Building Value, Together

Lendlease Global Commercial REIT
Annual Report FY2021

lendlease
GLOBAL COMMERCIAL REIT

The Manager of Lendlease Global Commercial REIT places significant value on the many stakeholders that have enabled the growth of LREIT's portfolio since its listing. Working closely and continuously with them to enhance the performance of LREIT and meet the needs of its people, its partners and the communities which it serves.

Corporate Profile

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

As at 30 June 2021, its portfolio has a total net lettable area ("**NLA**") of approximately 1.3 million square feet, with an appraised value of S$1.4 billion comprising of a leasehold interest in 313@somerset, a retail property located in Singapore, and a freehold interest in Sky Complex, which consists of three grade A office buildings located in Milan. Other investments include a 31.8%[1] indirect interest in Jem, an integrated office and retail asset in Singapore, as well as a tender project to develop a multifunctional event space on a site adjacent to 313@somerset.

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

[1] The acquisition of 53% interest in Lendlease Jem Partners and 19.8% in Lendlease Asian Retail Investment Fund 3 ("**ARIF3**") were completed in August 2021 and September 2021 respectively.

Contents

Milestones at a Glance

2021

JUNE

Announced acquisition to increase up to 31.8% stake in Jem to boost portfolio income diversification and resiliency.

Launched inaugural perpetual securities to expand avenues and diversity of funding.

MARCH

Included in iEdge S-REIT Leader Index to enhance trading liquidity and visibility to investors and index funds worldwide.

JANUARY

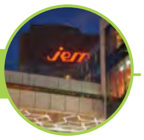
Established a S$1 billion Multicurrency Debt Issuance Programme.

2020

NOVEMBER

Ranked first and clinched regional Sector Leader status for both Asia Retail (Overall) and Asia Retail (Listed) categories in 2020 GRESB Real Estate assessment.

OCTOBER



First acquisition of 5% stake in ARIF3, which indirectly holds a 75.0% interest in Jem, a high-quality integrated office and retail property.

JUNE

Won tender to develop a multifunctional event space adjacent to 313@somerset. The event space is set to present a vibrant, first-of-its-kind lifestyle and entertainment experience, offering unique food concepts and serving as a venue for concerts and events.

MAY

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

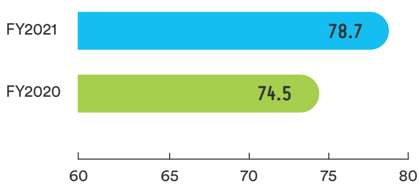
2019

OCTOBER

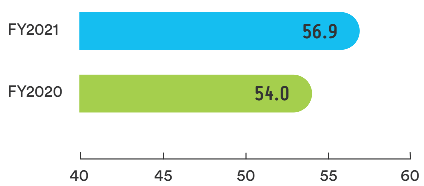
Listed on the SGX mainboard with a portfolio of four quality assets located in two gateway cities.

Key Highlights

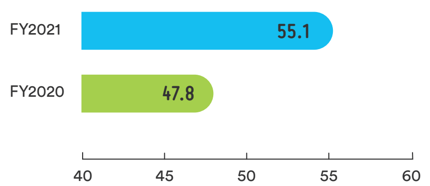
Gross Revenue[1] (S$m)



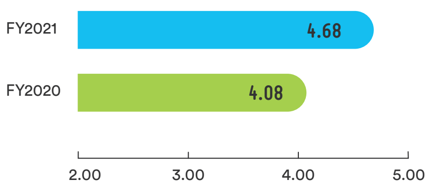
Net Property Income[1] (S$m)



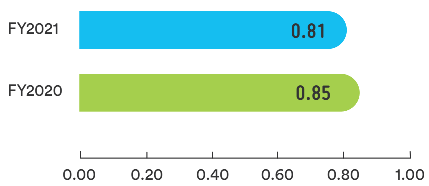
Distributable Income[1] (S$m)



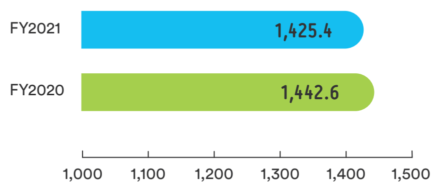
Distribution Per Unit[1, 2] (S¢)



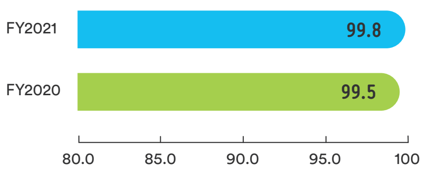
Net Asset Value Per Unit (S$)



Appraised Value[3] (S$m)



Portfolio Occupancy (%)



Weighted Average Lease Expiry (by NLA)

8.8 years

GRESB Real Estate Assessment

GRESB ★★★★★ 2020

Capital Management

Average Debt Maturity	Gearing Ratio	Interest Coverage Ratio[4]	Average Cost of Debt[5]
2.2 years	32.0%	8.9 times	0.88% per annum

[1] Figures for FY2020 are annualised based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days.

