEVELOPMENT

- All staff eligible for training with subsidies up to S\$2,000 per employee
- Opportunities for senior management to enhance leadership capabilities

TALENT RETENTION

- Undertook half-yearly performance reviews and employee engagement surveys
- Refreshed the AoC quarterly to gather feedback from the rest of the staff
- Organised regular company cohesion activities such as BOTH

STAKEHOLDER



Employees

PERFORMANCE

35.5 hours

average training per employee (+0.9% YoY)

100.0%

participation in annual employee engagement survey with improved scores

Zero

accidents and injuries in the workplace

TARGETS

Continue to hire employees with diversified age, gender and type

Organise regular mental and physical health talks or fitness classes

Provide annual subsidised health screening

Maintain at least 30.0 hours average training per employee

HUMAN CAPITAL

Diversity and Equal Opportunity

ZERO-TOLERANCE POLICY

on any form of workplace discrimination

At MUST, we value diversity within our workforce. We believe that a diverse talent pool provides access to a wide range of different skillsets essential for MUST to stay at the forefront of its industry. To ensure fair and equal treatment to all employees, equal employment opportunities are

offered to individuals regardless of their age, gender or ethnicity. Employee remuneration packages are based solely on employee's individual performance without bias and are assessed annually. Furthermore, in compliance with our diversity policies, the Manager reports its diversity data to its Board of Directors bi-annually and has clear policies stated in the employee handbook.

Aligned with MUST's commitment to strengthen diversity, equity and inclusion among its workforce, our Sponsor is investing US\$3.5 million over the next two years to accelerate Manulife's diversity, equity and inclusion efforts. These efforts are focused on three key pillars:



Enhanced Training

- Providing programmes to educate employees on bias and discrimination
- Conducting regular listening forums to build a greater understanding of inclusion and connection within our global team
- Focusing on allyship training and inclusivity in management for leaders



Building Diversity

- Increasing representation of Black, Indigenous and People of Color (BIPOC) professionals
- Focusing recruitment efforts and forging partnerships with educational programmes to hire more BIPOC youth
- Providing development programmes and diversifying hiring for mid-career BIPOC leaders



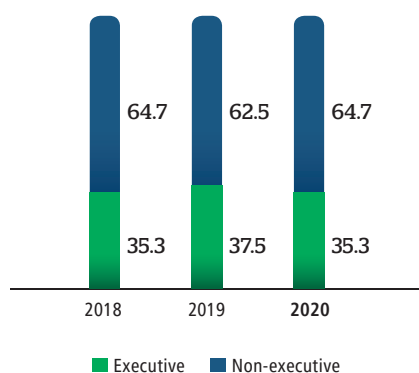
Supporting Communities

- Donating to relevant organisations with a focus on education and racial equality
- Encouraging volunteerism in financial education and career mentorship

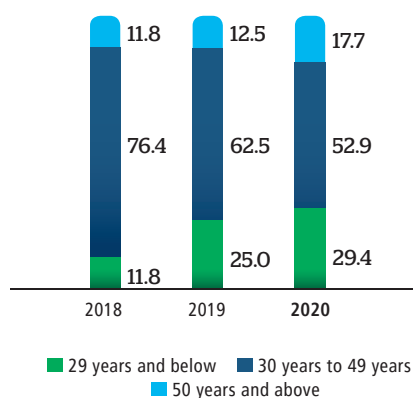
As at 31 December 2020, the Manager had in total 17 full-time executives and non-executives with a well-balanced mix by age and gender. We are extremely pleased that

our continuous efforts in ensuring diversity, even at the executive level have paid off. 50.0% of MUST's senior executive positions are held by females.

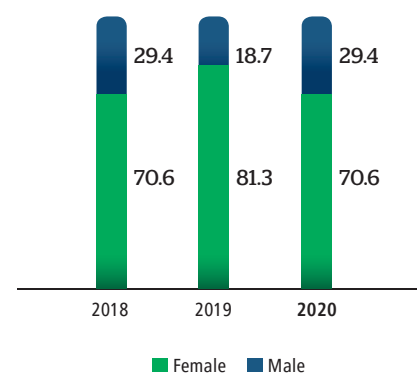
Employees by Type (%)



Employees by Age (%)



Employees by Gender (%)



Grievance Mechanism

MUST understands the importance of confidentiality and strives to provide our employees with methods of reporting grievances in good faith. A dedicated whistle-blowing channel stipulated by the Whistle-blowing Policy as well as appropriate escalation procedures are in place to ensure that concerns from employees are made known to the relevant parties in the management, and that appropriate actions can be carried out when needed.

Employees are encouraged to speak to their immediate supervisor if they have any doubts or questions regarding business practices or potential conflicts of interest. Follow up actions such as investigations and penalties are to be enforced while protecting the identity of the whistle-blower.

Employee Health and Wellness

In MUST, we ensure that the physical and mental well-being of our employees are taken care of in the workplace. Initiatives includes:

Health Talks and Fitness Classes

- Conducted regular health workshops and webinars for employees' mental and physical well-being

Comfortable and Productive Working Environment

- Incorporated ergonomic furniture
 - Height adjustable desks
- Improved indoor air quality
 - Air purifiers
 - Indoor plants

Protecting our Employees during COVID-19 Outbreak

- Provided employees with thermometers, surgical and reusable masks
- Sent fruit baskets to employees and their families
- Conducted external large-scale meetings virtually

With an increasing focus on mental health issues, we held an in-house mental health talk in April, organised by the MinMed Group, to help our employees cope with or support those afflicted with such issues. We hope to play our part by cultivating a corporate culture that is open and supportive of employees' mental well-being. In May, with most employees telecommuting, we organised a health talk on coping with work from home and its challenges. We felt that it was essential to equip our employees with the knowledge and ability to live and work effectively through the COVID-19 crisis.

The safety of our employees is top priority at MUST. During the COVID-19 outbreak in 2020, the Manager responded quickly to provide employees with masks, hand sanitisers and thermometers. Staff were split into two groups to alternate between working from home and the office every two weeks. Large-scale external meetings were conducted virtually and temperature screenings were conducted upon entry into Manulife Tower to ensure the safety of employees.

As in previous years, full-time employees are entitled to discounted insurance policies along with other products and services. In addition, employees and their family members are able to receive professional counselling from external consultants through phones, emails or face-to-face sessions.

In 2020, with no reported accidents and injuries, MUST recorded an accidental frequency rate of zero and injury rate of zero for employees of the Manager.

Training and Development

Employees are given equal opportunities for their professional and personal development through external or internal training.

Developing Leadership Capabilities

To improve our leaders' capabilities, we provide managerial development training. Through the training programmes, we expect our senior executive officers to drive further progress within MUST, spreading relevant knowledge throughout the company.

For instance, one of our C-Suites attended a 6-month mentoring programme as a mentee. The programme targets the development of core and leadership capabilities, and leverages participants' strengths and hidden talents to drive career satisfaction while contributing to the organisation's success.

The same leader also attended an external two-day Signature Leadership course, launched specifically to develop women leaders around the world. High potential female leaders within Manulife were selected for this workshop to harness their strengths and personalities to profile themselves in the workplace.

Providing Relevant Job Training to All Employees

MUST ensures that all employees attend relevant training throughout the year. All staff, including part-time, contract and those on probation are allocated a training budget of S\$2,000 per year to attend relevant courses of their choice. Apart from that, the Manager also organised various training programmes in 2020 on compliance, sustainability, human resource and more.

HUMAN CAPITAL

We have established a funded programme to support our employees in attaining accredited certifications, such as the Capital Markets and Financial Advisory Services (CMFAS) Module 10 certification conducted by The Institute of Banking & Finance (IBF) Singapore. This is to ensure that our employees can remain relevant and are knowledgeable on REIT management matters. In 2020, two of our employees obtained the IBF Module 10 certification with MUST's full support. Staff also received subsidies to attain other certifications such as the Certified Public Accountant license.

Monitoring Employee Performance

Performance reviews are conducted semi-annually to monitor the progress of our employees and to measure the effectiveness of MUST's training programmes.

Employees are required to perform a self-assessment on their achievements for the year together with their senior managers. The topics covered work performance, challenges faced and applicable training programmes that would aid in their professional growth.



Talent Retention

Engaging our Workforce

In order to understand the needs and concerns of our employees, we continued to select different groups to be the AoC. As the voice of the staff, the AoC gathers feedback and ideas from their colleagues on preferred activities as well as changes they would like to see in the workplace.

Despite COVID-19 in 2020, regular company cohesion activities were organised. This includes BOTH, an initiative where employees provide feedback over regular breakfast Zoom meetings. BOTH allows senior management to engage with staff and share business updates in an informal setting.

AoC and BOTH have been successful in engaging our staff meaningfully. During our annual employee engagement survey in 2020, we not only achieved a 100.0% participation rate, but our scores, as assessed by the independent provider Gallup, Inc., also saw a significant improvement over the previous year.

MUST's average monthly recruitment rate for 2020 stands at 1.5%, slightly below the industry average of 1.8%¹. MUST also recorded an average monthly resignation rate of 1.0% for 2020, half of its resignation rate of 2.0% in 2019 and lower than the industry average of 1.6%¹. In 2020, MUST's annual turnover rate was 5.7%.

Encouraging Stock Ownership

Starting from July 2019, all Manulife's employees in Singapore, including MUST's employees were eligible for Manulife's Global Share Ownership Plan. Employees may apply up to 5.0% of their annual base earnings towards

the purchase of common shares of Manulife Financial Corporation (MFC). MFC matches a percentage of the employee's eligible contributions capped at a certain amount. All contributions are used to purchase common shares in the open market and can be vested immediately.

This initiative received a positive response from our staff and 52.9% of MUST's employees participated in this programme in 2020. By providing an opportunity for our employees to share tangibly in Manulife's success, we were able to cultivate an ownership mentality within our workforce. Including staff who were granted Restricted Share Units under the Long-Term Incentive Scheme, 82.4% of MUST employees are enrolled in employee stock plans under MFC/MUST.

Recognising our Employees

MUST believes that appreciating employees is key to a productive and healthy workforce. To show our appreciation, 19 June 2020 was designated Thank You Day, where all employees worldwide had a day off. In addition, in view of the challenges faced during COVID-19, all employees are allocated five extra leave days in 2021.

Another initiative that was launched in 2020 was a global recognition programme, Podium. Podium allows for staff to recognise and be recognised. Since its launch, many of our staff have shown appreciation by nominating their colleagues for the award and others have also received recognition for their great work. The awards are tied to a point system, for redemption of electronics, sports, health and dining vouchers and more.

¹ Source: Ministry of Manpower. Average monthly recruitment/resignation rate during a quarter is defined as the average number of persons recruited/resigned in a month during the quarter divided by the average number of employees in the establishment. Annual figures are the simple averages of the quarterly figures.

ETHICAL CORPORATE BEHAVIOUR

OBJECTIVE

Ensure continued adherence to rules and regulations through the highest standards of governance and best practices by employing stringent corporate compliance and internal audit practices

INITIATIVES AND RATIONALE

- Strengthened governance disclosures in 2019 and 2020 annual reports
- Published additional information on corporate website:
 - Sustainability
 - Green Dot Series – a Thought Leadership Initiative
 - Uploaded a spreadsheet of past financial and operational data
- Encouraged Unitholders to email questions prior to AGM
- Incorporated links to sustainability performance in incentive pay policies for all employees

STAKEHOLDERS



Employees



Tenants

PERFORMANCE

Zero incidents of non-compliance with relevant laws and regulations resulting in fines or sanctions

Zero incidents of corruption

50.0% of Independent Directors are female

Remained on SGX Fast Track

MSCI ESG Ratings: 'A'

GIFT 2020: Ranked 4th out of 45 REITs and Business Trusts (2019: ranked 6th)

SGTI 2020: Ranked 9th out of 45 REITs and Business Trusts (2019: ranked 33rd)

TARGETS

Maintain zero incidents of non-compliance with relevant laws and regulations resulting in fines or sanctions

Maintain zero incidents of corruption

Strengthen disclosures through annual reports and corporate website

Continue to incorporate links to sustainability performance in incentive pay policies for all employees

ETHICAL CORPORATE BEHAVIOUR

Regulatory Compliance

Good corporate governance ensures MUST's accountability towards various stakeholders and avoid any potential detrimental breaches before they occur. In a highly regulated sector, our Board of Directors and management work together to safeguard the interests of Unitholders. We ensure compliance with local and foreign laws and regulations to prevent breaches in regulations or corruption, maintaining our reputation and stakeholder trust. In 2020, there were zero incidents of non-compliance and corruption.

Governed by our Policies

MUST recognises the importance of having a robust governance structure supported by comprehensive compliance policies and procedures to drive long-term growth. Being listed on SGX-ST and regulated by the Monetary Authority of Singapore, MUST and its Manager are required to comply with a range of rules and regulations. Specific policies and procedures are also instituted (as shown on pages 89 to 90) to ensure compliance with the regulatory and operating environment. The Manager, as a subsidiary of Manulife Group, is also subjected to certain Group-wide policies and procedures.

MUST's Sponsor is a Securities and Exchange Commission registered company and the Manager aligns its corporate governance to that of its Sponsor as well. The Manager's compliance team works closely with the Sponsor's legal and compliance teams plus appointed external legal counsel in Singapore and the U.S., to ensure that MUST and the Manager operate within their regulatory ambit. Details on corporate governance can be found on page 94 of MUST's 2020 Annual Report.

To manage compliance risk, the compliance team is involved and consulted on all business activities. The periodic submission of data to regulators and application and review of licences are also tracked by the team. Alongside the compliance team, the internal audit team reviews processes and procedures, while the Manager follows a comprehensive enterprise risk management framework with reports submitted to the Board on a regular basis.

Following the appointment of a new Independent Non-Executive Director and member of the Audit and Risk Committee on 10 November 2020, 50.0% of our Independent Directors are female, further boosting our Board diversity and representation for equal voices in decision making.

MUST's Board Diversity Policy, Investor Relations Policy, Whistle-blowing Policy and Manulife Code of Business Conduct and Ethics are publicly available at <http://www.manulifeusreit.sg/about.html>.

Ethics in our Workplace

Capital Markets Services (CMS) representative licence holders are responsible for functions ranging from asset

management, investment management, finance to investor relations. They attend regular training to stay up to date with the market regulations. As at 31 December 2020, 12 out of 17 full-time employees of the Manager are CMS representative licence holders under the Securities and Futures Act (SFA) of Singapore.

Compulsory and voluntary training are available to employees to ensure that they understand their roles and reporting obligations. New hires are subject to mandatory orientation and induction programmes. The compliance team delivers regular updates on legal and organisational standards to the Board of Directors and employees.

Employees also undergo training on anti-bribery and anti-corruption so that they are aware of the importance of complying with relevant laws, as well as to educate employees on policies regarding gifts and entertainment. We are committed to preventing any breaches of sensitive issues that might lead to consequences beyond fines. Therefore, by equipping our employees with the necessary knowledge and skills, we can avoid any potential breaches altogether.

In 2020, all employees' incentive pay policies are linked to MUST's sustainability performance, and the Manager targets to do the same in 2021 to establish MUST's commitment to sustainability.

Compliance in our Properties

We have a responsibility to ensure that our tenants and users of our properties remain safe from injury in our properties. The Property Manager has a compliance team to manage compliance at the property level. Regular training and engagement sessions are conducted for tenants to raise any relevant issues. Grievance mechanisms such as feedback channels, anonymous hotlines, and whistle-blowing channels are also available for all other stakeholders.

Recognised for Governance

We take pride in establishing strong corporate governance practices that are at the forefront of the industry in Singapore. Our ranking for GIFT 2020 has improved to 4th out of 45 REITs and Business Trusts. In addition, we have shown a vast improvement in our score for SGTI 2020, with an increase of 19.1 points and a jump of 24 positions.

As an SGX Fast Track issuer, MUST is also recognised for its high corporate governance standards and good compliance track record. Companies in this programme enjoy prioritised clearance for selected corporate action submissions to SGX RegCo.

MUST also achieved an 'A' in the MSCI ESG Ratings and is included in the iEdge SG ESG Leaders Index, proving its status as a leader of sustainability practices among our industry peers.

Corporate Policies & Procedures

Policies & Procedures	Objectives	References
Insider Trading Policy	Provides guidance for the Directors, officers, and employees in the context of dealing in the Units of MUST	Internal Policy
Global Privacy Risk Management Policy	Describes the framework within which MUST manages privacy risk when handling personal information	Internal Policy
Information Risk Management Policy	Aids in identifying, assessing, treating, reporting and managing significant information risks in support of and in alignment with operational risk management	Internal Policy
Independent Nominating and Remuneration Committee	Ensure the long-term effectiveness of the Board by making recommendations on the composition of the Board	Internal Policy
Conflict of Interest and Interested Person Transaction Process	Compliance with CMS Licence requirements for Real Estate Investment Trust Management under the SFA of Singapore	Internal Policy
Disclosure of Interest		
Fit and Proper Declaration		
Global Business Continuity Policy	Outlines the process in the event of any disaster	Internal Policy
Global Disaster Recovery Policy		
Enterprise Risk Management Policy	Provides a structured approach to implementing risk-taking and risk management activities at an enterprise level	Internal Policy
Whistle-blowing Policy	Encourage stakeholders and any other persons to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence	Available on MUST's website (http://www.manulifeusreit.sg/whistle-blowing-policy.html)
Anti-Fraud Policy	Describes a framework within which MUST strives to: (1) prevent, identify, and detect fraud; and (2) ensure that adequate controls are in place to accomplish those objectives	Internal Policy
Anti-Money Laundering and Anti-Terrorist Financing Policy	Outlines the responsibilities, accountabilities, and processes to ensure that MUST effectively mitigates the risks associated with money laundering and terrorist financing activities	Internal Policy
Global Entertainment & Gift Policy	Ensure that MUST, the Manager and its employees do not engage in shared business entertainment or gift practices that constitute (or appear to constitute) a corrupt business practice, including bribery	Internal Policy
Board Diversity Policy	Sets out the approach to achieve diversity on the Manager's Board of Directors	Available on MUST's website (http://www.manulifeusreit.sg/misc/Board-Diversity-Policy.pdf)
Code of Business Conduct and Ethics	The code affirms MUST's commitment to ethical conduct and its practice of complying with all applicable laws and avoiding potential or actual conflicts of interest	The Manulife Code of Business Conduct and Ethics is available on http://www.manulifeusreit.sg/about.html

ETHICAL CORPORATE BEHAVIOUR

Corporate Policies & Procedures (CONT'D)

Policies & Procedures	Objectives	References
Personal Data Protection Act (PDPA)	Ensure MUST's compliance with the PDPA	The PDPA is available on https://www.pdpc.gov.sg/Overview-of-PDPA/The-Legislation/Personal-Data-Protection-Act
Social Media Policy	Minimise reputational, business, compliance and legal risks associated with social media usage	Internal Policy
Timely disclosure of information	Minimise reputational and business risk and compliance with marketing and exchange regulations	Internal Policy
Review the accuracy of the information on the corporate website		
Review accuracy of all marketing collaterals before publication		
Tracking periodic submissions to respective regulators		
Health and Safety Policy	Ensure the safety of all users of our properties and ensure compliance with the WSHA	Internal Policy
		Internal Process
Workplace Safety and Health Act (WSHA)		The WSHA is available on https://sso.agc.gov.sg/Act/WSHA2006