[2] The projected distribution per unit ("**DPU**") for FY2021 as set out in LREIT's IPO prospectus is 5.29 cents. The Manager had made announcement on 9 April 2020 and 20 April 2020 respectively, with regard to the IPO profit and distribution forecast for FY2020 and the profit and distribution projection for FY2021, as it may no longer be a fair basis against which the actual performance of LREIT can be compared given the COVID-19 circumstances.

[3] Includes investment properties and investment property under development.

[4] The interest coverage ratio of 8.9 times is in accordance with requirements in its debt agreements, and 4.7 times in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes. Interest Coverage Ratio refers a ratio that is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees.

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

Creating Momentum, Together

By working closely as one integrated management team, we continue to navigate the challenges of the past financial year and maintain our strategic focus.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Mission and Strategy

Our purpose and guiding principles towards growth and achieving success.

MISSION

Our Mission is to provide unitholders with regular, stable distributions while achieving long-term growth in distribution per unit and net asset value per unit, as well as maintaining an optimal capital structure.

STRATEGY

Our Strategy is played out through three areas of focus.

ASSET MANAGEMENT AND ENHANCEMENT

We proactively manage our property portfolio to maintain and improve its operational performance, and optimise the cash flow and value of the properties. At the same time, we build strong relationships with the tenants of these assets to drive organic growth, ensure continued relevance of the properties and facilitate property enhancement opportunities.

INVESTMENTS AND ACQUISITION GROWTH

Growth is also achieved through acquisitions. We pursue opportunities that we believe will boost LREIT's portfolio, improve returns to unitholders, and drive future income and capital increases. We also seek acquisitions that may enhance the diversification of the portfolio by location, asset segment and tenant profile, as well as optimise risk-adjusted returns to unitholders. By leveraging Lendlease Group's experience and track record in real estate investment, we identify investment opportunities.

CAPITAL MANAGEMENT

We optimise LREIT's capital structure through a combination of debt and equity to finance acquisitions and asset enhancement initiatives. Exposure to market volatility is minimised by utilising interest rate and currency risk management strategies, while we secure diversified funding sources to access both financial institutions and capital markets.

Letter to Unitholders

We will continue our unwavering focus on sustainability for our communities and strive to deliver strong and consistent returns to our Unitholders.

Ng Hsueh Ling
Chairperson

Dear Unitholders,

On behalf of the Board and management, I am pleased to present LREIT's annual report for the financial year ended 30 June 2021 ("**FY2021**").

The past year has been a test of LREIT's strength and resilience. Against the backdrop of the pandemic, LREIT has continued to grow substantially and deliver consistent value for our Unitholders, while building a resilient portfolio.

Through the COVID-19 pandemic, we have learnt that change is inevitable. The way people live, work and play has changed significantly over the past year and ongoing trends such as digital adoption and digital consumption have dramatically accelerated. While the pandemic has presented many challenges, it has also brought about numerous opportunities for LREIT. Towards the end of FY2021, we announced our acquisition to increase our stake in Jem of up to 31.8% to boost income diversification and grow our exposure to the resilient suburban retail and decentralised office segments. Jem's latest anchor tenant, IKEA, is a testament of its attractiveness as a retail destination to bring in both new and well-established brands and retail concepts, and will reinforce Jem's positioning as a dominant mall in the west of Singapore. The acquisition has since completed on 21 September 2021.

On the retail front, we have pivoted quickly to capitalise on new customer demands and the trend of lifestyle experiences. We have enhanced our experiential offerings to increase customer engagement at LREIT's retail malls. Being resilient and adaptable to change are qualities we strongly believe in as we continue to build value, together.

Creating Vibrant Places

The development of the multifunctional event space, adjacent to 313@somerset, will strengthen our position in the retail landscape for future growth. Construction is expected to take place by end of 2021 and will take approximately 12 to 18 months to complete. The redeveloped space is set to present a vibrant, first-of-its-kind lifestyle and entertainment experience, offering unique food concepts and serving as a venue for concerts and events through a partnership with Live Nation, the world's leading live entertainment company.

We cannot ignore how COVID-19 has accelerated the trend of online shopping. Retailers are compelled to recreate in-store customer experience and rapidly adapt their marketing strategies to build brand affinity. IKEA has clearly aligned with this emerging needs. Its first small concept store in Southeast Asia has injected vibrancy to Jem. In addition, its innovative brand carries a variety of new interesting features such as Click & Collect service at the restaurant, cashless check-outs and interactive play projections for children to provide a more convenient and seamless shopping experience. Aiming to be the biggest outlet in terms of new experiences and ideas, IKEA is expected to enrich shoppers' in-store experience and increase footfall to Jem.

Acquisition growth

Increase indirect interest in Jem to boost portfolio income diversification

Grow our exposure in the resilient suburban retail and decentralised office segments

Innovation

Lendlease Plus expanded its membership base by more than 40% in FY2021

Letter to Unitholders

> Our performance in our second year of operation in all aspects of our business would not be made possible without the confidence placed in us by our Unitholders.

Kelvin Chow
Chief Executive Officer

Shaping Customer Experiences

Without a doubt, the pandemic has accelerated digitalisation, which will form an important part of business strategy. For us, innovation has always been part of our strategy even before the onset of COVID-19 pandemic, and we want to continue our part in shaping the future of the commercial landscape across our portfolio.

The Lendlease Plus mobile app and loyalty programme expanded its membership base by more than 40% in FY2021. We are continually enhancing the application to improve the user experience, and through data analytics, we have been able to work with our tenants to provide shopping experiences that better cater to shoppers' preferences. Our new strategic lifestyle partnerships with Millennium Hotels & Resorts, Copthorne Group, Shopback and FavePay, and ongoing refresh of the range of rewards and tenant collaborations have also helped boost customer engagement and draw new members.

Delivering Strong Performance

Despite the challenges of the past year, LREIT has continued to maintain strong and stable portfolio occupancy of 99.8% and weighted average lease expiry by net lettable area of 8.8 years and 4.5 years by gross rental income.

Distributable income for FY2021 was S$55.1 million, 15.3% above FY2020's[1] S$47.8 million. Distribution per unit was also higher at 4.68 cents for FY2021, a 14.6% increase over FY2020's[1] 4.08 cents. LREIT's net property income and gross revenue for FY2021 grew 5.4% and 5.6% to S$56.9 million and S$78.7 million respectively.

Maintaining Financial Flexibility

In January 2021, we established a S$1 billion multicurrency debt issuance programme, which provides LREIT with greater flexibility to tap the capital markets for financing, either through the issuance of medium-term notes or perpetual securities.

To partially finance LREIT's acquisition to increase its strategic stake in Jem to up to 31.8%, we issued S$200 million of perpetual securities in June 2021, which attracted strong demand from a wide range of high-quality institutional and retail investors.

We ended the financial year in a strong liquidity position. LREIT has maintained a low weighted average running cost of debt of 0.88% per annum, while interest coverage ratio remained high at 8.9 times[2]. Meanwhile, LREIT's gearing ratio of 32.0% will continue to provide comfortable debt headroom to capture further growth opportunities whilst providing a strong moat against operational uncertainties.

In addition, we have strong funding support from a diverse group of well-rated financial institutions. As at 30 June 2021, LREIT has undrawn multicurrency debt facilities of S$147.8 million-equivalent to fund its general working capital and corporate funding purposes. Its assets are fully unencumbered and there is flexibility to obtain secured funding for future acquisitions if required.

Subsequent to the financial year end, S$120 million 4-year loan facilities were put in place in August 2021 to partially finance the acquisition of interests in Jem and for general working capital and/or corporate funding purposes.

Ensuring Healthy and Safe Environments

The health and safety of our employees and visitors remains paramount as the economy gradually reopens. We are working closely with our service partners to provide safe shopping and office environments, while ensuring ongoing communications with tenants to support and help them.

To limit community transmission of COVID-19, we have increased the frequency of cleaning and have adopted innovative solutions to disinfect high contact points and enhance measures that were put in place. For example, we have installed protective acrylic screens at retail concierge counters to ensure the safety of our employees and visitors to our properties. For more information, please refer to pages 76 to 77 of this annual report. In Milan, safety measures including regular disinfection and checking of temperature at the entrance of office buildings, are also in place to ensure tenant and customer safety.