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page Number(s)
General Disclosures		
Organisational Profile		
102-1	Name of the Organisation	Manulife US REIT
102-2	Activities, brands, products, and services	About This Report, page 63 Property Universe, page 28
102-3	Location of headquarter	Singapore
102-4	Location of operations	Property Universe, page 28
102-5	Ownership and legal form	Organisational Chart/Trust and Tax Structure, page 11
102-6	Markets served	Property Universe, page 28
102-7	Scale of the organisation	FY2020 Financial and Portfolio Highlights, page 2 Financial Review, page 20 Property Universe, page 28
102-8	Information on employee and other workers	Human Capital, page 83 Manulife US REIT did not have any significant variation in employment numbers in 2020
102-9	Supply chain	External Relations, page 80
102-10	Significant changes to organisation and its supply chain	Manulife US REIT did not have any significant variation in 2020
102-11	Precautionary principle or approach	Ethical Corporate Behaviour, page 87
102-12	External initiatives	Our Sustainability Strategy, page 70 Sustainable Properties, page 75
102-13	Membership of associations	Real Estate Developers' Association of Singapore/REITAS The Property Manager, JHUSA Sustainable Real Estate Policy, page 69
Strategy		
102-14	Statement from senior decision-maker	Board Statement, page 65 Message to Stakeholders, page 66
Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	Our Sustainability Strategy, page 70
Governance		
102-18	Governance structure	Ethical Corporate Behaviour, page 87
Stakeholder Engagement		
102-40	List of stakeholder groups	Our Sustainability Strategy, page 70
102-41	Collective bargaining agreements	Manulife US REIT does not have any collective bargaining agreements in place
102-42	Identifying and selecting stakeholders	Our Sustainability Strategy, page 70
102-43	Approach to stakeholder engagement	Our Sustainability Strategy, page 70
102-44	Key topics and concerns raised	Our Sustainability Strategy, page 70

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page Number(s)
General Disclosures		
Reporting Practice		
102-45	Entities included in the consolidated financial statements	FY2020 Financial and Portfolio Highlights, page 2 Financial Review, page 20
102-46	Defining report content and topic boundaries	Our Sustainability Strategy, page 70
102-47	List of material topics	Our Sustainability Strategy, page 70
102-48	Restatements of information	No restatements
102-49	Changes in reporting	No changes in reporting
102-50	Reporting period	1 January 2020 – 31 December 2020
102-51	Date of most recent report	Manulife US REIT Annual Report 2019 – Sustainability Report 2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About This Report, page 63
102-54	Claims of reporting in accordance with GRI Standards	About This Report, page 63
102-55	GRI Content Index	GRI Content Index, page 91
102-56	External assurance	Manulife US REIT has not sought external assurance for this reporting period and may consider it for future periods
Management Approach		
103-1	Explanation of the material topic and its boundary	Please refer to section on each material factor
103-2	The management approach and its components	• Economic Performance, page 66 • Anti-corruption, page 87 • Energy, page 75 • Water, page 75 • Emissions, page 75 • Environmental Compliance, page 75 • Employment, page 83 • Training and Education, page 83 • Diversity and Equal Opportunity, page 83 • Customer Health and Safety, page 80 • Market and Labelling, page 87 • Socioeconomic Compliance, page 87
103-3	Evaluation of the management approach	
Economic Performance		
201-1	Direct economic value generated and distributed	FY2020 Financial and Portfolio Highlights, page 2 Message to Stakeholders, page 66
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Ethical Corporate Behaviour, page 87

GRI Standards (2016)		Notes/Page Number(s)
Material Topics		
Energy		
302-1	Energy consumption within the organisation	Our ESG Highlights, page 64
302-3	Energy Intensity	Our ESG Highlights, page 64
Water		
303-3	Water withdrawal by source	Our ESG Highlights, page 64
Emission		
305-2	Energy indirect (scope 2) GHG Emission	Our ESG Highlights, page 64
305-4	GHG emissions intensity	Our ESG Highlights, page 64
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Ethical Corporate Behaviour, page 87
Employment		
401-1	New employee hires and employee turnover	Human Capital, page 83
Training and Education		
404-1	Average hours of training per year per employee	Our ESG Highlights, page 64
404-2	Programmes for upgrading employee skills and transition assistance programmes	Human Capital, page 83
404-3	Percentage of employees receiving regular performance and career development reviews	Human Capital, page 83
Diversity and Equal Opportunity		
405-1	Diversity of employees	Human Capital, page 83
Customer Health and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Ethical Corporate Behaviour, page 87
Market and Labelling		
417-3	Incidents of non-compliance concerning marketing communications	Ethical Corporate Behaviour, page 87
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Ethical Corporate Behaviour, page 87

CORPORATE GOVERNANCE

The Manager has general powers of management over the assets of MUST. The Manager's main responsibility is to manage MUST's assets and liabilities for the benefit of Unitholders. The Manager sets the strategic direction of MUST and gives recommendations to DBS Trustee Limited (the Trustee), on the acquisition, divestment, development and/or enhancement of assets of MUST in accordance with its stated investment strategy.

The Manager provides, amongst others, the following services to the REIT:

- **Investment:** Formulating MUST's investment strategy, including determining the location, sub-sector type and other characteristics of MUST's property portfolio. Overseeing negotiations and providing supervision in relation to investments of MUST and making final recommendations to the Trustee.
- **Asset management:** Formulating MUST's asset management strategy, including determining the tenant mix, asset enhancement works and the rationalisation of operation costs. Providing supervision in relation to asset management of MUST and making final recommendations to the Trustee on material matters.
- **Capital management:** Formulating the plans for equity and debt financing for MUST's property acquisitions, distribution payments, expense payments and property maintenance payments. Executing the capital management plans, negotiating with financiers and underwriters and making final recommendations to the Trustee.
- **Accounting:** Preparing accounts, financial reports and Annual Reports for MUST on a consolidated basis.
- **Compliance:** Making all regulatory filings on behalf of MUST, and using its commercially reasonable best efforts to assist MUST in complying with the applicable provisions of the relevant legislation pertaining to the location and operations of MUST, the Listing Manual of the SGX-ST (the Listing Manual), the Trust Deed, any tax ruling and all relevant contracts.
- **Investor relations:** Communicating and liaising with investors, analysts and the investment community.

The Manager has been issued a Capital Markets Services licence (CMS Licence) for REIT management pursuant to the SFA on 2 July 2015 and is regulated by the MAS.

The Manager was appointed in accordance with the terms of the Trust Deed constituting MUST dated 27 March 2015 (as amended, varied or supplemented from time to time). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

This report describes the Manager's main corporate governance framework and practices with reference to the Code of Corporate Governance 2018 (CG Code). Compliance with, and observation of, the Principles of the CG Code (the Principles and each Principle) are mandatory and to the extent there are any variations from the Provisions of the CG Code, these are stated and explained as to how the Manager's practices are still consistent with the aim and philosophy of the Principle in question.

(A) BOARD MATTERS

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, which comprises a majority of Independent Directors, is collectively responsible for the overall corporate governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board also sets the values and ethical standards of MUST. The Board seeks to ensure that the Manager manages MUST's assets and liabilities for the benefit and in the best interests of Unitholders.

All Board members 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 directions 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.

The Manager has adopted the MFC Code of Business Conduct and Ethics. It affirms MUST's commitment to ethical conduct and its practice of complying with all applicable laws and avoiding potential or actual conflicts of interest. The MFC Code of Business Conduct and Ethics is available at <http://www.manulifeusreit.sg/about.html>.

Two Board Committees, namely the ARC and Nominating and Remuneration Committee (NRC) have been constituted with written terms of reference to assist the Board in discharging its responsibilities and may decide on matters within its terms of reference and applicable limits of authority. The terms of reference of the respective Board Committees set out their compositions, authorities and duties, including reporting back to the Board. All terms of reference are reviewed and updated when necessary to ensure their continued relevance. Notwithstanding the delegation of authority to the Board Committees, the ultimate responsibility for decision-making and oversight rests with the Board as a whole. The composition of the ARC and NRC, the terms of reference, and a summary of each committee's activities, are disclosed in the subsequent sections of this corporate governance report.

Each of these Board Committees operates under delegated authority from the Board, with the Board retaining overall oversight. The Board may form other Board Committees as dictated by business imperatives. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

The Manager has also adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to the Board Committees and management. Approval sub-limits are also provided at management level to optimise operational efficiency.

The Board has reserved authority to approve certain matters which have been clearly communicated to management in writing and these include, among others:

1. acquisitions and divestments;
2. equity fund raising and new debt financing;
3. income distributions and other returns to Unitholders; and
4. matters which involve a conflict of interest for a controlling Unitholder or a Director.

CORPORATE GOVERNANCE

The Board meets regularly to deliberate the strategies of MUST, including acquisitions and divestments, funding and hedging activities, approval of the annual budget and review of its performance. The Constitution of the Manager also permits the Directors to participate via audio or video conference. The Board or the relevant Board Committee will also review MUST's key financial risk areas and the outcome of such reviews will be disclosed in the Annual Report or where the findings are material, immediately announced via SGXNet.

The meeting attendance of the Board, the ARC, the NRC and AGM held in FY2020 is as follows:

Name of Directors	Board		Audit and Risk Committee		Nominating and Remuneration Committee		Annual General Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Hsieh Tsun-Yan	5	5	3	3*	3	3	1	1
Professor Koh Cher Chiew Francis	5	5	3	3	3	3*	1	1
Mr Lau Chun Wah @ Davy Lau (Stepped down as of 29 September 2020)	5	4 ¹	3	3 ^{*1}	3	2 ¹	1	1
Ms Veronica Julia McCann	5	5	3	3	3	3	1	1
Dr Choo Kian Koon	5	4	3	3	3	3*	1	1
Mrs Karen Tay Koh (Appointed as of 10 November 2020)	5	1 ²	3	— ²	3	1 ²	1	— ³
Mr Michael Floyd Dommermuth	5	4	3	3*	3	2*	1	1
Mr Stephen James Blewitt	5	5	3	3*	3	3*	1	1

Upon appointment, each Director is provided with a formal letter of appointment setting out the Director's duties and obligations. The Manager has put in place an orientation programme with formal training to ensure that any newly-appointed Directors are familiar with MUST's business, strategies and directions and the regulatory environment in which MUST operates as well as the main corporate governance practices of the Manager. There was one new Director appointed to the Board on 10 November 2020. Mrs Karen Tay Koh was appointed to replace Mr Lau Chun Wah @ Davy Lau.

The Board receives regular updates on any new and material changes to applicable regulations. The management also arranges relevant training for Directors on matters such as directors' duties and responsibilities and code of ethics. Directors are also encouraged to put forward to the NRC training topics on which they would like to receive training on. In FY2020, the training and professional development programmes for Directors included seminars organised by REITAS and the Singapore Institute of Directors (SID) on the duties, responsibilities and liabilities of an Independent Director as well as ethics and corporate governance issues. Additional topics on issues arising from the ongoing COVID-19 pandemic were also covered, which included valuation issues, financial position & audit considerations, notice on cyber-hygiene and legal issues. The costs of training are borne by the Manager. The Board also received updates on MAS and SGX-ST regulatory changes as well as their implications on MUST and the Manager. The Manager believes that the provision of continuing education opportunities to Directors will keep them updated on matters relevant to their appointments and responsibilities.

* Attendance by invitation. The NRC and ARC were re-constituted on 10 November 2020, with Ms Veronica Julia McCann stepping down from the NRC and Dr Choo Kian Koon from the ARC. Professor Koh Cher Chiew Francis and Dr Choo Kian Koon were subsequently appointed to the NRC, and Mrs Karen Tay Koh to the ARC.

1 Mr Lau Chun Wah @ Davy Lau was present at all Board, ARC and NRC meetings held prior to stepping down.

2 Mrs Karen Tay Koh was present at all Board and NRC meetings held subsequent to her appointment. No ARC meetings were held subsequent to her appointment.

3 The AGM was held prior to Mrs Karen Tay Koh's appointment.

Directors who have no prior experience as a director of an issuer listed on the SGX-ST will be provided with training on the roles and responsibilities of a director of a listed issuer in accordance with the listing rules of the SGX-ST.

Management provides the Board with complete, adequate and timely information prior to Board meetings and on an ongoing basis through regular updates on financial results, market trends and business developments so as to enable the Board to effectively discharge its duties. Papers for the ARC, NRC and Board meetings (including complete and adequate background information and explanatory updates on the affairs of MUST) are sent in advance of the Board meetings so that the respective Board Committees and Board members have sufficient time to review the information provided and enable them to make informed decisions to discharge their duties and responsibilities.

The Board meets regularly to review the performance of MUST. The financial results of MUST are also reviewed by the Board before dissemination to Unitholders via SGXNet within the reporting deadlines stipulated in the Listing Manual of the SGX-ST, and where applicable, media releases and analysts' briefings. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of MUST's performance, position and prospects.

The Board has separate and independent access to senior management and the company secretary at all times. The company secretary attend to the administration of corporate secretarial matters and ensure all Board procedures and requirements of the Companies Act, Cap.50, and the Listing Manual of the SGX-ST are complied. The company secretary also attends all Board and Board Committee meetings. The appointment and removal of the company secretary are subject to the approval of the Board as a whole. The Board also has access to independent professional advice where appropriate and when requested, at the Manager's expense.

The Board recognises that Directors owe a fiduciary duty to the Manager and should act objectively in the best interests of the Manager and hold management accountable for performance. At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of MUST. Further, the Directors must have appropriate experience and expertise to manage MUST's business. The Manager requires that its Directors disclose their interests in transactions and any conflicts of interests. The Directors recuse themselves from any discussions and decisions involving the issues of conflict. Each of the Directors has complied with the above.

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 is represented by members with a broad range of commercial experience including expertise in funds management, audit and accounting and the real estate industry. Each Director of the Manager has been appointed on the basis of his/her professional experience and ability to contribute to the proper guidance of MUST. Save in relation to Mr Hsieh Tsun-Yan, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt as disclosed below, none of the Directors of the Manager are related to one another, the Manager, any related corporations, substantial shareholder or officers of the Manager or any substantial Unitholder.

The Board comprises seven Non-Executive Directors, of whom four are Independent. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic planning process. This, together with a clear separation of the roles of the Chairman and the CEO, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

CORPORATE GOVERNANCE

The composition and size of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise, experience and other aspects of diversity to avoid groupthink and foster constructive debate. The Board's policy on diversity and composition, including its objectives and progress made towards implementation, is described under the section "Board Membership" on page 100.

Name of Directors	Position
Mr Hsieh Tsun-Yan	Chairman and Non-Executive Director and Nominating and Remuneration Committee Member
Professor Koh Cher Chiew Francis	Independent Non-Executive Director, Lead Independent Director, Nominating and Remuneration Committee Member and Audit and Risk Committee Member
Mr Lau Chun Wah @ Davy Lau (Stepped down as of 29 September 2020)	Independent Non-Executive Director, Lead Independent Director and Chairman of the Nominating and Remuneration Committee
Ms Veronica Julia McCann	Independent Non-Executive Director and Chairman of the Audit and Risk Committee
Dr Choo Kian Koon	Independent Non-Executive Director and Chairman of the Nominating and Remuneration Committee
Ms Karen Tay Koh (Appointed as of 10 November 2020)	Independent Non-Executive Director and Audit and Risk Committee Member
Mr Michael Floyd Dommermuth	Non-Executive Director
Mr Stephen James Blewitt	Non-Executive Director

The Board reviews and assesses the independence of each Director in accordance with the CG Code and Regulations 13D to 13H of Securities and Futures (Licensing and Conduct of Business) Regulations (SF(LCB)R).

Under the CG Code, an Independent Director means a director who is independent in conduct, character and judgement and has no relationship with the Manager, its related corporations or its officers and with substantial Unitholders that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of MUST.

Under the SF(LCB)R, an Independent Director means a Director who:

- (i) is independent from the management of the manager and the REIT that is managed or operated by the manager;
- (ii) is independent from any business relationship with the manager and the REIT that is managed or operated by the manager;
- (iii) is independent from every substantial shareholder of the manager, and every substantial unitholder of the REIT;
- (iv) is not a substantial shareholder of the manager, or a substantial unitholder of the REIT that is managed or operated by the manager; and
- (v) has not served as a director of the manager for a continuous period of nine years or longer.

Accordingly, the Board has reviewed and determined that each of the four aforementioned Independent Directors satisfies the above criteria of independence as set out in the CG Code and the SF(LCB)R. Mr Hsieh Tsun-Yan, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt have also not served as a Director of the Manager for a continuous period of nine years or longer.

Board of Directors	Mr Hsieh Tsun-Yan ¹	Professor Koh Cher Chiew Francis	Ms Veronica Julia McCann	Dr Choo Kian Koon	Mrs Karen Tay Koh	Mr Michael Floyd Dommermuth ¹	Mr Stephen James Blewitt ¹
(i) is independent in conduct, character and judgement and has no relationship with the Manager, its related corporations or its officers and with substantial Unitholders that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of MUST	√	√	√	√	√	√	√
(ii) had been independent from the management of the Manager and MUST during FY2020		√	√	√	√		
(iii) had been independent from any business relationship with the Manager and MUST during FY2020	√	√	√	√	√	√	√
(iv) had been independent from every substantial shareholder of the Manager and every substantial unitholder of MUST during FY2020		√	√	√	√		
(v) had not been a substantial shareholder of the Manager or a substantial unitholder of MUST during FY2020	√	√	√	√	√	√	√
(vi) 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 Hsieh Tsun-Yan was an appointed Director to the Board of MFC, ultimate parent of the Manager. MFC is also a deemed substantial Unitholder of MUST. Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt were employed by subsidiaries of MFC. As such, during FY2020, each of them is deemed (a) to have a management relationship with the Manager and MUST; and (b) connected to a substantial shareholder of the Manager and substantial Unitholder of MUST. The Board of the Manager is satisfied that, as at the last day of FY2020, Mr Hsieh Tsun-Yan, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt were able to act in the best interests of all the Unitholders of MUST as a whole.

CORPORATE GOVERNANCE

For the purposes of Regulation 13E(b)(ii) of the SF(LCB)R, as at the last day of FY2020, each of Mr Hsieh Tsun-Yan, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt were able to act in the best interests of all the Unitholders of MUST as a whole.

To facilitate open discussions and the review of the performance and effectiveness of management, time is set aside at the end of every Board meeting for closed door discussions between the Directors, led by the Lead Independent Director or other Independent Directors as appropriate, without the presence of management and feedback, if any, is provided to the CEO and management.

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 of the Board and CEO are separately held by two persons in order to maintain an effective check and balance. The Chairman of the Board is Mr Hsieh Tsun-Yan, while the CEO is Ms Jillian Avis Kathryn Smith. The Chairman and the CEO are not immediate family members.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the Manager. The Chairman is responsible for the overall management of the Board as well as ensuring 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 CEO has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Manager.

This provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

In accordance with Provision 3.3 of the CG Code, Professor Koh Cher Chiew Francis had been appointed as the Lead Independent Director as the Chairman was not an Independent Director. The Lead Independent Director is available to the Board and Unitholders where they have concerns and for which contact through the normal channels of communication with the Chairman or management has failed to resolve or are inappropriate or inadequate. As the Lead Independent Director, Professor Koh Cher Chiew Francis has the discretion to hold meetings with the Independent Directors (without the presence of Management) as he deems appropriate or necessary, and he will provide feedback to the Chairman, where appropriate. Contact details of the Lead Independent Director are available on MUST's website at <http://www.manulifeusreit.sg/contact.html>.

BOARD MEMBERSHIP

Principle 4

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

To ensure the long-term effectiveness of the Board, the Manager has established an NRC at the outset to make recommendations to the Board for the appointment and reappointment of each Director. The NRC's written terms of reference, as approved by the Board, sets out its scope of authority and responsibilities in performing its functions. The NRC comprises three Directors, the majority of whom are independent.

As at 31 December 2020, the members of the NRC were:

1. Dr Choo Kian Koon (Chairman)
2. Mr Hsieh Tsun-Yan
3. Professor Koh Cher Chiew Francis

The NRC is responsible for reviewing the succession plans for the Board and Board Committees (in particular, the Chairman of the Board) and senior management (in particular, the CEO). 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:

1. the NRC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making;
2. in light of such review and in consultation with management, the NRC assesses if there are any inadequate representations in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;
3. external help (for example, the SID, search consultants or advertisements) may be used to source for potential candidates if need be. Directors and management may also make suggestions;
4. the NRC meets the shortlisted candidate(s) to assess suitability based on the skills required and skills represented on the Board and whether the candidate's skills, knowledge and professional experience will complement the existing Board, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by the MAS (which require the candidate to be, amongst other things, competent, honest, to have integrity and be financially sound). The NRC will also ensure that the candidate(s) is/are aware of the expectations and the level of commitment required of the proposed directorship; and
5. the NRC makes recommendations to the Board for approval.

The NRC's responsibilities also include:

- developing a process for evaluation of the performance of the Board, its Board Committees and Directors;
- reviewing the training and professional development programmes for the Board;
- the appointment and reappointment 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;
- determining annually, and as when circumstances require, if a Director is independent; and
- 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;

Provision 4.5 of the CG Code requires listed companies to disclose the listed company directorships and principal commitments of each director in the Annual Report and where a director holds a significant number of such directorships and commitments, it provides the Board's reasoned assessment of the ability of the director to diligently discharge his or her duties. The Board believes that it is not practicable to impose a limit on the maximum number of listed company board representations each Director may hold or stipulate the amount of time that each Director should devote to the affairs of the Manager. The effectiveness of the Board and contributions of each Director cannot be assessed solely on a quantitative basis. The number of listed company directorships and principal commitments of each Director, such as whether they are in full-time employment and the nature of their other responsibilities, are considered on a case-by-case basis and taken into account in the NRC's and the Board's assessment of the ability of each Director to diligently discharge his or her duties as a Director. A Director with multiple directorships and significant commitments is expected to ensure that sufficient attention can be given to the affairs of the Manager. A Director's capacity is determined by metrics such as his/her attendance at Board and Board Committee meetings and contributions to the effective supervision of MUST. By taking the above measures, the practices of MUST remain consistent with the aims and philosophies of Principle 4 of the CG Code.

Each Director is or has been a senior executive and has knowledge about, and/or experience in, serving as Director of listed corporations. Further, each of the Directors confirms that he/she is able to devote sufficient time to discharge his/her duties as Director of the Manager.

CORPORATE GOVERNANCE

The Board seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to MUST's business. The current Board comprises individuals who are business leaders and professionals with financial, banking, real estate, investment and accounting backgrounds. The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable management to benefit from their respective expertise and diverse backgrounds.

Towards this end, the Board has approved and adopted, with the recommendation of the NRC, a Board Diversity Policy which sets out the Manager's approach to achieve diversity on the Board. Under the Board Diversity Policy, the NRC will, in identifying qualified candidates for nomination to the Board, consider prospective candidates based on merit, having regard to competencies, expertise, skills, background and other qualities, which have been identified from time to time by the Board as being important in fostering a diverse and inclusive culture which solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination. The NRC will also consider relevant legal and regulatory requirements, and give due consideration to characteristics such as gender, age, ethnicity, cultural background, educational background and industry knowledge in order to arrive at an optimum balanced composition of the Board.

In 2020, the Board exceeded its objective set out in the Board Diversity Policy to increase the number of Independent Directors that are female to 40% over time to achieve greater gender parity. Currently, 50% of the Independent Directors are female. Consideration will continue to be given to the diversity of the entire Board with the objective, over time, of 33% of Directors that are female. The NRC will ensure that, in the nomination process, the pipeline of candidates will have at least one female out of every two candidates until the diversity goal is achieved. As part of the Board renewal process, the NRC will review these objectives from time to time and may recommend changes or may recommend additional objectives to achieve greater diversity.

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 NRC has developed a process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual director to the Board. The process for FY2020 was facilitated by Boardroom Corporate & Advisory Services Pte. Ltd. (Boardroom), the Manager's corporate secretary. Save for Boardroom's appointment as external facilitator to conduct the Board evaluation and as the Manager's corporate secretary, Boardroom does not have any other connection with the Manager or any of the Directors.

On an annual basis, all Directors are requested to complete the Board Performance Questionnaire and all respective Board Committee members are also requested to complete the ARC and NRC Performance Questionnaires. Each year, the format of the evaluations are alternated between a full set of questionnaires drafted largely based on the CG Code and a set of specific issues which had been identified in the preceding year's performance evaluations as having potential room for further improvements. The full set of questionnaires was used for the preceding year and the scope included (1) Board composition, (2) Board processes, internal control & risk management, (3) Board access to information, (4) Board accountability and committee effectiveness. The survey also required the Board to consider whether the creation of value for Unitholders has been taken into consideration in its decision-making process.

In addition, each Director is requested to rate their peers and themselves annually on areas including interactive skills, knowledge and directors' duties. The results of the survey are first reviewed by the NRC Chairman and subsequently presented and deliberated by the Board, and all necessary follow-up actions will be undertaken with a view to enhance the effectiveness of the Board in the discharge of its duties and responsibilities.

Based on the Board assessment exercise, the Board is of the view that it has met its performance objectives, and that each of its members is contributing to the overall effectiveness of the Board.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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 director is involved in deciding his or her own remuneration.

LEVEL AND MIX OF 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.

DISCLOSURE ON REMUNERATION

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 role of the NRC is to make recommendations to the Board on all appointment and remuneration matters. The NRC also reviews and makes recommendations on succession plans for the Board and the executive officers.

The NRC's responsibilities in relation to remuneration matters also include, amongst others:

- reviewing and recommending to the Board a general framework of remuneration for the Board and the executive officers;
- reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the executive officers;
- reviewing MUST'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; and
- reviewing the disclosures in the Annual Report on the Manager's remuneration policies, level and mix of remuneration, and the procedure for setting remuneration.

The NRC reviews the remuneration policy and the overall remuneration packages for executive officers and Directors annually taking into account feedback from MFC's executive compensation governance and human resource teams. The NRC, Board and MFC teams come together to ensure that the Manager's remuneration policy is aligned with the wider Manulife Group's compensation policy and is benchmarked to the market and that the remuneration payable is in line with the objectives of the remuneration policies.

The NRC and the Board have given assurance that the level and structure of remuneration of Directors align with the long-term interests and risk management policies of MUST for FY2020.

CORPORATE GOVERNANCE

The Manager's compensation programme is well balanced, competitive, performance-based and aligned with the achievement of each employee's short, medium and long-term goals. On an annual basis, performance measures such as Financial Success, other Quantitative Measures of Success and a qualitative measure, Building for the Future, are set by the Manager. A performance scorecard monitors factors including distributable income, DPU, total Unitholders' returns, corporate governance, sustainability performance, brand building and the development and implementation of infrastructure. At the end of each calendar year, the performance scores are calculated and awards made accordingly. These factors were chosen because of their measure of both short and longer term goals and to capture the qualitative versus quantitative targets of performance measurement.

The Manager's NRC and Board review the performance measures and the outcome on an annual cycle. In determining the actual quantum of the variable component of remuneration paid to the key management personnel, the NRC had taken into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that the performance conditions for 2020 were met and remuneration was aligned with performance during FY2020.

While the approach reflects a pay-for-performance culture, it is also designed to attract, motivate and retain high-performing and high-potential employees in their respective field of expertise. Employees are also incentivised through annual variable bonus awards that are tied to a variety of financial and non-financial measures and key staff are eligible for a Long Term Incentive Scheme. The NRC has reviewed information provided by the independent external remuneration consultant, who has no relationship with the Manager, its Board of Directors, controlling shareholders or related entities. The NRC has ensured that the Manager's compensation programme conforms to the Financial Stability Board's (FSB) principles for sound compensation practices as well as the FSB's implementation standards. The FSB is an international body endorsed by the G20 nations that monitors and makes recommendations about the global financial system. The FSB's set of principles were developed in 2009 to align compensation with prudent risk-taking.

The Long Term Incentive Scheme is designed to motivate the performance of management personnel, and promote greater alignment of interests with Unitholders. Based on Manulife's internal equity policy, the CEO and key management personnel of the Manager are granted Restricted Share Units (RSUs) under the Long Term Incentive Scheme which has been linked to MUST Units from its listing in 2016 onwards. MUST RSUs are vested on a three year cycle. The RSUs entitles the holder to receive payment in cash linked to the value of the MUST Units at the time of vesting. No employee share option schemes or share schemes have been implemented by MUST. The Long Term Incentive Scheme has been 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.

Certain key management personnel are subject to a claw-back policy which requires repayment of all or a portion of the incentive awards that have already been paid and/or cancellation of some or all of the vested or unvested awards, if fraud, theft, embezzlement or serious misconduct has been committed, whether or not there is a financial restatement.

Long-term incentives in the form of Stock Option Plans, which permit the option holder to purchase shares in MFC, were also granted by MFC to the Non-Independent Non-Executive Directors, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt for FY2020. The stock options pursuant to the Stock Option Plans will vest over a period of four years and expire 10 years later.

Deferred Share Units have also been granted by MFC to Mr Hsieh Tsun-Yan for FY2020. While such Deferred Share Units vest in full upon granting, eligible Directors may only exchange their Deferred Share Units for cash or shares in MFC within one year after stepping down from the Board of MFC. Where an eligible Director chooses to receive MFC shares in exchange for their Deferred Share Units, the MFC shares shall be issued from treasury shares and/or shares purchased from the open market. Therefore, no new shares in MFC are or will be issued to satisfy the grant of MFC shares in exchange for Deferred Share Units.

The Stock Option Plans and the Deferred Share Units granted by MFC to Mr Dommermuth, Mr Blewitt and Mr Hsieh have been granted as part of their remuneration package as employee and Director of the Manulife Group respectively. Mr Dommermuth, Mr Blewitt and Mr Hsieh's holdings in MFC shares are non-material. Accordingly, the Stock Option Plans and the Deferred Share Units will not result in a misalignment of interests of the Directors with the long-term interests of the Unitholders given Mr Dommermuth and Mr Blewitt are employed by the Manulife Group and Mr Hsieh is currently an Independent Director of MFC. Furthermore, there is unlikely to be any potential misalignment of interests given that Mr Dommermuth, Mr Blewitt and Mr Hsieh 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 Interested Person Transactions and Interested Party Transactions (Related Party Transaction) with an entity within the Manulife Group, mitigating any potential misalignment of interests with those of Unitholders.

There are no termination, retirement and post-employment benefits granted to the Directors, CEO and key management personnel over and above what have been disclosed.

The Manager is cognizant of the requirements under MAS' Notice to All Holders of a CMS Licence for REIT Management to disclose:

- (a) the remuneration of the CEO and each individual director on a named basis; and
- (b) the remuneration of at least the top five executive officers (which shall not include the CEO and executive officers who are directors), on a named basis, in bands of S\$250,000.

The Manager has assessed and decided not to disclose the dollar remuneration of the CEO and the aggregate total remuneration paid to the top five executive officers (which shall not include the CEO and executive officers who are Directors) for the following reasons:

- remuneration matters are highly confidential and sensitive;
- with keen competition for the limited talent pool in the Singapore REIT management industry, such disclosures may result in talent retention issues;
- the Manager is of the view that such non-disclosure will not be prejudicial to the interests of Unitholders as the information provided regarding the Manager's remuneration policies, structure and composition of remuneration and procedures for determining remuneration is sufficient to enable Unitholders to understand the alignment of remuneration paid to the CEO and the key executive officers with the performance of MUST and value creation for Unitholders; and
- remuneration of the Manager's CEO and the key executive officers is paid out of the fees which the Manager receives from MUST and not by MUST.

The Directors' fees for the financial year ended 31 December 2020 are set out in the table below. Non-Executive Directors who are full-time employees of the Manulife Group do not receive any Directors' fees. The Directors' fees comprise a base retainer as a Director, an additional fee for serving on any Board Committees and an attendance fee for participation in meetings of the Board and any of the Board Committees, project meetings and verification meetings. This serves to compensate the Directors according to the level of responsibility, time and effort required for the role. The Directors' compensation packages are benchmarked to the market to ensure competitiveness.

Name of Directors	Fees for FY2020 (S\$)	Variable or performance related income/bonuses	Benefits-in-kind
Mr Hsieh Tsun-Yan	100,800	—	—
Professor Koh Cher Chiew Francis ¹	77,185	—	—
Mr Lau Chun Wah @ Davy Lau ²	61,109	—	—
Ms Veronica Julia McCann ³	94,414	—	—
Dr Choo Kian Koon ⁴	74,792	—	—
Mrs Karen Tay Koh ⁵	11,008	—	—

1 Professor Koh Cher Chiew Francis was appointed as an Independent Non-Executive Director and Member of the Audit and Risk Committee with effect from 21 October 2019. He was subsequently appointed as Lead Independent Director and Member of the Nominating and Remuneration Committee on 10 November 2020.

2 Mr Lau Chun Wah @ Davy Lau was appointed as an Independent Non-Executive Director, Lead Independent Director and Chairman of the Nominating and Remuneration Committee with effect from 17 June 2015. Mr Lau stepped down on 29 September 2020.

3 Ms Veronica Julia McCann was appointed as an Independent Non-Executive Director, Member of the Audit and Risk Committee and Member of the Nominating and Remuneration Committee with effect from 17 June 2015. She was subsequently appointed as Chairman of the Audit and Risk Committee on 21 October 2019 and stepped down as Member of the Nominating and Remuneration Committee on 10 November 2020.

4 Dr Choo Kian Koon was appointed as an Independent Non-Executive Director and Member of the Audit and Risk Committee with effect from 9 June 2017. He was subsequently appointed as Chairman of the Nominating and Remuneration Committee and stepped down as Member of the Audit and Risk Committee on 10 November 2020.

5 Mrs Karen Tay Koh was appointed as an Independent Non-Executive Director and Member of the Audit and Risk Committee with effect from 10 November 2020.

CORPORATE GOVERNANCE

There were no employees who were substantial Unitholders of MUST or substantial shareholders of the Manager, or immediate family members of a Director, the CEO, a substantial Unitholder of MUST or a shareholder of the Manager, and whose remuneration exceeds S\$100,000 for FY2020.

2020 Remuneration Band and Names of CEO and Executive Officers	Base Salary Inclusive of Employer's CPF	Variable or Performance-related Bonus Inclusive of Employer's CPF ¹	Benefits-in-kind	RSUs
S\$750,001 to S\$1,000,000				
Ms Jill Smith	54%	32%	1%	13% ³
S\$500,001 to S\$750,000				
Ms Jennifer Schillaci ²	32%	22%	29%	17% ⁴
Ms Caroline Fong	64%	29%	2%	5% ³
S\$250,000 to S\$500,000				
Mr Robert Wong	79%	19%	2%	NA
Mr Choong Chia Yee	67%	25%	3%	5% ³
Ms Daphne Chua	75%	21%	2%	2% ³
Total for CEO and Executive Officers⁵	S\$3,413,382			

(C) ACCOUNTABILITY AND AUDIT

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 Manager has put in place a system of internal controls including financial, operational, compliance and information technology controls and risk management processes to manage risk and safeguard the interests of Unitholders. The Manager employs an enterprise-wide approach to all risk-taking and risk management activities, adopting an ERM Framework which has been reviewed by the ARC and approved by the Board. Details of the Manager's ERM framework can be found on pages 57 to 61 of this Annual Report.

In respect of FY2020, the Board has received assurance from:

- (a) the CEO and CFO of the Manager that the financial records of MUST have been properly maintained and the financial statements for the financial year ended 31 December 2020 give a true and fair view of MUST's operations and finances; and
- (b) the CEO and CFO of the Manager (being the key management personnel responsible for risk management and internal control systems) that MUST's internal controls, including financial, operational, compliance and information technology controls and risk management systems are adequate and effective.

Based on the risk management and internal control systems established and maintained by the Manager, reviews conducted by MUST's internal auditors and external auditors as well as management and the ARC's review of the above assurance from the CEO and CFO; pursuant to Rule 1207(10) of the Listing Manual, the Board with the concurrence of the ARC, is of the opinion that MUST's risk management systems and systems of internal controls were adequate and effective in addressing financial, operational, compliance and information technology risks for the financial year ended 31 December 2020.

¹ The amounts disclosed relates to bonuses paid in 2020.

² The benefits-in-kind relates to expat benefits arrangement to the employee.

³ The payout relates to RSUs granted to eligible employees with MUST Units in 2018. Units were vested and paid in 2020.

⁴ The payout relates to Deferred Incentive Plan and RSUs granted by MFC in relation to work within the Manulife group prior to joining the Manager in 2018.

⁵ Total excludes the CIO Mr Patrick Arthur Browne, who joined the Manager on 14 December 2020.

Whistle-Blowing Policy

The Manager has put in place a whistle-blowing policy which serves to encourage its employees and any other persons to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence.

Concerns about illegal, unprofessional, fraudulent or other unethical behaviour may be referred to the ARC Chairman or the Ethics Hotline at www.manulifeethics.com. Any concerns which are not resolved by these channels may be raised with the Lead Independent Director of the Manager or Manulife's Global Compliance Chief or General Counsel may be contacted. Accounting and auditing complaints or concerns may be raised with the ARC Chairman. Following a review of the complaint or concern, the ARC Chairman, where appropriate, will take steps to have the matter investigated and, if warranted, will request that the Board and management implement corrective measures.

Dealings in Units

Each Director and the CEO of the Manager is to give notice to the Manager of any acquisition of Units or of changes in the number of Units which he/she holds or in which he/she has an interest, within two business days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he/she holds or in which he/she has an interest. All dealings in Units by the Directors and the CEO of the Manager will be announced via SGXNet.

The Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of MUST's results and property valuations, in a prescribed embargo period immediately preceding, and up to the time of each public announcement of MUST's financial results and property valuations during a financial year;
- at any time while in possession of price sensitive information.