Advancing Sustainability

Sustainability has long been a hallmark of our planning, and LREIT's substantial progress in advancing Environmental, Social and Governance ("**ESG**") standards has not gone unnoticed. We received the highest rating and recognition for being an industry leader in the GRESB rankings – the global ESG benchmark for real estate investments. We also clinched the top positions in the Asia Retail (Listed) and Asia Retail (Overall) and second in the Global Retail (Listed) category.

We recognise that climate change presents financial risk to the global economy, so this year, we are taking concrete steps to integrate the recommendations of the Task Force on Climate-Related Financial Disclosures in our reporting, to improve and increase reporting of climate-related financial information.

Building Value Together

As we look ahead to return to a new normality, we are confident that we can continue to grow our assets and bring to fruition the placemaking experience across our assets. We will continue our unwavering focus on sustainability for our communities and strive to deliver strong and consistent returns to our Unitholders.

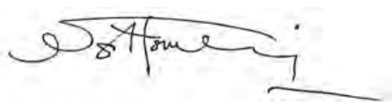
The changes we have observed amid the COVID-19 pandemic will become part of the new normal, but we are confident of our ability to create better places and build vibrant and resilient communities hand-in-hand with our stakeholders, placing people at the centre of our decision-making process. Only through these actions can we respond effectively to a changing world.

Acknowledgements

Our performance in our second year of operation in all aspects of our business would not be made possible without the wisdom and guidance of our Board of Directors and the confidence placed in us by our Unitholders. We also wish to thank our employees for their unwavering support and dedication in fostering the strong fundamentals that we see today. Our heartfelt thanks go out to you and we hope to count on your continued commitment and support.

I would also like to thank our Unitholders for the resounding support at our inaugural extraordinary general meeting to increase LREIT's stake in Jem. This is indeed an endorsement of confidence for LREIT, the Board and the Management team. With your decisive vote, we can now push ahead to execute and deliver on our commitment.

Finally, on behalf of the Board, I express gratitude and appreciation to Tony for his invaluable contributions during his tenure as the Chairperson of the Board.



Ng Hsueh Ling
Chairperson

Kelvin Chow
Chief Executive Officer

1 Against annualised results for FY2020, which was based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days.

2 The interest coverage ratio of 8.9 times is in accordance with requirements in its debt agreements and 4.7 times in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes. Interest Coverage Ratio refers a ratio that is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees.

Board of Directors

1. **Ms Ng Hsueh Ling,**
   Chairperson and Non-Independent Non-Executive Director
2. **Dr Tsui Kai Chong,**
   Lead Independent Non-Executive Director
3. **Mr Simon John Perrott,**
   Independent Non-Executive Director
4. **Mrs Lee Ai Ming,**
   Independent Non-Executive Director
5. **Mr Anthony Peter Lombardo,**
   Non-Independent Non-Executive Director

Audit and Risk Committee
- Chairperson
- Member

Nomination and Remuneration Committee
- Chairperson
- Member

Ms Ng Hsueh Ling

Chairperson and Non-Independent Non-Executive Director

Age: 54

Date of appointment as a director:
21 January 2019

Length of service as a director (as at 30 June 2021):
2 years 5 months

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

Directorships as at 30 June 2021
Lendlease Asian Retail Investment Fund 1 Limited
Lendlease Asian Retail Investment Fund 2 Limited
Lendlease Asian Retail Investment Fund 3 Limited
Lendlease DC Holdings Trustee Pte. Ltd.
Lendlease Global Commercial (IT) Pte. Ltd.
Lendlease Global Commercial (SGP) Pte. Ltd.
Lendlease Investment Management Pte. Ltd.
Lendlease PP Office Pte. Ltd.
Lendlease PP Retail Pte. Ltd.
Lendlease Retail Pte. Ltd.
Lendlease Singapore Holdings Pty Limited
Lendlease Singapore Pte. Ltd.
Lendlease Vault Holdings Pte. Ltd.
LL Investment Holdings Ltd
LL JV Ltd
Milano Central Holdings Ltd
Milano Central Pte. Ltd.
Milano Holdings JV Ltd
Parkway Parade Partnership Limited
Parkway Parade Partnership Pte. Ltd.
Prime Asset Holdings Limited
Quintique Investment Pte. Ltd.
Roma Central Holdings Ltd
Roma Central Pte. Ltd.
Roma Holdings JV Ltd
Singapore Hokkien Huay Kuan
Space Lab Holding Pte. Ltd.
Space Lab One Pte. Ltd.
Triple Eight Investment Holdings Limited
Triple Eight JV Limited
Verona Central Holdings Ltd
Verona Central Pte. Ltd.
Verona Holdings JV Ltd

Major appointments (other than directorships):
Managing Director, Singapore
Chairperson of Property Committee, Singapore Hokkien Huay Kuan 44th Executive Council *(with effect from 27 July 2021)*

Past directorships held over the preceding five years (from 1 July 2016 to 30 June 2021)
Bergen Residential Development Pte. Ltd.
Bergen Residential Holdings Pte. Ltd.
Bergen Residential Investment Pte. Ltd.
BFC Development Limited Liability Partnership
Central Boulevard Development Pte. Ltd.
Keppel REIT (Australia) Pte. Ltd.
Keppel REIT (Bermuda) Ltd
Keppel REIT Fin. Company Pte. Ltd.
Keppel REIT Management Limited
Keppel REIT MTN Pte. Ltd.
Lendlease Asian Retail Investment Fund 4 Limited
Lendlease Asian Retail Investment Fund 5 Limited
Lendlease Global Commercial (AU) Pte. Ltd.
Lendlease Global Commercial (SG) Pte. Ltd.
Lendlease Windmill Commercial Pte. Ltd.
Lendlease Windmill Residential Pte. Ltd.
Mirvac (Old Treasury) Pty Limited
Mirvac 8 Chifley Pty Limited
Ocean Properties LLP (Representative of Management Committee and Manager)
One Raffles Quay Pte. Ltd.
Schagen Commercial Development Pte. Ltd.
Schagen Commercial Holdings Pte. Ltd.
Schagen Commercial Investment Pte. Ltd.
Singapore Dance Theatre Limited

Dr Tsui Kai Chong

Lead Independent Non-Executive Director

Age: 65

Date of appointment as a director:
29 August 2019

Length of service as a director (as at 30 June 2021):
1 year and 10 months

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

Directorships as at 30 June 2021
Intellectual Property Office of Singapore

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

Past directorships held over the preceding five years (from 1 July 2016 to 30 June 2021)
IP Academy
Keppel Land Limited
National Council of Social Services

Mr Simon John Perrott

Independent Non-Executive Director

Age: 63

Date of appointment as a director:
29 August 2019

Length of service as a director (as at 30 June 2021):
1 year and 10 months

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

Directorships as at 30 June 2021
AIN Pty Limited
Lendlease Real Estate Investments Limited
Perrott Properties Pty Limited
Retirement Benefit Fund Pty Limited
The Wayside Chapel

Major appointments (other than directorships):
NIL

Past directorships held over the preceding five years (from 1 July 2016 to 30 June 2021)
Australian Cancer Research Foundation
Baybright Pty. Ltd.
CIMB Capital Markets (Australia) Pty Ltd
DMC1 Limited
DUET Company Limited
DUET Investment Holdings Limited
Lendlease Funds Management Limited
Makape Properties Pty. Ltd.
Personal Capital Corporation Pty Ltd
TC Advisors Australia Advisory Services Limited
TC Advisors Australia Holdings Pty Limited

Board of Directors

Mrs Lee Ai Ming

Independent Non-Executive Director

Age: 66

Date of appointment as a director:
29 August 2019

Length of service as a director (as at 30 June 2021):
1 year and 10 months

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

Directorships as at 30 June 2021
Keppel Telecommunications & Transportation Ltd
Temasek Life Sciences Laboratory Limited

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

Past directorships held over the preceding five years (from 1 July 2016 to 30 June 2021)
Addvison Pte. Ltd.
Agri-Food & Veterinary Authority of Singapore
Hwa Tat Lee Holdings Limited (now known as HTL International Holdings Pte. Ltd.)
Keppel Land Limited
Rodyk & Davidson LLP (now known as Dentons Rodyk & Davidson LLP) (Partner)
Visodand Pte. Ltd.

Mr Anthony Peter Lombardo

Non-Independent Non Executive Director

Age: 47

Date of appointment as a director:
21 January 2019

Length of service as a director (as at 30 June 2021):
2 years 5 months

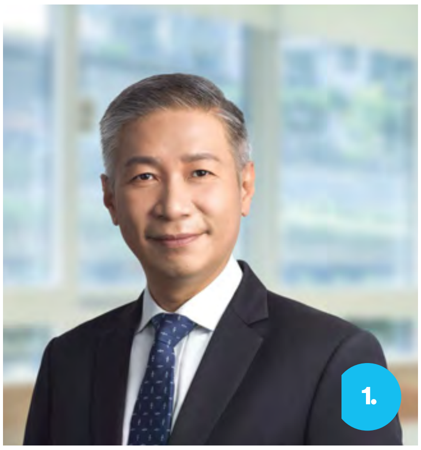
Academic & professional qualification(s):
Bachelor of Business Accountancy, Royal Melbourne Institute of Technology
Chartered Accountant, Chartered Accountants Australia and New Zealand