The Directors and employees of the Manager are also prohibited from communicating price sensitive information to any person. Under the policy, Directors and employees of the Manager are also discouraged from trading on short-term or speculative considerations. In addition, Directors, the CEO and employees of the Manager are required to obtain pre-approvals from the Manager's Chief Compliance Officer before dealing in any Units under the Manager's internal policy.

Pursuant to Section 137ZC of the SFA, the Manager is required to, inter alia, announce to the SGX-ST the particulars of any acquisition or disposal of interest in Units by the Manager as soon as practicable, and in any case no later than the end of the business day following the day on which the Manager became aware of the acquisition or disposal.

Potential Conflicts of Interest

The Manager has also instituted the following procedures to deal with potential conflicts of interest issues:

- the Manager will not manage any other REIT which invests in the same type of properties as MUST;
- all executive officers are working exclusively for the Manager and do not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager;
- all resolutions in writing of the Directors in relation to matters concerning Manulife US REIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one Independent Director;
- at least half the Board comprises Independent Directors;
- 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 deliberation and voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;
- in respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their 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 Sponsor and/or its subsidiaries;

CORPORATE GOVERNANCE

- 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
- 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 MUST with an interested person and/or, as the case maybe, an interested party of the Manager (Related Party), 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 MUST, 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. 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 the REIT 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.

Related Party Transactions

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 MUST and the Unitholders.

As a general rule, the Manager must demonstrate to its ARC that such transactions satisfy the foregoing criteria. This may entail:

- obtaining (where practicable) quotations from parties unrelated to the Manager; or
- obtaining two or more valuations from independent professional valuers (in compliance with the Property Funds Appendix).

The Manager maintains a register to record all Related Party Transactions which are entered into by MUST and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into. Interested person transactions undertaken during the financial year are set out on page 167 of this Annual Report.

The Manager also incorporates into its internal audit plan a review of all Related Party Transactions entered into by MUST. The ARC reviews 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 also has the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with.

The following procedures are undertaken with respect to Related Party Transactions:

- 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 MUST's net tangible assets will be subject to review by the ARC at regular intervals;
- 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 MUST's latest audited net tangible assets will be subject to the review and prior approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and not prejudicial to the interests of MUST 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
- 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 MUST's latest audited 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. Furthermore, 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.

Where matters concerning MUST relate to transactions entered into or to be entered into by the Trustee for and on behalf of MUST with a Related Party of the Manager (which would include relevant Associates (as defined in the Listing Manual) thereof) or MUST, 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 MUST 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 discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the Manager or the Trustee. 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.

MUST 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 MUST's latest audited NTA.

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 the Annual Report of MUST for the relevant financial year.

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 will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the ARC.

AUDIT COMMITTEE

Principle 10

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

The ARC is governed by a set of written terms of reference approved by the Board, setting out its scope of authority and responsibilities in performing its functions. The ARC is composed of three members, all of whom are Independent Directors resident in Singapore. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains. None of the ARC members were previously partners of the incumbent external auditors, Ernst & Young LLP (EY), within the period of two years commencing on the date of their ceasing to be a partner of EY. The ARC also does not comprise any member who has any financial interest in EY.

As at 31 December 2020, the members of the ARC were:

1. Ms Veronica Julia McCann (Chairman)
2. Professor Koh Cher Chiew Francis
3. Mrs Karen Tay Koh

The role of the ARC is to monitor and evaluate the adequacy and effectiveness of the Manager's internal controls and risk management systems at least annually. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy and effectiveness of external audits in respect of cost, scope and performance.

CORPORATE GOVERNANCE

The ARC's responsibilities also include:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to interested person transactions;
- reviewing transactions constituting Related Party Transactions;
- reviewing, on an annual basis, a report on the asset allocation conflict decisions pursuant to the sponsor allocation process;
- deliberating on conflicts of interest situations involving MUST, including 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 MUST with a Related Party (as defined herein) of the Manager and 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 MUST's competitors, if any, and will make an assessment whether there is any potential conflict of interest;
- reviewing the results and scope of external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- reviewing arrangements by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- reviewing 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;
- ensuring that the internal audit and accounting function is adequately resourced and has appropriate standing with MUST;
- reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function in the overall context of MUST's risk management system;
- reviewing the statements included in MUST's Annual Report on its internal controls and risk management framework;
- the appointment, reappointment or removal of internal auditors (including the review of their fees and scope of work);
- monitoring the procedures in place to ensure compliance with applicable legislation, regulations, the Listing Manual and the Property Funds Appendix;
- making recommendations to the Board on the proposals for the selection, appointment, reappointment, resignation and removal of the external auditor based on a thorough assessment of the external auditors' functioning;
- reviewing the external audit fees (remuneration and terms of engagement of the external auditors) and making recommendations to the Board on the proposal;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of external auditors;
- meeting with external and internal auditors, without the presence of the executive officers, at least on an annual basis;
- assisting the Board to oversee the formulation, updating and maintenance work of adequate and effective risk management framework;
- reviewing the system of internal controls including financial, operational, compliance and information technology controls and risk management processes;
- reviewing the financial statements and the internal audit report;
- reviewing and providing their views on all hedging policies and instruments to be implemented by MUST to the Board;
- reviewing the assurances from the CEO and CFO on the financial records and financial statements;

- reviewing and approving the procedures for the entry into of any foreign exchange hedging transactions and monitoring the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;
- investigating any matters within the ARC's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

The ARC has direct and unrestricted access to the external auditors and internal auditors. The ARC also meets (a) with the external auditors and (b) with the internal auditors, in each case without the presence of management, at least annually to discuss matters or concerns.

During FY2020, the ARC reviewed and approved both the internal and external auditors' plans to ensure that the scope of audit was sufficient for purposes of reviewing the significant internal controls of MUST and the Manager. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the internal and external auditors were forwarded to the ARC. Significant issues were discussed at these meetings.

Taking cognizance that the external auditor should be free from any business or other relationships with MUST that could materially interfere with its ability to act with integrity and objectivity, the ARC undertook a review of the independence of the external auditor and gave careful consideration to MUST's relationships with them during FY2020. In determining the independence of the external auditor, the ARC reviewed all aspects of MUST's relationships with it including the processes, policies and safeguards adopted by MUST and the external auditor relating to audit independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of MUST's statutory financial audit.

In the review of the financial statements, the ARC has discussed with management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matter impacting the financial statements was discussed with management and the external auditor.

Valuation of Properties

The ARC evaluated the qualifications, competence and independence of the valuer, CBRE, Inc. The ARC discussed the portfolio property valuation methodologies and assumptions used by the valuers with management.

The above is included as a key audit matter in the Auditor's Report (pages 117 to 118 of the Annual Report).

For FY2020, audit service fees of US\$262,554 was paid/payable to MUST's external auditor. There were no non-audit fees paid/payable for FY2020.

In FY2020, changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the ARC at its meetings.

The Manager confirms, on behalf of MUST, that MUST has complied with Rule 712 and Rule 715 of the SGX Listing Manual in relation to the appointment of its auditing firm.

The Manager outsourced its internal audit function to the Sponsor. The Sponsor's internal audit team follows the standards established by the Institute of Internal Auditors (IIA) for the professional practice of internal auditing. The internal audit team is staffed with qualified and competent individuals who are trained, supervised, coached and developed appropriately to be in compliance with the IIA standards.

The internal audit function reports directly to the ARC. The internal audit team has unfettered access to the Manager's documents, records, properties and employees, including access to the ARC, and has appropriate standing within MUST. The ARC comprising only Independent Directors exercises oversight over the internal audit activities of the Manager, including reviewing internal audit reports, reviewing the adequacy and effectiveness of the internal audit function, the appointment, reappointment or removal of internal auditors and meeting with internal auditors without the presence of management.

The ARC has considered the appropriateness of using the Sponsor's internal audit team for the internal audit function and with respect to FY2020, the ARC has reviewed and is satisfied as to the independence, adequacy and effectiveness of the internal audit function. The ARC is also of the opinion that the internal audit function is independent, effective and adequately resourced.

CORPORATE GOVERNANCE

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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.

ENGAGEMENT WITH SHAREHOLDERS

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.

The Manager is committed to promoting regular and effective communication with Unitholders in order to allow them to make informed and sound investment decisions. The Trust Deed is available for inspection at the Manager's office (prior appointment would be appreciated). All announcements such as press releases, presentation slides, annual and sustainability reports and financial statements are uploaded onto SGXNet in a timely and accurate manner. This information is concurrently available at www.manulifeusreit.sg. In order to obtain regular updates, Unitholders may also subscribe to the email alert found on the website.

The Manager has a dedicated IR team that regularly interacts with Unitholders, analysts, fund managers and the media to engage and facilitate communication. In FY2020, the Manager met with over 1,700 investors, analysts and media within Asia through conferences, conference calls, meetings, non-deal roadshows and webinars in Bangkok, Japan, Korea, Kuala Lumpur, London, Singapore, Taiwan and U.S.

The Manager has in place an IR Policy which outlines the principles and practices followed by the Manager to ensure regular, effective and fair communication of accurate and timely information to the investment community such that current and prospective Unitholders are able to make well-informed investment decisions. It also provides a specific IR contact, through which Unitholders are able to ask questions and receive responses in a timely manner, within two business days. The IR Policy is published on MUST's website at <http://investor.manulifeusreit.sg/policy.html>.

MUST's distribution policy is to distribute at least 90.0% of its distributable income and distributions are paid on a semi-annual basis in which the Manager determines the actual level of distribution. For every dividend declaration made, Unitholders will be notified via an announcement made through SGXNet.

More information of the Manager's IR and media activities can be found on pages 53 to 56 of this Annual Report.

The Manager strongly believes in the principle of encouraging greater Unitholder participation and exercising their votes at the general meetings.

In view of the COVID-19 pandemic, the 2020 AGM was held on 18 May 2020 via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (COVID-19 Temporary Measures Order). The forthcoming AGM to be held on 30 April 2021, will also be held via electronic means pursuant to the COVID-19 Temporary Measures Order. Alternative arrangements relating to the (i) attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast and "live" audio-only stream); (ii) submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions before or at the AGM; and (iii) voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying MUST's announcement released on the SGXNet on 6 April 2021. This announcement may be accessed at MUST's website at <http://www.manulifeusreit.sg> and will be made available on the SGX website at <https://www.sgx.com/securities/company-announcements>.

The description below sets out MUST's usual practice for Unitholder meetings when there are no pandemic risks and the COVID-19 Temporary Measures Order is not in operation.

Annual reports and circulars are sent to Unitholders before the AGM. When an EGM is convened, copies of the circular will be sent to Unitholders containing matters that will be raised for Unitholders' consideration and approval. These notices are also advertised in the local papers and published on SGXNet. The Manager is not implementing absentia voting methods such as voting via mail, email or fax until issues such as the authentication of Unitholder's identity and other related security and integrity of such information can be resolved. Notwithstanding the foregoing, Unitholders are able to appoint up to two proxies to vote on their behalf should they be unable to attend the meeting. Based on the above, the Board is of the view that Unitholders will still be able to participate effectively in and vote at the general meetings even in the absence of absentia voting through appointment of proxies.

Unitholders are strongly encouraged to communicate their views on matters pertaining to MUST. Prior to the AGM, Unitholders are encouraged to email their questions to usreitinquiry@manulifeusreit.sg. They are also able to raise questions on the motions being considered at these meetings where representatives of the Directors (including Chairman of the Board, ARC and NRC) and senior management will be present to address their questions and clarify any issues on the proposed resolutions. All the Directors attended the general meeting held during their tenure in FY2020. Directors' attendance at such meetings held during the financial year is disclosed on page 96 of this Annual Report. The external auditors are also present to address enquiries on the audit and financial statements of MUST.

A distinctly separate issue is proposed as a separate resolution at general meetings to protect the interests and rights of Unitholders. Each resolution proposed at a general meeting will be conducted through electronic voting to ensure full transparency in the voting process. Unitholders or their proxies present at these meetings are able to vote on all proposed resolutions at these meetings in which the voting and vote counting procedures are disclosed at these meetings. An independent scrutineer is also appointed to count and validate the votes at the meetings. The results of all votes cast for and against each resolution and the respective percentages are immediately displayed at the meetings and announced via SGXNet after the meetings on the same day.

Minutes of the general meetings, questions raised and responses from the Board and management, are prepared and available to Unitholders at http://investor.manulifeusreit.sg/agm_egm.html.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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.

The Manager believes that engaging stakeholders is imperative for the success of MUST's performance. MUST has identified its stakeholders based on their impact on MUST's business and those with a vested interest in MUST's operations.

MUST's stakeholders include investors, analysts, media, tenants and the local community. MUST was able to strengthen its relationships with its stakeholders and obtain valuable feedback through open and regular communications, and tailored various engagement initiatives to meet stakeholders' needs.

More information of MUST's key engagement initiatives, performance and targets set for the forthcoming year can be found on pages 72 to 74 and 80 of this Annual Report.

MUST maintains a corporate website to communicate and engage with stakeholders which can be accessed at <http://www.manulifeusreit.sg>.

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REPORT OF THE TRUSTEE

For the year ended 31 December 2020

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Manulife US Real Estate Investment Trust (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the holders of units ("Unitholders") in the Trust. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Manulife US Real Estate Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") between the Manager and the Trustee in each annual 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 Trust and its subsidiaries during the period covered by these financial statements set out on pages 120 to 166, 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,
DBS Trustee Limited**

Jane Lim Puay Yuen
Director

Singapore
12 March 2021

STATEMENT BY THE MANAGER

For the year ended 31 December 2020

In the opinion of the directors of Manulife US Real Estate Management Pte. Ltd. (the “Manager”), the manager of Manulife US Real Estate Investment Trust (the “Trust”), the accompanying financial statements set out on pages 120 to 166 comprising the Statements of Financial Position of the Trust and its subsidiaries (the “Group”) and the Trust as at 31 December 2020, the Statements of Changes in Unitholders’ Funds of the Group and the Trust, and the Consolidated Statement of Comprehensive Income, Distribution Statement, Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2020, Statement of Portfolio of the Group as at 31 December 2020 and notes to the financial statements are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2020, the consolidated financial performance, distribution, consolidated cash flows, consolidated changes in unitholders’ funds and portfolio holdings of the Group, and changes in unitholders’ funds of the Trust, in accordance with the International Financial Reporting Standards and the provisions of the Trust Deed between DBS Trustee Limited and the Manager dated 27 March 2015 (as amended and restated) and relevant requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet the respective financial obligations as and when they materialise.

**For and on behalf of the Manager,
Manulife US Real Estate Management Pte. Ltd.**

Hsieh Tsun-Yan
Director

Singapore
12 March 2021

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Unitholders of Manulife US Real Estate Investment Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") and its subsidiaries (collectively, the "Group"), which comprise the Statements of Financial Position of the Group and the Trust as at 31 December 2020, the Statements of Changes in Unitholders' Funds of the Group and the Trust, and the Consolidated Statement of Comprehensive Income, Distribution Statement, Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2020, Statement of Portfolio of the Group as at 31 December 2020 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the Statement of Financial Position and the Statement of Changes in Unitholders' Funds of the Trust are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs"), relevant provisions of the Trust Deed and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore (the "MAS"), so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2020, the consolidated financial performance, distributions, consolidated cash flows, consolidated changes in unitholders' funds and portfolio holdings of the Group, and changes in unitholders' funds of the Trust for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical requirements in accordance with the IESBA Code. In addition, we are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investment properties

As at 31 December 2020, the carrying amount of investment properties was US\$1,992.8 million which accounted for 95.4% of total assets. The valuation of the investment properties is significant to our audit due to the magnitude and the complexity of the valuation which is highly dependent on a range of estimates made by the external appraisers engaged by the Manager. As disclosed in Note 7, valuations of investment properties are highly sensitive to changes in the significant unobservable inputs, particularly those relating to market rents, discount rates and capitalisation rates. In addition, there was an increase in the level of estimation uncertainty and judgement required in determining the valuation of investment properties arising from the changes in market and economic conditions brought on by the COVID-19 pandemic. Accordingly, we have identified this as a key audit matter.

The Manager uses external appraisers to support its determination of the individual fair value of the investment properties. Our audit procedures included, amongst others, an assessment of the Group's process relating to the selection of the external appraisers, the determination of the scope of work of the appraisers, and a review of the valuation reports issued by the external appraisers. We evaluated the objectivity, independence and expertise of the external appraisers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Unitholders of Manulife US Real Estate Investment Trust

Key Audit Matters (cont'd)

We involved our internal real estate and valuation specialists to assist us in assessing the appropriateness of the valuation model and the reasonableness of the significant assumptions by reference to historical rates and current benchmark market data. Our procedures also included validating the reliability of property related data used by the external appraisers. In addition, we discussed with the external appraisers the valuation techniques and basis for the significant assumptions used, including key valuation adjustments made by the external valuers in response to the changes in market and economic conditions brought on by the COVID-19 pandemic. We assessed the overall reasonableness of the movements in fair value of the investment properties and the associated deferred tax consequences. We also assessed the adequacy of disclosures in Note 7 to the consolidated financial statements.

Other Information

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

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 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 financial statements in accordance with the IFRSs, relevant provisions of the Trust Deed and relevant requirements of the CIS Code issued by the MAS, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated 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 liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 ISAs 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 ISAs, 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 control.
- Obtain an understanding of internal control 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 control.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Unitholders of Manulife US Real Estate Investment Trust

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 auditor's 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 auditor's 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 control 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 auditor's 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 auditor's report is Nelson Chen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
12 March 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 US\$'000	Group 2019 US\$'000	2020 US\$'000	Trust 2019 US\$'000
Current assets					
Cash and cash equivalents	4	86,674	60,748	3,442	4,287
Prepayments		1,658	1,207	75	69
Trade and other receivables	5	6,927	7,614	37,687	18,459
Other asset	6	–	1,405	–	–
		95,259	70,974	41,204	22,815
Non-current assets					
Investment properties	7	1,992,800	2,095,000	–	–
Investment in subsidiaries	8	–	–	1,423,009	1,342,496
Financial derivatives	11	–	487	–	487
		1,992,800	2,095,487	1,423,009	1,342,983
Total assets		2,088,059	2,166,461	1,464,213	1,365,798
Current liabilities					
Trade and other payables	9	18,099	26,866	2,311	2,251
Loans and borrowings	10	233,584	78,945	17,300	7,500
Security deposits		229	274	–	–
Rent received in advance		6,649	4,829	–	–
		258,561	110,914	19,611	9,751
Non-current liabilities					
Loans and borrowings	10	618,703	733,079	320,142	220,538
Financial derivatives	11	12,985	1,575	12,985	1,575
Security deposits		3,537	2,900	–	–
Preferred units	12	102	102	–	–
Deferred tax liabilities	13	36,283	59,713	–	–
		671,610	797,369	333,127	222,113
Total liabilities		930,171	908,283	352,738	231,864
Net assets attributable to Unitholders		1,157,888	1,258,178	1,111,475	1,133,934
Represented by:					
Unitholders' Fund		1,157,888	1,258,178	1,111,475	1,133,934
Net assets attributable to Unitholders		1,157,888	1,258,178	1,111,475	1,133,934
Units in issue and to be issued ('000)	14	1,591,661	1,573,459	1,591,661	1,573,459
Net asset value per Unit (US\$) attributable to Unitholders	15	0.73	0.80	0.70	0.72

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	Group 2020 US\$'000	2019 US\$'000
Gross revenue	16	194,312	177,853
Property operating expenses	17	(78,475)	(67,077)
Net property income		115,837	110,776
Interest income		166	473
Manager's base fee		(8,897)	(8,334)
Manager's performance fee		–	(1,360)
Trustee's fee		(288)	(269)
Other trust expenses	18	(2,646)	(2,460)
Finance expenses	19	(29,739)	(26,180)
Net income before tax and fair value changes		74,433	72,646
Net fair value change in derivatives		(11,897)	(1,088)
Net fair value change in investment properties	7	(128,519)	(13,512)
Net (loss)/income for the year before tax		(65,983)	58,046
Tax income/(expense)	20	22,699	(10,481)
Net (loss)/income for the year attributable to Unitholders		(43,284)	47,565
Earnings per Unit ("EPU") (US cents)			
Basic and diluted EPU	21	(2.75)	3.40

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

DISTRIBUTION STATEMENT

For the year ended 31 December 2020

	Group	
	2020 US\$'000	2019 US\$'000
Amount available for distribution to Unitholders at the beginning of the year	22,788	38,816
Net (loss)/income for the year	(43,284)	47,565
Distribution adjustments (Note A)	132,251	35,776
Income available for distribution to Unitholders for the year	88,967	83,341
Amount available for distribution to Unitholders	111,755	122,157
Distributions to Unitholders:		
– Distribution of US 3.04 cents per Unit for the period from 1 July 2018 to 31 December 2018	–	(38,800)
– Distribution of US 2.14 cents per Unit for the period from 1 January 2019 to 8 May 2019	–	(27,395)
– Distribution of US 0.90 cents per Unit for the period from 9 May 2019 to 30 June 2019	–	(12,578)
– Distribution of US 1.47 cents per Unit for the period from 1 July 2019 to 29 September 2019	–	(20,596)
– Distribution of US 1.45 cents per Unit for the period from 30 September 2019 to 31 December 2019	(22,746)	–
– Distribution of US 3.05 cents per Unit for the period from 1 January 2020 to 30 June 2020	(47,991)	–
Total distribution to Unitholders	(70,737)	(99,369)
Amount available for distribution to Unitholders at the end of the year	41,018	22,788
Distribution per Unit ("DPU") (US cents):		
– DPU ¹	5.64	5.96
Note A – Distribution adjustments comprise:		
– Property related non-cash items ²	(684)	(3,707)
– Amortisation of upfront debt-related transaction costs ³	1,689	1,412
– Manager's base fee paid/payable in Units	8,897	8,334
– Manager's performance fee paid in Units	–	1,360
– Property Manager's management fee paid/payable in Units	4,834	4,276
– Trustee's fee	288	269
– Net fair value change in derivatives	11,897	1,088
– Net fair value change in investment properties	128,519	13,512
– Deferred tax (income)/expense	(23,430)	8,809
– Other items ⁴	241	423
Distribution adjustments	132,251	35,776

1 The DPU relates to the distributions in respect of the relevant financial year. The distribution for the period from 1 July 2020 to 31 December 2020 will be paid subsequent to the financial year end. The distribution for the period from 30 September 2019 to 31 December 2019 was paid in 2020.

2 This includes straight-line rent adjustments and amortisation of tenant improvement allowance, leasing commissions and free rent incentives.

3 Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.

4 This includes non-tax deductible items and other adjustments including rent free reimbursements. The rent free reimbursements were in relation to the vendors of certain properties that had granted rent free periods to certain tenants under the existing lease arrangements. As part of the terms of the acquisitions, these vendors reimbursed Manulife US REIT the free rent under existing lease arrangements and the rent free reimbursements are applied towards the distributable income.

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 December 2020

		Attributable to Unitholders		
	Note	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Group				
At 1 January 2020		1,148,319	109,859	1,258,178
Operations				
Net loss for the year		–	(43,284)	(43,284)
Net decrease in net assets resulting from operations		–	(43,284)	(43,284)
Unitholders' transactions				
Issue of new Units:				
– Manager's base fee paid/payable in Units		8,897	–	8,897
– Property Manager's management fee paid/payable in Units		4,834	–	4,834
Distributions	14	(23,738)	(46,999)	(70,737)
Net decrease in net assets resulting from Unitholders' transactions		(10,007)	(46,999)	(57,006)
At 31 December 2020		1,138,312	19,576	1,157,888
At 1 January 2019		942,270	121,793	1,064,063
Operations				
Net income for the year		–	47,565	47,565
Net increase in net assets resulting from operations		–	47,565	47,565
Unitholders' transactions				
Issue of new Units:				
– Private placements	14	174,000	–	174,000
– Preferential offering	14	62,656	–	62,656
– Manager's base fee paid/payable in Units		8,334	–	8,334
– Manager's performance fee paid in Units		1,360	–	1,360
– Property Manager's management fee paid/payable in Units		4,276	–	4,276
Issuance costs	14	(4,707)	–	(4,707)
Distributions	14	(39,870)	(59,499)	(99,369)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		206,049	(59,499)	146,550
At 31 December 2019		1,148,319	109,859	1,258,178

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 December 2020

	Note	Units in issue and to be issued US\$'000	(Accumulated losses)/ Retained earnings US\$'000	Total US\$'000
Trust				
At 1 January 2020		1,148,319	(14,385)	1,133,934
Operations				
Net income for the year		–	34,547	34,547
Net increase in net assets resulting from operations		–	34,547	34,547
Unitholders' transactions				
Issue of new Units:				
– Manager's base fee paid/payable in Units		8,897	–	8,897
– Property Manager's management fee paid/payable in Units		4,834	–	4,834
Distributions	14	(23,738)	(46,999)	(70,737)
Net decrease in net assets resulting from Unitholders' transactions		(10,007)	(46,999)	(57,006)
At 31 December 2020		1,138,312	(26,837)	1,111,475
At 1 January 2019				
		942,270	7,313	949,583
Operations				
Net income for the year		–	37,801	37,801
Net increase in net assets resulting from operations		–	37,801	37,801
Unitholders' transactions				
Issue of new Units:				
– Private placements	14	174,000	–	174,000
– Preferential offering	14	62,656	–	62,656
– Manager's base fee paid/payable in Units		8,334	–	8,334
– Manager's performance fee paid in Units		1,360	–	1,360
– Property Manager's management fee paid/payable in Units		4,276	–	4,276
Issuance costs	14	(4,707)	–	(4,707)
Distributions	14	(39,870)	(59,499)	(99,369)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		206,049	(59,499)	146,550
At 31 December 2019		1,148,319	(14,385)	1,133,934

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Group 2020 US\$'000	2019 US\$'000
Cash flows from operating activities			
Net (loss)/income for the year before tax		(65,983)	58,046
Adjustments for:			
Amortisation	7	(684)	(3,707)
Provision for expected credit losses	5	3,598	–
Interest income		(166)	(473)
Finance expenses	19	29,739	26,180
Manager's base fee paid/payable in Units		8,897	8,334
Manager's performance fee paid in Units		–	1,360
Property Manager's management fee paid/payable in Units		4,834	4,276
Net fair value change in derivatives		11,897	1,088
Net fair value change in investment properties	7	128,519	13,512
Net unrealised foreign exchange gains		(70)	(1)
Operating income before working capital changes		120,581	108,615
Changes in working capital:			
Trade and other receivables		(2,911)	1,460
Prepayments		(451)	(209)
Other asset		1,405	(1,405)
Trade and other payables		(9,208)	(971)
Security deposits		592	561
Rent received in advance		1,820	3,167
Cash from operating activities		111,828	111,218
Tax paid		(1,923)	(1,151)
Interest paid		(27,861)	(23,902)
Net cash from operating activities		82,044	86,165
Cash flows from investing activities			
Acquisition of investment properties and related assets and liabilities		–	(310,954)
Payment for capital expenditure, acquisition fee and other costs related to investment properties		(24,174)	(45,027)
Interest received		166	473
Net cash used in investing activities		(24,008)	(355,508)
Cash flows from financing activities			
Proceeds from issuance of Units	14	–	236,656
Payment of transaction costs relating to issuance of Units	14	–	(4,707)
Proceeds from loans and borrowings		141,929	268,406
Repayment of loans and borrowings		(102,319)	(122,300)
Payment of transaction costs relating to loans and borrowings		(1,036)	(2,694)
Distributions paid to Unitholders		(70,737)	(99,369)
Net cash (used in)/from financing activities		(32,163)	275,992
Net increase in cash and cash equivalents		25,873	6,649
Cash and cash equivalents at beginning of the year		60,748	54,093
Effect of exchange rate fluctuations on cash held in foreign currency		53	6
Cash and cash equivalents at end of the year	4	86,674	60,748

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

STATEMENT OF PORTFOLIO

As at 31 December 2020

Description of Property	Tenure of Land	Occupancy Rates ¹ as at 31 December 2020 %	Occupancy Rates ¹ as at 31 December 2019 %	Fair Value as at 31 December 2020 US\$'000	Fair Value as at 31 December 2019 US\$'000	Percentage of Total Net Assets as at 31 December 2020 %	Percentage of Total Net Assets as at 31 December 2019 %
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Group

Commercial Office Properties

Figueroa	Freehold	93.0	93.8	320,000	337,600	27.6	26.8
Michelson	Freehold	84.4	90.1	319,000	345,000	27.6	27.4
Peachtree	Freehold	90.4	95.0	203,100	210,700	17.5	16.8
Plaza	Freehold	96.7	98.9	114,600	119,900	9.9	9.5
Exchange	Freehold	94.8	95.8	333,000	348,600	28.8	27.7
Penn	Freehold	99.2	100.0	176,500	189,000	15.3	15.0
Phipps	Leasehold ²	100.0	100.0	212,100	220,100	18.3	17.5
Centerpointe	Freehold	91.7	98.7	118,500	122,800	10.2	9.8
Capitol	Freehold	93.3	94.2	196,000	201,300	16.9	16.0

Investment properties

Other assets and liabilities (net)				1,992,800	2,095,000	172.1	166.5
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Net assets				(834,912)	(836,822)	(72.1)	(66.5)
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				1,157,888	1,258,178	100.0	100.0
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1 Based on committed leases.

2 Phipps is subject to a so-called "bonds for title" arrangement under which fee simple title to Phipps is owned by the Development Authority of Fulton County ("Development Authority"), which will lease Phipps to Hancock S-REIT ATL Phipps LLC ("ATL Phipps") as a way to reduce the real estate taxes payable on Phipps for a specified period. Under this arrangement, no money changes hands for the lease. The lease between the Development Authority and ATL Phipps expired pursuant to its terms on 31 December 2020, and ATL Phipps is in the process of acquiring fee simple title to Phipps from the Development Authority. After the transfer of such fee interest, ATL Phipps will hold a fee interest in the property and commence paying the full amount of real estate taxes on Phipps, which means that Phipps will be assessed in a manner and amount consistent with similar commercial office buildings in the taxing area. Given the expense reimbursement structure of the leases at Phipps, the difference in real estate taxes payable following the expiration of this arrangement will largely be borne by the tenants. Please refer to Note 27.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

These notes form an integral part of the financial statements.

1 GENERAL

Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") is a Singapore real estate investment trust constituted pursuant to a trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") made between Manulife US Real Estate Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group" and individually as "Group entities".

The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 May 2016.

The registered office and principal place of business of the Manager is located at 8 Cross Street, #16-03 Manulife Tower, Singapore 048424.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The primary objective of the Group is to provide Unitholders with regular and stable distributions and to achieve long-term growth in distributions and the net asset value per Unit, while maintaining an appropriate capital structure.

The consolidated financial statements relate to the Trust and its subsidiaries.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(a) Manager's fees

The Manager is entitled under the Trust Deed to receive the following remuneration for the provision of asset management services:

Base fee

Pursuant to the Trust Deed, the Manager is entitled to a base fee of 10.0% per annum of Trust's annual distributable income (calculated before accounting for the base fee and the performance fee). The base fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 100.0% of its base fee in the form of Units for the financial years ended 31 December 2020 and 31 December 2019.

The portion of the base fee, payable either in the form of cash or Units, was payable quarterly in arrears for the financial year ended 31 December 2019. Following the amendments to Rule 705(2) of the SGX-ST Listing Manual which took effect from 7 February 2020, Manulife US REIT has adopted half-yearly reporting for its financial statements with effect from the financial year ended 31 December 2020. Consequently, the frequency of payment of the base fee payable has been changed from quarterly to semi-annually basis with effect from the first half of financial year ended 31 December 2020.

Where the base fee is payable in Units, Units will be issued based on the volume weighted average price for a Unit for all trades transacted on SGX-ST in the ordinary course of trading for a period of 10 business days (as defined in the Trust Deed) immediately preceding the relevant business day.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL (CONT'D)

(a) Manager's fees (cont'd)

Performance fee

Pursuant to the Trust Deed, the Manager is entitled to a performance fee of 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee, but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the performance fee is payable may be less than the DPU in any preceding financial year.

The performance fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

No performance fee was payable for the financial year ended 31 December 2020. For the financial year ended 31 December 2019, the Manager has elected to receive 100.0% of its performance fee in the form of Units.

Acquisition fee

Pursuant to the Trust Deed, the Manager is entitled to receive an acquisition fee of 0.75% of the acquisition price of any real estate purchased, whether directly or indirectly through one or more subsidiaries, by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the real estate acquired) from related parties and 1.0% of the acquisition price for all other cases (or such lower percentage as may be determined by the Manager in its absolute discretion). Under Appendix 6 of the CIS Code (the "Property Funds Appendix"), in respect of any acquisition of real estate assets from interested parties, such a fee will be in the form of Units issued by the Trust at prevailing market price. Such Units may not be sold within one year from the date of their issuance. With respect to acquisitions from third parties, the acquisition fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

Divestment fee

Pursuant to the Trust Deed, the Manager is entitled to receive a divestment fee of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of any real estate sold or divested, whether directly or indirectly through one or more subsidiaries, by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the real estate sold or divested).

The divestment fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager. Any payment to third party agents or brokers in connection with the disposal of any assets shall be paid to such persons out of the deposited property, and not out of the divestment fee received or to be received by the Manager.

No divestment fee was payable for the financial years ended 31 December 2020 and 31 December 2019.

(b) Trustee's fee

The Trustee's fee shall not exceed 0.1% per annum of the value of the deposited property, subject to a minimum of S\$10,000 per month, excluding out-of-pocket expenses and GST, in accordance with the Trust Deed. The Trustee's fee is accrued daily and will be paid monthly in arrears in accordance with the Trust Deed. The actual fee payable will be determined between the Manager and the Trustee from time to time.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL (CONT'D)

(c) Fees under the property management agreements

Under the property management agreement in respect of the properties, the property manager will provide property management services, lease management services and construction supervision services. The Property Manager is entitled to the following fees:

Property management fee

The Property Manager is entitled to a monthly property management fee from each subsidiary of Hancock S-REIT Parent Corp. (the "U.S. Sub") for each property equal to the Applicable Fee Percentage (as defined herein) of the gross income from such property for each month, if any, for such month, payable monthly in arrears. The "Applicable Fee Percentage" is 2.5% for properties with greater than 300,000 square feet of net lettable area and 3.0% for properties with up to 300,000 square feet of net lettable area. The Applicable Fee Percentage for a property shall be adjusted every five years to reflect market management fees paid by owners of properties similar to such property in the same submarket to managers affiliated with owners.

The Property Management Fee is payable to the Property Manager in the form of cash and/or Units as each U.S. Sub may elect, in such proportions as may be determined by each U.S. Sub.

Leasing Fee

The Property Manager is entitled to a leasing fee from each U.S. Sub equal to US\$1.00 multiplied by the lettable square footage of any lease or amendment to a lease adding lettable space or extending the term (a "lease amendment") during the term of the applicable property management agreement or, as to any lease or lease amendment as to which the Property Manager shall have submitted a proposal and had direct communication with the tenant prior to expiration or earlier termination of the applicable property management agreement, if such lease or lease amendment is executed within six months thereafter; provided that no leasing fee shall be due and payable with respect to any lease amendment which merely confirms the exercise of any renewal, expansion or extension option contained in any lease and does not require material negotiation by the Property Manager, nor shall the Property Manager be entitled to any leasing fee as to any extension or renewal of a lease for a period less than one year. The leasing fee in connection with any lease or lease amendment shall be due and paid upon execution of the lease or lease amendment.

Construction Supervision Fee

The Property Manager is entitled to a construction supervision fee ("Construction Supervision Fee") from each U.S. Sub (or such U.S. Sub's taxable REIT subsidiary ("TRS")) if in connection with services that are to be performed for such TRS in connection with any construction project (including any series of related construction projects) the cost of which, excluding design fees and permit costs (the "Construction Cost"), is in excess of US\$500,000 in any 12-month period, other than ordinary maintenance and repair and other than any costs incurred or improvements performed to leased premises pursuant to a lease equal to:

- (i) 5.0% of the Construction Cost for any construction project (or series of related projects) between US\$500,000 and US\$1,000,000; and
- (ii) 3.0% of the Construction Cost or any construction project (or series of related projects) in excess of US\$1,000,000.

In addition, the Property Manager shall receive any construction, supervision or management fees that may be charged pursuant to a lease or otherwise relating to any alterations performed to any premises under a lease provided that the Construction Supervision Fee shall not be duplicative of any such fee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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"), 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 as otherwise disclosed in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in United States Dollars ("US\$" or "USD"), which is the functional currency of the Trust. All financial information presented has been rounded to the nearest thousand (US\$'000), unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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 accounting estimates in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- Note 5 – Measurement of expected credit losses ("ECLs") for trade receivables
- Note 7 – Valuation of investment properties
- Note 11 – Fair value of derivatives

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 uses third party appraisal firms and financial institutions to perform valuations. The Manager assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group 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: for unadjusted prices quoted in active markets for identical assets or liabilities;
- Level 2: for inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: for inputs that are based on unobservable market data. These unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the Group's own data).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. Any goodwill that arises is tested annually for impairment. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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 securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the acquisition of an investment property does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values at the date of purchase. Acquisition-related costs are capitalised to the investment property at the time the acquisition is completed.

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 those returns through its power over the entity.

The accounting policies of subsidiaries have been changed where necessary to align with the policies adopted by the Group.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or carried at fair value in accordance with IFRS 9 *Financial Instruments*.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Trust.

Changes in the Trust's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Trust.

3.2 Foreign currency

Foreign currency transactions and balances

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.

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency 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 costs are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from settlement of monetary items or retranslation of monetary items at the end of reporting period are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to presentation currency at exchange rates at the dates of the transactions.

The exchange differences arising on the translation are recognised in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income and accumulated under foreign currency reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation, or both. Investment properties are not for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Investment properties are measured at cost, including transaction costs, 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 properties. The Trust Deed requires the investment properties to be valued by independent registered valuers in such manner and frequency required under the Property Funds Appendix of the CIS Code issued by the MAS.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised and the carrying amounts of the replaced components are written off to profit or loss. To the extent that lease commissions paid increase the future economic benefits of investment properties, they are capitalised as part of the assets.