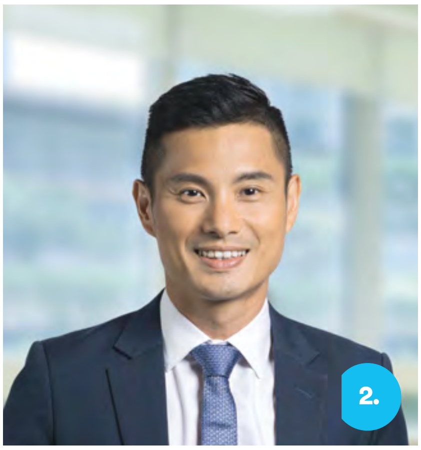
Directorships as at 30 June 2021
Lendlease Global Commercial (IT) Pte. Ltd.
Toridage Pty Ltd

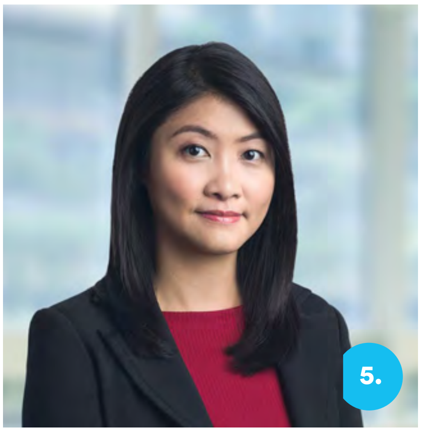
Major appointments (other than directorships):
Global Chief Executive Officer

Past directorships held over the preceding five years (from 1 July 2016 to 30 June 2021)
Lendlease Asia Holdings Pte. Ltd.
Lendlease Aurum 1 Asset Management Pte. Ltd.
Lendlease Aurum 1 Property Pte. Ltd.
Lendlease Aurum 2 Property Pte. Ltd.
Lendlease Aurum Asset Management Pte. Ltd.
Lendlease Aurum Property Holdings Pte. Ltd.
Lendlease DC Holdings Trustee Pte. Ltd.
Lendlease Investment Management Pte. Ltd.
Lendlease LQ Residential 1 JR Pte. Ltd.
Lendlease LQ Residential 1 Pte. Ltd.
Lendlease LQ Residential 2 JR Pte. Ltd.
Lendlease LQ Residential 2 Pte. Ltd.
Lendlease LQ Residential 3 JR Pte. Ltd.
Lendlease LQ Residential 3 Pte. Ltd.
Lendlease LQ Retail Pte. Ltd.
Lendlease Plot 2 Holdings JR Pte. Ltd.
Lendlease Plot 2 Holdings Pte. Ltd.
Lendlease Plot 2 Hotel And Retail Pte. Ltd.
Lendlease Plot 2 Residential Pte. Ltd.
Lendlease Proptech Investments Pte. Ltd.
Lendlease R&H Holdings JR Pte. Ltd.
Lendlease R&H Holdings Pte. Ltd.
Lendlease Senior Living Property Company Pte. Ltd.
Lendlease TRX Hotel Pte. Ltd.
Lendlease Vault Holdings Pte. Ltd.
LQ Hotel Sdn. Bhd.
LQ Residential 1 Sdn. Bhd.
LQ Residential 2 Sdn. Bhd.
LQ Residential 3 Sdn. Bhd.
LQ Retail Sdn. Bhd.
Plot 2 JV Holdings Sdn. Bhd.
Plot 2 JV Development Sdn. Bhd.
Lendlease Global Commercial (AU) Pte. Ltd.
Lendlease Global Commercial (SG) Pte. Ltd.
Lendlease Asian Retail Investment Fund 1 Limited
Lendlease Asian Retail Investment Fund 2 Limited
Lendlease Asian Retail Investment Fund 3 Limited
Lendlease Asian Retail Investment Fund 4 Limited
Lendlease Asian Retail Investment Fund 5 Limited
Lendlease China Investment Pte. Ltd.
Lendlease IMT (Armadale) Pty Limited
Lendlease IMT (GCAT) Pty Limited
Lendlease IMT (Menai Marketplace) Pty Limited
Lendlease IMT (Northgate) Pty Limited
Lendlease IMT (Settlement City) Pty Limited
Lendlease IMT (Southlands Boulevard) Pty Limited
Lendlease Senior Living 1 (Shanghai) Co., Ltd.
Lendlease Senior Living 2 (Shanghai) Co., Ltd.
Lendlease Senior Living Service (Shanghai) Co., Ltd.
Lendlease Sustainability Solutions Pty Limited
Milano Holdings JV Ltd
Roma Holdings JV Ltd
Verona Holdings JV Ltd
Lendlease International Asia Holdings Pty Limited
Lendlease Sunbird Pty Limited
Sunbird Wings Pty Limited

The Manager







1. **Kelvin Chow**
   Chief Executive Officer
2. **Joshua Liaw**
   Executive General Manager, Finance
3. **Julia Chew**
   Deputy Fund Manager
4. **Victor Shen**
   Senior Finance Manager
5. **Ling Bee Lin**
   Senior Manager, Investor Relations
6. **Mark Yong**
   Assistant Manager, Investment and Investor Relations

The Manager

Kelvin Chow
Chief Executive Officer

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

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

Joshua Liaw
Executive General Manager, Finance

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

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

Julia Chew
Deputy Fund Manager

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

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

Victor Shen
Senior Finance Manager

Mr Shen joined Lendlease Global Commercial Trust Management Pte. Ltd. as a Senior Finance Manager in November 2019. He has approximately 17 years of experience in accounting, finance, budgeting, tax, compliance, audit and reporting, of which more than six years are in real estate investment finance and over seven years are in SGX listed entities.

Prior to joining the Manager, he was a Finance Manager with Mapletree Logistics Trust Management Ltd responsible for its consolidation and reporting function.

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

Ling Bee Lin
Senior Manager, Investor Relations

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

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

Mark Yong
Assistant Manager, Investment and Investor Relations

Mr Yong is responsible for sourcing, evaluating and executing potential real estate acquisitions in line with the overall investment strategy of LREIT. Prior to joining the Manager, Mr Yong was an Investment Analyst involved in the management of private equity funds and investment mandates under Lendlease Investment Management in Asia.

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

Property Managers

313@somerset

Jenny Khoo
Head of Asset Operations

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

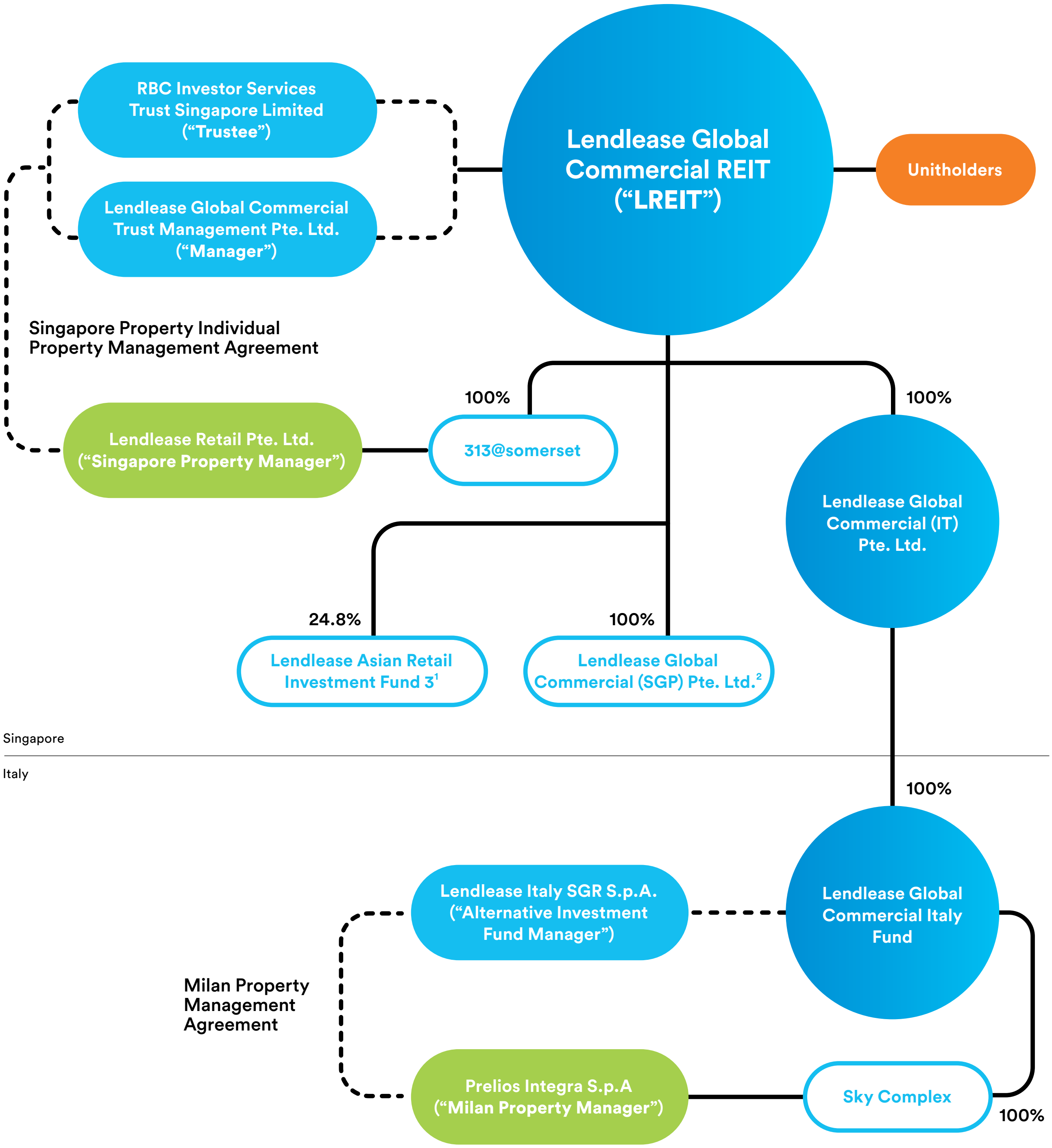
Ms Khoo joined Lendlease in 2001 and has over 20 years of experience in asset management. She holds a Bachelor of Business in Management & Marketing from Monash University.