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 investment property) is recognised in profit or loss.

3.4 Financial instruments

Non-derivative financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group's non-derivative financial assets comprise of cash and cash equivalents and trade and other receivables, which are classified in the amortised cost measurement category.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Financial assets at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using effective interest method and are subject to impairment. Financial assets measured at amortised cost are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Non-derivative financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Non-derivative financial liabilities (cont'd)

The Group classifies non-derivative financial liabilities as financial liabilities at amortised cost. Such financial liabilities are recognised initially at fair value and any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense, and gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Financial liabilities at amortised cost comprise trade and other payables, security deposits, loans and borrowings, and preferred units.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its 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 does not hold or issue derivative financial instruments for trading purposes. The Group has not elected to apply hedge accounting for its derivative financial instruments.

Preferred units

Preferred units are classified as financial liabilities if they are redeemable on a specific date or at the option of the holders of such units, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as finance expense in profit or loss as accrued.

Preferred units are recognised initially at fair value and any directly attributable transaction costs.

3.5 Impairment

Non-derivative financial assets

The Group recognises an allowance for ECLs for all trade and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Non-derivative financial assets (cont'd)

The Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating units ("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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that a prior loss should be reversed. 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, if no impairment loss had been recognised.

3.6 Unitholders' funds

Unitholders' funds are classified as equity.

Issuance costs relate to expenses incurred in connection with the issue of Units. These expenses are deducted directly against Unitholders' funds.

3.7 Revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rental income from operating leases

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. The difference between revenue recognised and the contractual cash received is included in the carrying value of the investment property and subsequently adjusted to fair value change in profit or loss. Tenant lease incentives are included in the cost basis of the investment property and recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Revenue (cont'd)

Rental income from operating leases (cont'd)

Recoveries from tenants are recognised as revenue in the period in which the applicable costs are incurred. The operating lease agreements include certain services to tenants comprising the overall property management, including common area maintenance services (such as cleaning, security, landscaping, utilities, and repairs and maintenance) as well as other administrative and support services. These services are specified in the lease agreements and separately invoiced. The Group has determined that these services constitute distinct non-lease components and are within the scope of IFRS 15 *Revenue from Contracts with Customers*. The Group has allocated the consideration in the contract to the separate lease and non-lease components on a relative basis. These services, which are provided to tenant in exchange for operating cost recoveries, are considered to be a single performance obligation delivered to tenants over time.

Lease cancellation fees are recognised as revenue on a straight-line basis over the remaining term of the lease once an agreement is reached with the tenant to terminate the lease and the collectability is reasonably assured.

Car park income

Car park income consists of monthly and hourly parking income. Monthly and hourly parking income are recognised on utilisation of car parking facilities. In addition, car park income represents the right to park in a determined amount of parking stalls on certain tenant leases.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

3.8 Finance expenses

Finance expenses comprise interest expense on loans and borrowings, amortisation of transaction costs incurred on the borrowings, commitment and financing fees, and dividends on preferred units that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

3.9 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. 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.

Current tax assets and liabilities are offset only if certain criteria are met.

The Group applies judgement in identifying uncertainties over income tax treatments. The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

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:

- the 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 or loss; and
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Tax (cont'd)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, 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 the 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 taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are 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 they can be utilised except for:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest 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. This assessment 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 year that such a determination is made.

On 7 April 2020, the United States Department of the Treasury (the "US Treasury") released the final regulations under Section 267A of the United States Internal Revenue Code of 1986, as amended (the "Final 267A Regulations"). The Final 267A Regulations allow Manulife US REIT to revert to a group structure largely similar to that adopted as at listing (the "Restructuring"). The Manager expects that the costs of the Restructuring will not have a material impact on the consolidated net tangible assets or DPU of Manulife US REIT.

3.10 Distribution Policy

Manulife US REIT's distribution policy is to distribute at least 90% of its annual distributable income. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager.

3.11 Leases – As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.7.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits which are subject to an insignificant risk of changes in value.

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 revenue and expenses that relate to transactions with any of the Group's other components;
- whose operating results are regularly reviewed by the Chief Executive Officer and the directors 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.

The Group's investment properties comprise commercial office properties located in the United States. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in these financial statements.

3.14 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations have been issued as of the reporting date but are not yet effective for the financial year ended 31 December 2020. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
• Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
• Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
• IFRS 9 <i>Financial Instruments</i> – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
• Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023

The Group expects that the adoption of the standards above will have no significant impact on the financial statements in the year of initial application.

4 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Cash at bank	86,674	60,748	3,442	4,287

Cash at bank earns interest based on bank deposit rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

5 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	7,442	3,156	–	–
Impairment losses	(3,598)	–	–	–
Trade receivables, net	3,844	3,156	–	–
Other receivables	3,083	4,458	3,167	2,574
Dividends receivable	–	–	34,520	15,885
	6,927	7,614	37,687	18,459

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants. The Group's historical experience in the collection of trade receivable falls within the recorded allowances, if any. 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.

Impairment losses

The ageing of trade receivables at the end of the reporting date is as follows:

	Gross		Impairment	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
Not past due	1,032	–	178	–
Past due 0 to 1 month	1,755	2,000	225	–
Past due 1 to 3 months	1,784	690	1,443	–
Past due more than 3 months	2,871	466	1,752	–
	7,442	3,156	3,598	–

The movement in allowance for impairment losses recognised in respect of trade receivables during the year is as follows:

	Group
	2020
	US\$'000
As at 1 January	–
Provision of ECLs during the year	3,598
As at 31 December	3,598

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have been adversely impacted by the COVID-19 pandemic.

Receivables not impaired

The Group has trade receivables amounting to US\$3,844,000 (2019: US\$3,156,000) that are not impaired at the end of the reporting period.

The Manager believes that no provision of ECLs is necessary in respect of the remaining trade receivables as majority of the balances are neither past due or relate to creditworthy debtors and counterparties with good payment record.

The Group's and Trust's exposure to credit risk related to trade and other receivables are set out in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6 OTHER ASSET

Other asset relates to the funds held in escrow specifically to reimburse a certain tenant in Centerpointe for tenant improvement costs to be incurred by the tenant in accordance with the lease agreement.

7 INVESTMENT PROPERTIES

	Group	
	2020 US\$'000	2019 US\$'000
Consolidated Statement of Financial Position		
As at 1 January	2,095,000	1,738,700
Acquisitions ¹	–	321,078
Capital expenditure capitalised	25,635	45,027
Fair value changes in investment properties	(127,835)	(9,805)
As at 31 December	1,992,800	2,095,000
Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(127,835)	(9,805)
Net effect of amortisation and straight lining	(684)	(3,707)
Net fair value changes recognised in the statement of comprehensive income	(128,519)	(13,512)

1 Includes acquisition fees and acquisition costs

Investment properties comprise commercial office properties which are leased to external tenants.

Certain investment properties are pledged as security to secure bank loans (see Note 10). Details of the investment properties as at 31 December 2020 and 31 December 2019 which are all located in United States are set out below:

Description of property	Tenure	Location	Existing use	Appraised value	
				2020 US\$'000	2019 US\$'000
Group					
Los Angeles Figueroa	Freehold	865 S. Figueroa Street Los Angeles, California 90017	Commercial	320,000	337,600
Irvine Michelson	Freehold	3161 Michelson Drive Irvine, Orange County, California 92612	Commercial	319,000	345,000
New Jersey Plaza	Freehold	500 and 600 Plaza Drive, Secaucus, Hudson County, New Jersey 07094	Commercial	114,600	119,900
Exchange	Freehold	10 Exchange Place, Jersey City, Hudson County, New Jersey 07302	Commercial	333,000	348,600

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

7 INVESTMENT PROPERTIES (CONT'D)

Description of property	Tenure	Location	Existing use	Appraised value	
				2020 US\$'000	2019 US\$'000
Group (cont'd)					
<i>Atlanta</i>					
Peachtree	Freehold	1100 Peachtree Street NE Atlanta, Fulton County, Georgia 30309	Commercial	203,100	210,700
Phipps	Leasehold ¹	3438 Peachtree Road NE, Atlanta, Fulton County, Georgia 30326	Commercial	212,100	220,100
<i>Washington, D.C.</i>					
Penn	Freehold	1750 Pennsylvania Avenue NW, Washington, D.C. 20006	Commercial	176,500	189,000
<i>Fairfax</i>					
Centerpointe	Freehold	4000 & 4050 Legato Road, Fairfax, Virginia 22033	Commercial	118,500	122,800
<i>Sacramento</i>					
Capitol	Freehold	400 Capitol Mall, Sacramento, California 95814	Commercial	196,000	201,300
Total				1,992,800	2,095,000

- 1 Phipps is subject to a so-called "bonds for title" arrangement under which fee simple title to Phipps is owned by the Development Authority, which will lease Phipps to ATL Phipps as a way to reduce the real estate taxes payable on Phipps for a specified period. Under this arrangement, no money changes hands for the lease. The lease between the Development Authority and ATL Phipps expired pursuant to its terms on 31 December 2020, and ATL Phipps LLC is in the process of acquiring fee simple title to Phipps from the Development Authority. After the transfer of such fee interest, ATL Phipps will hold a fee interest in the property and commence paying the full amount of real estate taxes on Phipps, which means that Phipps will be assessed in a manner and amount consistent with similar commercial office buildings in the taxing area. Given the expense reimbursement structure of the leases at Phipps, the difference in real estate taxes payable following the expiration of this arrangement will largely be borne by the tenants. Please refer to Note 27.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

7 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value

(i) Fair value hierarchy

As at 31 December 2020, the investment properties were stated at fair value based on independent valuations undertaken by CBRE, Inc. As at 31 December 2019, the investment properties were stated at fair value based on independent valuations undertaken by Colliers International Valuation & Advisory Services, LLC for all properties except for Exchange, which was undertaken by Newmark Knight Frank Valuation & Advisory, LLC, and Capitol, which was undertaken by Cushman & Wakefield Western, Inc. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values were generally calculated using the income approach. The two primary income approaches that may be used are the Discounted Cash Flow ("DCF") and the Direct Capitalisation Method ("DCM"). DCF calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine the fair value. DCM measures the relationship of value to the stabilised net operating income, normally at the first year. Both the DCF and DCM approaches convert the earnings of a property into an estimate of value. The market or direct comparison approach may also be used, which is based on sound considerations for similarity and comparability between properties. Considerations may include geographic location, physical, legal, and revenue generating characteristics, market conditions and financing terms and conditions. The final step in the appraisal process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The valuers have highlighted in their valuation reports for 31 December 2020 that the real estate market has been impacted by the uncertainty brought by the COVID-19 pandemic and a higher degree of caution is to be exercised when relying on the valuations. The valuations were based on the market conditions and information available as at 31 December 2020. Values may change more rapidly and significantly subsequently as the future impact that COVID-19 pandemic might have on the real estate market remains unknown.

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

7 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

(ii) Level 3 fair value

Valuation techniques and significant unobservable inputs

The following table shows the significant unobservable inputs used in the measurement of fair value of investment properties:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow approach	Rental rate per square foot per year 2020: US\$23.00 – US\$56.00 (2019: US\$24.00 – US\$55.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Discount rate 2020: 6.00% – 9.00% (2019: 6.00% – 8.00%)	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
	Terminal capitalisation rate 2020: 5.00% – 7.50% (2019: 5.00% – 7.50%)	
Direct capitalisation method	Rental rate per square foot per year 2020: US\$23.00 – US\$56.00 (2019: US\$24.00 – US\$55.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Capitalisation rate 2020: 5.25% – 7.50% (2019: 4.75% – 7.00%)	Higher capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Market or Direct comparison approach	Price per square foot 2020: US\$243 – US\$646 (2019: US\$260 – US\$689)	Higher price per square foot would result in a higher fair value, while a lower price per square foot would result in a lower fair value.

The table below presents the sensitivity analysis of the valuation to changes in the most significant assumptions underlying the valuation of investment properties:

	Group	
	2020 US\$'000	2019 US\$'000
Fair value of investment properties as at 31 December		
Increase in discount and terminal capitalisation rate of 25 basis points	(91,956)	(97,175)
Decrease in discount and terminal capitalisation rate of 25 basis points	100,359	106,155

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

8 INVESTMENT IN SUBSIDIARIES

	2020 US\$'000	Trust 2019 US\$'000
Unquoted equity investment at cost	1,423,009	1,342,496

Details of the key subsidiaries of the Trust are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held	
			2020 %	2019 %
Direct subsidiaries:				
Manulife US REIT Alpha (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 2 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 3 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 4 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 5 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 6 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 7 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 8 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	–
Indirect subsidiaries:				
Hancock S-REIT Parent Corp. ²	United States	Investment holding	100	100
Hancock S-REIT LA Corp. ²	United States	Property owner	100	100
Hancock S-REIT Irvine Corp. ²	United States	Property owner	100	100
Hancock S-REIT ATL LLC ²	United States	Property owner	100	100
Hancock S-REIT SECA LLC ²	United States	Property owner	100	100
Hancock S-REIT JCITY LLC ²	United States	Property owner	100	100
Hancock S-REIT DC 1750 LLC ²	United States	Property owner	100	100
Hancock S-REIT ATL Phipps LLC ²	United States	Property owner	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

8 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held	
			2020 %	2019 %
Indirect subsidiaries:				
Hancock S-REIT Centerpointe LLC ²	United States	Property owner	100	100
Hancock S-REIT Sacramento LLC ²	United States	Property owner	100	100
MUSREIT HoldCo (Barbados) 1 SRL ^{3,4}	Barbados	Investment holding	100	100
MUSREIT HoldCo (Barbados) 2 SRL ^{3,4}	Barbados	Investment holding	100	100
MUSREIT HoldCo (Barbados) 3 SRL ^{3,4}	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 1 SRL ^{4,5}	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 2 SRL ^{4,5}	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 3 SRL ^{4,5}	Barbados	Investment holding	100	100
MUSREIT (Barbados) 1 LP ^{3,4}	Barbados	Investment holding	100	100
MUSREIT (Barbados) 2 LP ^{3,4}	Barbados	Investment holding	100	100
MUSREIT (Barbados) 3 LP ^{3,4}	Barbados	Investment holding	100	100

1 Audited by Ernst & Young LLP Singapore

2 Audited by Ernst & Young LLP Canada

3 Not required to be audited according to the local regulations

4 In the process of liquidation

5 Audited by Ernst & Young Ltd Barbados for 2019. Audit not required for 2020 as entities are in the process of liquidation

9 TRADE AND OTHER PAYABLES

	Group		Trust	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Trade payables	597	1,752	6	95
Amounts due to related parties (non-trade)	27	1	27	1
Accrued expenses	10,651	10,573	785	1,063
Property tax payable	1,661	2,162	–	–
Interest payable	2,874	2,685	1,330	999
Other payables	2,289	9,693	163	93
	<u>18,099</u>	<u>26,866</u>	<u>2,311</u>	<u>2,251</u>

Other payables include tenant improvement payables of US\$2.1 million (2019: US\$9.4 million). The non-trade amounts due to related parties are unsecured, interest-free and repayable on demand in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 LOANS AND BORROWINGS

	Group		Trust	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Secured bank loans	216,500	71,517	–	–
Less: Unamortised transaction costs	(216)	(72)	–	–
Revolving credit facilities	17,300	7,500	17,300	7,500
	<u>233,584</u>	<u>78,945</u>	<u>17,300</u>	<u>7,500</u>
Non-current				
Secured bank loans	622,716	737,889	323,000	223,000
Less: Unamortised transaction costs	(4,013)	(4,810)	(2,858)	(2,462)
	<u>618,703</u>	<u>733,079</u>	<u>320,142</u>	<u>220,538</u>
	<u>852,287</u>	<u>812,024</u>	<u>337,442</u>	<u>228,038</u>

As at 31 December 2020, the Group had gross borrowings of US\$856.5 million (2019: US\$816.9 million) comprising of (i) US\$516.2 million (2019: US\$586.4 million) drawn from property-level loan facilities, and (ii) US\$340.3 million (2019: US\$230.5 million) drawn from Trust-level credit facilities (collectively, the "Facilities"). The average interest rate on borrowings as at 31 December 2020 was 3.18% (2019: 3.37%) per annum.

The Group is in a net current liabilities position due to the mortgage loan facilities for Penn and Michelson which will mature in June 2021 and July 2021 respectively. The Group has sufficient financing options to refinance the portion of borrowings that are maturing within the next 12 months.

The outstanding principal, interest rate and maturity of the Facilities as at 31 December 2020 and 31 December 2019 are as set forth below:

	Nominal	Year of	2020		2019	
	interest rate	maturity	Face value	Carrying amount	Face value	Carrying amount
	%		US\$'000	US\$'000	US\$'000	US\$'000
Group						
Michelson	2.52	2021	121,000	120,891	121,000	120,692
Michelson ¹	LIBOR + 1.50	2021	–	–	7,173	7,173
Peachtree	2.46	2020	–	–	67,000	66,928
Peachtree ¹	LIBOR + 1.50	2020	–	–	4,517	4,517
Plaza	3.60	2022	40,000	39,808	40,000	39,694
Exchange	3.48	2022	125,100	124,451	125,100	124,115
Exchange ¹	LIBOR + 1.50	2022	29,616	29,616	21,116	21,116
Penn	4.08	2021	95,500	95,393	95,500	95,182
Phipps	4.42	2023	105,000	104,686	105,000	104,569
Secured bank loans	1.85 – 3.77	2024 – 2025	323,000	320,142	223,000	220,538
Revolving credit facilities	1.39 – 1.43	2021	17,300	17,300	7,500	7,500
			<u>856,516</u>	<u>852,287</u>	<u>816,906</u>	<u>812,024</u>

1 Relates to good news facilities drawn to fund capital expenditures and leasing costs with variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 LOANS AND BORROWINGS (CONT'D)

	Nominal interest rate %	Year of maturity	2020		2019	
			Face value US\$'000	Carrying amount US\$'000	Face value US\$'000	Carrying amount US\$'000
Trust						
Secured bank loans	1.85 – 3.77	2024 – 2025	323,000	320,142	223,000	220,538
Revolving credit facilities	1.39 – 1.43	2021	17,300	17,300	7,500	7,500
			340,300	337,442	230,500	228,038

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Financing cash flows		Others	
	1 January US\$'000	Net proceeds from / repayment of loans and borrowings US\$'000	Payment of transaction costs US\$'000	Finance expense US\$'000
				31 December US\$'000

Group

2020

Loans and borrowings	812,024	39,610	(1,036)	1,689	852,287
Preferred units	102	–	–	–	102
	812,126	39,610	(1,036)	1,689	852,389

2019

Loans and borrowings	667,200	146,106	(2,694)	1,412	812,024
Preferred units	102	–	–	–	102
	667,302	146,106	(2,694)	1,412	812,126

The details of credit facilities available and utilised as at 31 December are set out below:

	Note	2020		2019	
		Facility available US\$'000	Utilised US\$'000	Facility available US\$'000	Utilised US\$'000

Group

Mortgage facilities	(a)	548,527	516,216	629,400	586,406
Trust-level term loans	(b)	323,000	323,000	223,000	223,000
Revolving credit facility	(b)	50,000	–	50,000	7,500
Revolving credit facility	(c)	50,000	17,300	–	–
Revolving credit facility	(d)	–	–	10,000	–
Revolving credit facility	(d)	200,000	–	200,000	–
		1,171,527	856,516	1,112,400	816,906

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 LOANS AND BORROWINGS (CONT'D)

	Note	2020		2019	
		Facility available US\$'000	Utilised US\$'000	Facility available US\$'000	Utilised US\$'000
Trust					
Trust-level term loans	(b)	323,000	323,000	223,000	223,000
Revolving credit facility	(b)	50,000	–	50,000	7,500
Revolving credit facility	(c)	50,000	17,300	–	–
Revolving credit facility	(d)	–	–	10,000	–
Revolving credit facility	(d)	200,000	–	200,000	–
		623,000	340,300	483,000	230,500

(a) Mortgage Facilities

The Mortgage Facilities are secured by, amongst other collateral:

- (i) a first mortgage on each of Michelson, Plaza, Exchange, Penn and Phipps respectively (each, the "Property");
- (ii) an assignment of each of the U.S. Subs' rights, title and interest in present and future leases, subleases, licenses and all other agreements relating to the management, leasing and operation of the respective Property; and
- (iii) an assignment of each of the U.S. Subs' right to all goods, building and other materials, supplies, inventory, equipment, machinery, fixtures, furniture and other personal property, together with all payments and other rents and security deposits in respect of the relevant Properties.

In addition, Hancock S-REIT Parent Corp., which directly holds each of the U.S. Subs, has granted a limited guarantee to the Mortgage Lenders in respect of certain obligations of the U.S. Subs under the mortgage facilities as well as a hazardous materials indemnity agreement.

Each of the mortgage facilities includes customary representations, warranties and covenants (including due-on-sale and due-on-encumbrance provisions) by the U.S. Subs in favour of the mortgage lenders. Each of the mortgage facilities is not cross-defaulted or cross-collateralised with the other mortgage facilities.

(b) Trust-level term loans and US\$50.0 Million Committed Revolving Credit Facility

The Trust-level term loans and US\$50.0 million revolving credit facility are secured by, amongst other collateral:

- (i) share charges over the Singapore subsidiaries of Manulife US REIT;
- (ii) assignments of certain bank accounts; and
- (iii) assignments of certain inter-company loans within the Group and certain share pledges over shares in the relevant U.S. Subs which hold Figueroa, Centerpointe, Capitol and Peachtree respectively.

For the Trust-level term loans, the Group entered into interest rate swaps to hedge the floating rate under each loan facility to a fixed rate. Please refer to Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10 LOANS AND BORROWINGS (CONT'D)

(c) US\$50.0 Million Committed Revolving Credit Facility

The Group obtained a US\$50.0 million committed revolving credit facility in July 2020. The US\$50.0 million revolving credit facility is secured by, amongst other collateral:

- (i) share charges over the Singapore subsidiaries of Manulife US REIT;
- (ii) assignments of certain bank accounts; and
- (iii) assignments of certain inter-company loans within the Group.

(d) US\$10.0 Million Committed and \$200.0 Million Uncommitted Revolving Credit Facility

The US\$10.0 million revolving credit facility expired in July 2020.

The US\$200.0 million uncommitted revolving credit facility is secured by:

- (i) share charges over certain of Manulife US REIT's wholly owned subsidiaries;
- (ii) an assignment of all inter-company loans from the Trustee to any other subsidiaries of Manulife US REIT;
- (iii) an assignment of certain bank accounts by the Trustee; and/or
- (iv) an assignment of certain inter-company loans within the Group.

11 FINANCIAL DERIVATIVES

	Group and Trust	
	2020	2019
	US\$'000	US\$'000
Non-current		
Derivative assets		
Interest rate swaps used for hedging	–	487
Derivative liabilities		
Interest rate swaps used for hedging	(12,985)	(1,575)
	(12,985)	(1,088)
Financial derivatives as a percentage of the Group's net assets	1.1%	0.1%
Financial derivatives as a percentage of the Trust's net assets	1.2%	0.1%

The Group has entered into interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing borrowings by swapping the interest expense on these borrowings from floating rates to fixed rates. As at the reporting date, the notional principal amount of the financial instruments was US\$323,000,000 (2019: US\$223,000,000).

The changes in fair value of the interest rate swaps are recognised in profit or loss for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

11 FINANCIAL DERIVATIVES (CONT'D)

Offsetting financial assets and financial liabilities

The Group entered into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the Statements of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The following table sets out the carrying amounts of recognised financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statements of Financial Position:

	Gross amounts of recognised financial instruments offset in the Statement of Financial Position US\$'000	Gross amounts of recognised financial instruments presented in the Statement of Financial Position US\$'000	Related financial instruments that are not offset US\$'000	Net amount US\$'000
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Group and Trust

2020

Financial liabilities

Interest rate swaps	12,985	–	12,985	–	12,985
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2019

Financial assets

Interest rate swaps	487	–	487	(402)	85
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Financial liabilities

Interest rate swaps	1,575	–	1,575	(402)	1,173
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12 PREFERRED UNITS

	Group 2020 US\$'000	2019 US\$'000
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As at 1 January and 31 December	102	102
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The preferred units are issued by indirect subsidiaries of the Trust with a par value of US\$0.01 per preferred unit, and they rank senior to all units of the indirect subsidiaries. Each holder of the preferred units is entitled to receive cumulative preferential cash dividends (recorded as finance expense) at a rate 12.5% per annum per preferred unit plus all accrued and unpaid dividends which is payable annually in arrears.

The preferred units are not convertible into, or exchangeable for, any other property or securities of the subsidiaries. The Board of Directors of the subsidiaries may, in its sole and absolute discretion, cause the subsidiaries to redeem units of the preferred units at US\$1,000 per unit plus all accrued and unpaid dividends.

The preferred units have been classified as financial liabilities in accordance with IAS 32.

Subsequent to the year end, the preferred units were redeemed and new preferred units were issued. Please refer to Note 27.

13 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group 2020 US\$'000	2019 US\$'000
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Investment properties	36,283	59,713
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Movements in deferred tax liabilities of the Group during the year are as follows:

	At 1 January 2019 US\$'000	Statement of Comprehensive Income (Note 20) US\$'000	At 31 December 2019 US\$'000	Statement of Comprehensive Income (Note 20) US\$'000	At 31 December 2020 US\$'000
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Deferred tax liabilities

Investment properties

– Change in fair value of investment properties	32,853	(2,253)	30,600	(36,839)	(6,239)
– Tax depreciation	18,051	11,062	29,113	13,409	42,522
	50,904	8,809	59,713	(23,430)	36,283

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

14 UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust			
	2020 No of Units '000	US\$'000	2019 No of Units '000	US\$'000
Units in issue				
As at 1 January	1,568,673	1,143,507	1,276,324	939,321
Issuance of Units:				
– Private placements	–	–	205,403	174,000
– Preferential offering	–	–	72,856	62,656
– Manager's base fee paid in Units	8,533	7,059	9,518	8,030
– Manager's performance fee paid in Units	1,353	1,360	–	–
– Property Manager's management fees paid in Units	4,374	3,627	4,572	4,077
Issuance costs	–	–	–	(4,707)
Capital distribution	–	(23,738)	–	(39,870)
As at 31 December	1,582,933	1,131,815	1,568,673	1,143,507
Units to be issued				
Manager's base fee payable in Units	5,507	4,100	2,250	2,262
Manager's performance fee payable in Units	–	–	1,353	1,360
Property Manager's management fees payable in Units	3,221	2,397	1,183	1,190
	8,728	6,497	4,786	4,812
Total Units issued and to be issued as at 31 December	1,591,661	1,138,312	1,573,459	1,148,319

Units issued were as follows:

- 8,532,716 (2019: 9,517,888) new Units were issued at issue prices ranging from US\$0.7636 to US\$1.0055 (2019: US\$0.7522 to US\$0.9088) per Unit, amounting to US\$7,059,000 (2019: US\$8,030,000) as satisfaction of the Manager's base fee payable in Units for the period from 1 October 2019 to 30 June 2020 (2019: 1 October 2018 to 30 September 2019).
- 4,374,587 (2019: 4,571,861) new Units were issued at issue prices ranging from US\$0.7636 to US\$1.0055 (2019: US\$0.8350 to US\$0.9650) per Unit, amounting to US\$3,627,000 (2019: US\$4,077,000) as satisfaction of the Property Manager's management fee payable in Units for the period from 1 October 2019 to 30 June 2020 (2019: 1 October 2018 to 30 September 2019).
- On 9 May 2019 and 30 September 2019, 114,078,000 and 91,325,000 new Units were issued at an issue price of US\$0.824 and US\$0.876 per Unit respectively in connection with the private placements.
- On 18 October 2019, 72,855,530 new Units were issued at an issue price of US\$0.860 per Unit in connection with the preferential offering.
- There were 5,507,455 (2019: 2,250,000) Units to be issued in satisfaction of the Manager's base fee for the period from 1 July 2020 to 31 December 2020 (2019: 1 October 2019 to 31 December 2019) and 3,220,468 (2019: 1,183,370) Units to be issued in satisfaction to Property Manager's management fee for the period from 1 July 2020 to 31 December 2020 (2019: 1 October 2019 to 31 December 2019). As at 31 December 2020, there are no Units to be issued in satisfaction of the Manager's performance fee for the year. As at 31 December 2019, there were 1,353,016 Units to be issued in satisfaction of the Manager's performance fee for the year. Units to be issued are based on the volume weighted average price for the last 10 Business Days immediately preceding the year end of US\$0.7443 (2019: US\$1.0055). Actual Units from payment of property management fees may be different as it will be based on the higher of (i) volume weighted average price for last 10 Business Days immediately preceding the year end or (ii) the closing price on the day of issuance of Units in payment of property management fees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

14 UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and included the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
- attend all Unitholders' meetings. The Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or Unitholders representing not less than 10% of the total Units issued give written request for a meeting to be convened.

A Unitholder has no equitable or proprietary interest in the underlying asset of the Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate or interest in any asset and the real estate-related assets (or any part thereof) of the Group.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

Issuance costs comprise professional, advisory and underwriting fees and other costs related to the issuance of Units. Included in issuance costs for the year ended 31 December 2019 are US\$54,405 of fees paid to the auditors of the Group.

15 NET ASSET VALUE PER UNIT

	Note	Group		Trust	
		2020	2019	2020	2019
Net asset value per Unit is based on:					
– Net assets (US\$'000)		1,157,888	1,258,178	1,111,475	1,133,934
– Total Units issued and to be issued at 31 December ('000)	14	1,591,661	1,573,459	1,591,661	1,573,459

16 GROSS REVENUE

	Group	
	2020	2019
	US\$'000	US\$'000
Rental income	113,413	99,679
Recoveries income	68,572	64,575
Car park income	10,426	13,087
Others	1,901	512
	194,312	177,853

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

17 PROPERTY OPERATING EXPENSES

	Group	
	2020	2019
	US\$'000	US\$'000
Real estate taxes	25,978	23,007
Repairs and property maintenance expenses	17,151	15,830
Utilities	9,101	9,202
Property management fees and reimbursements	12,209	10,658
Provision for expected credit losses	3,598	–
Other operating expenses	10,438	8,380
	<u>78,475</u>	<u>67,077</u>

18 OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	Group	
	2020	2019
	US\$'000	US\$'000
Audit fees paid/payable to:		
– Auditors of the Group	263	296
Valuation fees	136	96
Tax and legal expenses ¹	1,266	683
Investor relations and related expenses	225	236
Foreign exchange differences	(64)	5
Other expenses	820	1,144
	<u>2,646</u>	<u>2,460</u>

¹ Includes U.S. tax reform restructuring costs

19 FINANCE EXPENSES

	Group	
	2020	2019
	US\$'000	US\$'000
Interest expense on loans and borrowings	27,724	24,594
Amortisation of upfront debt-related transaction costs	1,689	1,412
Dividends on preferred units	16	16
Commitment and financing fees	310	158
	<u>29,739</u>	<u>26,180</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

20 TAX (INCOME)/EXPENSE

	Group	
	2020	2019
	US\$'000	US\$'000
Current tax expense		
Withholding tax	12	33
Income tax	719	1,639
	<u>731</u>	<u>1,672</u>
Deferred tax (income)/expense		
Movement in temporary differences	(23,430)	8,809
	<u>(22,699)</u>	<u>10,481</u>
Reconciliation of effective tax rate		
Net (loss)/income for the year before tax	(65,983)	58,046
Tax calculated using Singapore tax rate of 17% (2019: 17%)	(11,217)	9,868
Effect of different tax rate in foreign jurisdictions	(13,504)	613
Expenses not deductible for tax purposes	2,022	–
	<u>(22,699)</u>	<u>10,481</u>

Provision for Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations in the jurisdictions in which the Group operates and the amount and timing of future taxable income. Given the span of tax regulations which may apply to the various taxable entities or persons within the Group, the cross-border and long-term nature and complexity of the contractual arrangements and the conditions to the tax rulings which have been obtained, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions recorded or require new or additional tax provisions to be recorded. The Group establishes provisions, based on reasonable estimates, for anticipated tax liabilities or possible consequences of audits by the tax authorities of the respective jurisdictions in which it operates. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations between the taxable entity or person involved and the relevant tax authority and anticipated future changes in the tax laws that may have a direct impact on any tax ruling or favourable tax treatment relied upon. Such instances may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective entity or person involved.

On 7 April 2020, the US Treasury released the Final 267A Regulations. The Final 267A Regulations did not have a material impact on the consolidated net tangible assets or DPU of Manulife US REIT.

21 EARNINGS PER UNIT

Basic earnings per Unit is based on:

	Group	
	2020	2019
	US\$'000	US\$'000
Net (loss)/income for the year	(43,284)	47,565
	<u>(43,284)</u>	<u>47,565</u>
	2020	2019
	No. of Units	No. of Units
	'000	'000
Weighted average number of Units	1,575,689	1,399,467

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

21 EARNINGS PER UNIT (CONT'D)

Basic EPU is calculated based on the weighted number of Units for the year. This is comprised of:

- (i) the weighted average number of Units in issue for the year; and
- (ii) the estimated weighted average number of Units issuable as payment of the Manager's base and performance fees and Property Manager's management fees for the year.

Diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the year.

22 FINANCIAL RISK MANAGEMENT

Capital management

The Manager's objective when managing capital is to optimise the Group's capital structure within the borrowing limits set out in the CIS Code by the MAS to fund future acquisitions and asset enhancement projects at the Trust's properties. To maintain or achieve an optimal capital structure, the Manager may issue new Units or source additional borrowings from both financial institutions and capital markets.

The Group has a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Manager monitors the yield, which is defined as net property income from the property divided by the latest valuation for the property. The Manager also monitors the level of distributions made to Unitholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Group is subject to the aggregate leverage limit as defined in the Property Funds Appendix of the CIS Code. The aggregate leverage ratio is calculated as total borrowings and deferred payments (collectively, the "Aggregate Leverage") divided by total assets.

On 16 April 2020, the MAS announced that the Aggregate Leverage limit for Singapore REITs ("S-REITs") will be raised from 45.0% to 50.0% with immediate effect and deferred the implementation of a new minimum interest coverage ratio ("ICR") requirement to 1 January 2022 in light of the current COVID-19 pandemic situation. With a new minimum ICR of 2.5 times, S-REITs are allowed to increase their leverage to beyond the prevailing 45.0% limit (up to 50.0%).

The Group has complied with the Aggregate Leverage limit of 50.0% during the financial year, with an Aggregate Leverage of 41.0% (2019: 37.7%) as at 31 December 2020.

The Manager actively monitors the term of each loan facility, the weighted average cost of debt, and variable debt as a proportion of overall debt outstanding. The Manager also monitors the debt covenants on an ongoing basis and ensures there is sufficient cash available to make the payments under the loan agreement.

Overview of risk management

The Group's activities expose it to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalised in the Manager's organisational and reporting structure, operating manuals and delegation of authority guidelines.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk

Foreign currency risk

Foreign currency risk arises when transactions are denominated in a currency other than the functional currency of the Group, and such changes will impact the Group's profit.

The Group has transactional currency exposures arising from cash and cash equivalents and trade and other payables that are denominated in a currency other than its functional currency. These transactions are mainly denominated in Singapore Dollars ("SGD"). Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

The exposures to currency risk of the Group and the Trust are as follows:

	Group		Trust	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Cash and cash equivalents	1,517	585	1,487	533
Trade and other payables	(558)	(828)	(473)	(749)
Net assets/(liabilities)	959	(243)	1,014	(216)

A 5.0% weakening of USD against the following foreign currency at the reporting date would increase/(decrease) the profit or loss by the amounts shown below. This sensitivity analysis assumes that all other variables, in particular, interest rates, remain constant.

	Group		Trust	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
SGD	48	(12)	51	(11)

A 5.0% strengthening of USD against the above currency would have had an opposite effect of similar quantum on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

As at 31 December 2020, the Group had US\$809.6 million (2019: US\$776.6 million) of fixed rate interest-bearing borrowings, including borrowings which are hedged with interest rate swaps, and US\$46.9 million (2019: US\$40.3 million) of unhedged variable rate interest-bearing borrowings. The Group had not been exposed to significant interest rate risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. In addition, tenants may experience financial difficulty and are unable to fulfil their lease commitments or tenants may fail to occupy and pay rent in accordance with lease agreements. The Group mitigates credit risk through staggered lease maturities, diversification of revenue sources by ensuring no individual tenant contributes a significant percentage of the Group's gross revenue and obtaining security deposits or letter of credits from the tenants. At the end of the reporting period, approximately 59% (2019: 56%) of the Group's trade receivables were due from 3 tenants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

The Group's risk for trade receivables is disclosed in Note 5. The Manager believes that there is no other credit risk inherent in the Group's remaining trade receivables, based on historical payment behaviours and the security deposits held. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Cash is placed with financial institutions which are regulated.

Financial derivatives are entered into with bank and financial institution counterparties which are regulated.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors the liquidity risk of the Group and maintains a level of cash and credit facilities deemed adequate to finance its operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The Group's credit facilities are set out in Note 10.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash flows		
			Within 1 year US\$'000	Within 2 to 5 years US\$'000	More than 5 years US\$'000
Group					
2020					
Non-derivative financial liabilities					
Trade and other payables and security deposits	21,865	21,865	18,328	1,990	1,547
Preferred units	102	125	–	–	125
Loans and borrowings	852,287	918,576	257,670	660,906	–
	<u>874,254</u>	<u>940,566</u>	<u>275,998</u>	<u>662,896</u>	<u>1,672</u>
2019					
Non-derivative financial liabilities					
Trade and other payables and security deposits	30,040	30,040	27,140	2,033	867
Preferred units	102	125	–	–	125
Loans and borrowings	812,024	897,945	106,004	711,165	80,776
	<u>842,166</u>	<u>928,110</u>	<u>133,144</u>	<u>713,198</u>	<u>81,768</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash flows		
			Within 1 year US\$'000	Within 2 to 5 years US\$'000	More than 5 years US\$'000
Trust					
2020					
Non-derivative financial liabilities					
Trade and other payables	2,311	2,311	2,311	–	–
Loans and borrowings	337,442	375,824	26,555	349,269	–
	<u>339,753</u>	<u>378,135</u>	<u>28,866</u>	<u>349,269</u>	<u>–</u>
2019					
Non-derivative financial liabilities					
Trade and other payables	2,251	2,251	2,251	–	–
Loans and borrowings	228,038	264,945	14,901	169,268	80,776
	<u>230,289</u>	<u>267,196</u>	<u>17,152</u>	<u>169,268</u>	<u>80,776</u>

The maturity analyses show the contractual undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/outflows relate to these instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that have simultaneous gross cash settlement e.g. interest rate swaps. Net settled derivative instruments are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate interest-bearing loans.

The interest payments on floating rate loans and borrowings in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

23 FAIR VALUES OF ASSETS AND LIABILITIES

(a) Classification and fair value of financial instruments

The fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount				Fair value			
		Financial assets at amortised cost	Financial liabilities at amortised cost		Total carrying amount				
		US\$'000	US\$'000	FVTPL US\$'000	US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Group									
2020									
Financial assets not measured at fair value									
Cash and cash equivalents	4	86,674	–	–	86,674				
Trade and other receivables^	5	6,913	–	–	6,913				
		93,587	–	–	93,587				
Financial liabilities not measured at fair value									
Trade and other payables	9	–	18,099	–	18,099				
Loans and borrowings	10	–	852,287	–	852,287	–	–	870,249	870,249
Security deposits		–	3,766	–	3,766				
Preferred units	12	–	102	–	102	–	–	125	125
		–	874,254	–	874,254				
Financial liabilities measured at fair value									
Financial derivatives	11	–	–	12,985	12,985	–	12,985	–	12,985

[^] Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

23 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

	Note	Carrying amount				Fair value			
		Financial assets at amortised cost	Financial liabilities at amortised cost	FVTPL	Total carrying amount	Level 1	Level 2	Level 3	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
2019									
Financial assets not measured at fair value									
Cash and cash equivalents	4	60,748	–	–	60,748				
Trade and other receivables^	5	6,921	–	–	6,921				
		<u>67,669</u>	<u>–</u>	<u>–</u>	<u>67,669</u>				
Financial assets measured at fair value									
Financial derivatives	11	<u>–</u>	<u>–</u>	<u>487</u>	<u>487</u>	<u>–</u>	<u>487</u>	<u>–</u>	<u>487</u>
Financial liabilities not measured at fair value									
Trade and other payables	9	–	26,866	–	26,866				
Loans and borrowings	10	–	812,024	–	812,024	–	–	822,290	822,290
Security deposits		–	3,174	–	3,174				
Preferred units	12	–	102	–	102	–	–	125	125
		<u>–</u>	<u>842,166</u>	<u>–</u>	<u>842,166</u>				
Financial liabilities measured at fair value									
Financial derivatives	11	–	–	1,575	1,575	–	1,575	–	1,575

^ Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

23 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US\$'000	Financial liabilities at amortised cost US\$'000	FVTPL US\$'000	Total carrying amount US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Trust									
2020									
Financial assets not measured at fair value									
Cash and cash equivalents	4	3,442	–	–	3,442				
Trade and other receivables^	5	37,673	–	–	37,673				
		41,115	–	–	41,115				
Financial liabilities not measured at fair value									
Trade and other payables	9	–	2,311	–	2,311				
Loans and borrowings	10	–	337,442	–	337,442	–	–	340,300	340,300
		–	339,753	–	339,753				
Financial liabilities measured at fair value									
Financial derivatives	11	–	–	12,985	12,985	–	12,985	–	12,985

^ Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

23 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US\$'000	Financial liabilities at amortised cost US\$'000	FVTPL US\$'000	Total carrying amount US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Trust									
2019									
Financial assets not measured at fair value									
Cash and cash equivalents	4	4,287	–	–	4,287				
Trade and other receivables^	5	17,766	–	–	17,766				
		<u>22,053</u>	<u>–</u>	<u>–</u>	<u>22,053</u>				
Financial assets measured at fair value									
Financial derivatives	11	<u>–</u>	<u>–</u>	<u>487</u>	<u>487</u>	<u>–</u>	<u>487</u>	<u>–</u>	<u>487</u>
Financial liabilities not measured at fair value									
Trade and other payables	9	–	2,251	–	2,251				
Loans and borrowings	10	–	228,038	–	228,038	–	–	230,500	230,500
		<u>–</u>	<u>230,289</u>	<u>–</u>	<u>230,289</u>				
Financial liabilities measured at fair value									
Financial derivatives	11	–	–	1,575	1,575	–	1,575	–	1,575

^ Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

23 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) Measurement of fair values

The following is a description of the valuation techniques and inputs used in the measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Financial derivatives

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Loans and borrowings

The fair values of loans and borrowings are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

24 COMMITMENTS

(a) Operating lease commitments – as lessor

Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2020	2019
	US\$'000	US\$'000
Within 1 year	142,556	143,786
After 1 year but within 5 years	439,641	473,304
After 5 years	293,672	351,524
	<u>875,869</u>	<u>968,614</u>

The above operating lease receivables are based on the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

(b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2020	2019
	US\$'000	US\$'000
Capital commitments in respect of investment properties	<u>5,385</u>	<u>10,954</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions were carried out at terms agreed between the parties during the financial years:

	2020 US\$'000	Group 2019 US\$'000
Rental received/receivable from a related party	708	675
Manager's acquisition fee paid	–	3,208
Manager's base fee paid/payable	8,897	8,334
Manager's performance fee paid	–	1,360
Trustee's fee paid/payable	288	269
Property manager's management fee paid/payable	4,834	4,276
Leasing fees to a related party	167	338
Construction supervision fee to a related party	253	669
Reimbursements to a related party	7,148	6,391
Settlement of liabilities including withholding taxes	202	94

26 FINANCIAL RATIOS

	2020 %	Group 2019 %
Ratio of expenses to weighted average net assets ¹		
– including performance component of the Manager's management fees	0.97	1.09
– excluding performance component of the Manager's management fees	0.97	0.97
Portfolio turnover rate ²	–	–

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not incur any performance fee for the financial year ended 31 December 2020.

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 daily average net asset value in accordance with the formulae stated in the CIS Code.

27 SUBSEQUENT EVENTS

Distribution

On 8 February 2021, the Manager announced a distribution of US 2.59 cents per Unit for the period from 1 July 2020 to 31 December 2020.

Investment properties

In connection with "bonds for title" arrangement, the lease between the Development Authority and ATL Phipps expired pursuant to its terms on 31 December 2020. ATL Phipps is in the process of acquiring fee simple title to Phipps from the Development Authority. After the transfer of such fee interest, ATL Phipps will hold a fee interest in the property instead of a leasehold interest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

27 SUBSEQUENT EVENTS (CONT'D)

Preferred Units

On 7 January 2021, Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL LLC, Hancock S-REIT SECA LLC, Hancock S-REIT JCITY LLC, Hancock S-REIT DC 1750 LLC, Hancock S-REIT ATL Phipps LLC, Hancock S-REIT Centerpointe LLC and Hancock S-REIT Sacramento LLC (collectively, the "U.S. Sub-REITs"), and Hancock S-REIT Parent Corp ("Parent U.S. REIT") have each issued 115 new preferred shares at US\$1,000 per preferred share to persons who are unrelated to The Manufacturers Life Insurance Company and the Group (the "Preferred Shares Issuance"). The Preferred Shares Issuance is required in order to meet one of the requirements for the U.S. REITs to qualify for taxation as a real estate investment trust for U.S. federal income tax purposes under the United States Internal Revenue Code of 1986, as amended. Each of the preferred shares carries a fixed dividend of 12.0% per annum, are non-voting and are redeemable at the option of Parent U.S. REIT and each of the U.S. Sub-REITs.

Immediately before the Preferred Shares Issuance, Hancock S-REIT Parent Corp has also redeemed all of its existing 125 units of preferred shares. The total redemption amount was approximately to US\$0.1 million, which was funded from internal resources.

The proceeds from the Preferred Shares Issuance will be used towards payment of the expenses incurred in connection with the Preferred Shares Issuance as well as towards the operating expenses of the U.S. Sub-REITs and the properties of the Group.

COVID-19 pandemic

The COVID-19 pandemic brought about disruption to the U.S. economy and businesses and in response the Manager implemented a variety of measures including rent abatement and deferrals to tenants whose businesses were impacted financially.

As at the date of this report, and to the best of our knowledge, the fast rollout of vaccines has led to evidence of a nascent U.S. economic recovery, businesses reopening and a return to work. However, the effectiveness of the vaccines and the consequent pandemic situation remains uncertain both in the short and medium term. The Manager will therefore remain vigilant to risks as they evolve, and ready to take appropriate measures to safeguard Manulife US REIT and the interests of the Unitholders.

28 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Manager and the Trustee on 12 March 2021.

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year, which fall under the Listing Manual of the SGX-ST and Property Funds Appendix of the Code of Collective Investment Scheme, are as follows:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
		US\$'000	US\$'000
Manulife US Real Estate Management Pte. Ltd.	Manager		
– Base fees		8,897	–
John Hancock Life Insurance Company (U.S.A) ("JHUSA")	A subsidiary of the controlling shareholder of the Manager		
– Rental and other related income		2,699	–
– Tenant improvement allowances		177	–
– Property management fees, leasing fees and construction supervision fees including reimbursable		12,402	–
– Reimbursement of withholding taxes paid by JHUSA to U.S. Internal Revenue Service on behalf of Manulife US REIT		202	–
DBS Trustee Ltd	Trustee		
– Trustee fees		288	–

For the purpose of the disclosure, the full contract sum was used where an interested person transaction had a fixed term and contract value, while the annual amount incurred and accrued was used where an interested person transaction had an indefinite term or where the contract sum was not specified.

Save as disclosed above, there were no additional interested person transactions (excluding transactions less than S\$100,000) and Manulife US REIT has not obtained a general mandate from Unitholders for interested person transactions.

The fees and charges payable by Manulife US REIT to the Manager under the Trust Deed and to JHUSA under the Master Property Management Agreement and the Property Management Agreements form part of the Exempted Agreements as set out in Manulife US REIT's Prospectus dated 12 May 2016, each of which constitutes an Interested Person Transaction. Accordingly, such transactions are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that specific information on these agreements have been disclosed in the Prospectus and there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Manulife US REIT.

Please also see Related Party Transactions in Note 25 to the Financial Statements.

SUBSCRIPTION OF MANULIFE US REIT UNITS

For the financial year ended 31 December 2020, an aggregate of 14,260,319 Units were issued and subscribed for in relation to the Manager's base fees, Manager's performance fees and Property Manager's management fees. On 25 February 2021, an aggregate of 8,727,923 Units were issued in relation to the payment of Manager's base fees and Property Manager's management fees for the second half of 2020.

STATISTICS OF UNITHOLDINGS

As at 11 March 2021

ISSUED AND FULLY PAID UNITS

There were 1,591,660,945 Units issued in MUST as at 11 March 2021 (voting rights: one vote per Unit).

There is only one class of Units in MUST.

No treasury units and no subsidiary holdings held.

Market capitalisation: US\$1,114,162,662 based on market closing price of US\$0.70 per Unit on 11 March 2021.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99	60	0.72	2,649	0.00
100 – 1,000	575	6.90	445,343	0.03
1,001 – 10,000	3,764	45.17	21,019,371	1.32
10,001 – 1,000,000	3,909	46.91	188,333,055	11.83
1,000,001 AND ABOVE	25	0.30	1,381,860,527	86.82
TOTAL	8,333	100.00	1,591,660,945	100.00

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	DBS NOMINEES (PRIVATE) LIMITED	494,915,588	31.09
2	CITIBANK NOMINEES SINGAPORE PTE LTD	296,441,952	18.62
3	RAFFLES NOMINEES (PTE.) LIMITED	228,657,865	14.37
4	DBSN SERVICES PTE. LTD.	118,551,532	7.45
5	HSBC (SINGAPORE) NOMINEES PTE LTD	84,767,746	5.33
6	DB NOMINEES (SINGAPORE) PTE LTD	28,442,603	1.79
7	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	22,406,667	1.41
8	PHILLIP SECURITIES PTE LTD	17,375,687	1.09
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	17,165,091	1.08
10	BPSS NOMINEES SINGAPORE (PTE.) LTD.	12,626,167	0.79
11	ABN AMRO CLEARING BANK N.V.	8,556,715	0.54
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	7,476,156	0.47
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,254,441	0.46
14	UOB KAY HIAN PRIVATE LIMITED	6,781,772	0.43
15	IFAST FINANCIAL PTE. LTD.	5,300,980	0.33
16	OCBC SECURITIES PRIVATE LIMITED	5,085,261	0.32
17	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	5,049,690	0.32
18	KGI SECURITIES (SINGAPORE) PTE. LTD.	4,225,773	0.27
19	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,789,900	0.18
20	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,180,849	0.14
TOTAL		1,376,052,435	86.48

STATISTICS OF UNITHOLDINGS

As at 11 March 2021

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholdings as at 11 March 2021)

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Manulife (International) Limited	84,657,792	5.32	–	–	84,657,792	5.32
Manulife International Holdings Limited ⁽²⁾	–	–	84,657,792	5.32	84,657,792	5.32
Manulife Financial Asia Limited ⁽³⁾	1	n.m. ⁽⁷⁾	146,434,176	9.20	146,434,177	9.20
Manulife Holdings (Bermuda) Limited ⁽⁴⁾	–	–	146,434,177	9.20	146,434,177	9.20
The Manufacturers Life Insurance Company ⁽⁵⁾	–	–	146,434,177	9.20	146,434,177	9.20
Manulife Financial Corporation ⁽⁶⁾	–	–	146,434,177	9.20	146,434,177	9.20

Notes:

- (1) The percentage of unitholding is calculated based on the total number of 1,591,660,945 Units in issue as at 11 March 2021.
- (2) Manulife (International) Limited ("MIL") is a wholly-owned subsidiary of Manulife International Holdings Limited ("MIHL"). MIHL is therefore deemed interested in MIL's direct interest in 84,657,792 Units.
- (3) MIHL, Manufacturers Life Reinsurance Limited ("MLRL") and Manulife US Real Estate Management Pte. Ltd. ("MUSREM") are wholly-owned subsidiaries of Manulife Financial Asia Limited ("MFAL"). MFAL is therefore deemed interested in (i) MIHL's deemed interest in 84,657,792 Units; (ii) MLRL's direct interest in 54,121,070 Units; and (iii) MUSREM's direct interest in 7,655,314 Units.
- (4) MFAL is a wholly-owned subsidiary of Manulife Holdings (Bermuda) Limited ("MHBL"). MHBL is therefore deemed interested in (i) MFAL's direct interest in 1 Unit; and (ii) MFAL's deemed interest in 146,434,176 Units.
- (5) MHBL is a wholly-owned subsidiary of The Manufacturers Life Insurance Company (the "Sponsor"). The Sponsor is therefore deemed interested in MHBL's deemed interest in 146,434,177 Units.
- (6) The Sponsor is a wholly-owned subsidiary of Manulife Financial Corporation ("MFC"). MFC is therefore deemed interested in the Sponsor's deemed interest in 146,434,177 Units.
- (7) Not meaningful.

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2021)

Directors	Direct Interest		Deemed Interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Mr Hsieh Tsun-Yan ⁽²⁾	991,325	0.062	–	–
Professor Koh Cher Chiew Francis ⁽³⁾	50,000	0.003	–	–
Ms Veronica Julia McCann ⁽⁴⁾	793,364	0.050	–	–
Dr Choo Kian Koon	–	–	–	–
Mrs Karen Tay Koh ⁽⁵⁾	–	–	–	–
Mr Michael Floyd Dommermuth	–	–	–	–
Mr Stephen James Blewitt	–	–	–	–

Notes:

- (1) The percentage of unitholding is calculated based on the total number of 1,591,660,945 Units in issue as at 11 March 2021.
- (2) The 991,325 Units are jointly owned by Mr Hsieh Tsun-Yan and his spouse, Hsieh Siauyih Goon.
- (3) The 50,000 Units are jointly owned by Professor Koh Cher Chiew Francis and his spouse, Chan Wah Mei.
- (4) The 793,364 Units are jointly owned by Ms Veronica Julia McCann and her spouse, Steven John Baggott.
- (5) Mrs Karen Tay Koh was appointed as a Director of the Manager on 10 November 2020.

FREE FLOAT:

Based on information available to the Manager as at 11 March 2021, 90.68% of the Units in MUST are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

CORPORATE INFORMATION

Manager

Manulife US Real Estate Management Pte. Ltd.

(Company registration no. 201503253R)

8 Cross Street

#16-03 Manulife Tower

Singapore 048424

Tel: +65 6238 0222

Fax: +65 6801 1056

Email: usreitinquiry@manulifeusreit.sg

Website: www.manulifeusreit.sg

Board of Directors

Mr Hsieh Tsun-Yan

Chairman & Non-Executive Director

Professor Koh Cher Chiew Francis

Independent Non-Executive Director,
Lead Independent Director

Ms Veronica McCann

Independent Non-Executive Director

Dr Choo Kian Koon

Independent Non-Executive Director

Mrs Karen Tay Koh

Independent Non-Executive Director
Appointment Date: 10 November 2020

Mr Michael Dommermuth

Non-Executive Director

Mr Stephen Blewitt

Non-Executive Director

Audit and Risk Committee

Ms Veronica McCann

Chairman

Professor Koh Cher Chiew Francis

Mrs Karen Tay Koh

Nominating and Remuneration Committee

Dr Choo Kian Koon

Chairman

Mr Hsieh Tsun-Yan

Professor Koh Cher Chiew Francis

Management Team

Ms Jill Smith

Chief Executive Officer

Ms Caroline Fong

Chief Investor Relations and
Capital Markets Officer

Mr Patrick Browne

Chief Investment Officer
Appointment Date: 14 December 2020

Mr Robert Wong

Chief Financial Officer

Mr Choong Chia Yee

Financial Controller

Ms Daphne Chua

Chief Compliance Officer

Company Secretary

Ms Ngiam May Ling

Trustee

DBS Trustee Limited

12 Marina Boulevard Level 44
DBS Asia Central @ Marina Bay
Financial Centre Tower 3
Singapore 018982
Tel: +65 6878 8888
Fax: +65 6878 3977

Auditor

Ernst & Young LLP

One Raffles Quay
North Tower, Level 18
Singapore 048583
Tel: +65 6535 7777
Fax: +65 6532 7662

Partner-in-charge

Mr Nelson Chen

Appointment Date: 13 May 2016

Unit Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6438 8710

For updates or change of mailing address, please contact:

The Central Depository (Pte) Limited

9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588
Tel: +65 6535 7511
Fax: +65 6535 0775
Email: asksgx@sgx.com
Website: www.sgx.com/cdp



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Manulife US Real Estate Management Pte. Ltd.
8 Cross Street
#16-03 Manulife Tower
Singapore 048424
Email: usreitinquiry@manulifeusreit.sg