Sky Complex

Prelios Integra S.p.A. (“Prelios Integra”)

Appointed on 23 February 2021, Prelios Integra is a third party professional property manager that is unrelated to the Lendlease Group. It is the property management company of Prelios Group, acquired in 2018 by Davidson Kempner Management Ltd, a US Hedge Fund with more of US$30 billion of assets under management. As at December 2020, Prelios Integra has 85 employees in Italy with offices in Rome and Milan. It manages more than eight million square metres of space (out of which approximately 1.6 million square metres is office space) and 3,400 properties.

Trust Structure



[1] With effect from 21 September 2021. ARIF3 holds 75% indirect interest in Jem.

[2] With effect from 4 August 2021. Lendlease Global Commercial (SGP) Pte. Ltd. holds 53% interest in Lendlease Jem Partners Fund Limited ("**LLJP**"), and LLJP holds 25% indirect interest in Jem.

Corporate Information

Stock Exchange Quotation

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

Manager

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Singapore 018960

Auditor

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
t +65 6213 3388
f +65 6222 0810
Partner-In-Charge:
Mr Lee Chin Siang Barry
(Appointment date: 8 January 2020)

Board of Directors

Ms Ng Hsueh Ling
Chairperson and Non-Independent Non-Executive Director

Dr Tsui Kai Chong
Lead Independent Non-Executive Director

Mr Simon John Perrott
Independent Non-Executive Director

Mrs Lee Ai Ming
Independent Non-Executive Director

Mr Anthony Peter Lombardo
Non-Independent Non-Executive Director

Audit and Risk Committee

Dr Tsui Kai Chong
Chairperson

Mr Anthony Peter Lombardo
Member

Mr Simon John Perrott
Member

Mrs Lee Ai Ming
Member

Nomination and Remuneration Committee

Mrs Lee Ai Ming
Chairperson

Ms Ng Hsueh Ling
Member

Dr Tsui Kai Chong
Member

Mr Simon John Perrott
Member

Company Secretary

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
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Mr Kevin Cho Form Po
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Unit Registrar

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Staying Resilient, Together

Together, we remain committed to delivering long-term sustainable returns to our Unitholders to create shared value through our diverse and resilient asset portfolio.

Operations Review

LREIT ended the financial year with an occupancy of 99.8% and long WALE of 8.8 years by NLA.

Sustainable growth that is underpinned by active asset management, investment and acquisition.

Retains high quality and well-diversified tenant base that generates steady revenue streams across different trade sectors.

Value creation through strategic increase of indirect interest in Jem

LREIT is committed to delivering long-term sustainable returns to its Unitholders in line with its growth strategies to create value and enhance diversification of the portfolio.

In June 2021, LREIT announced an acquisition to increase its stake in Jem of up to 31.8% through (i) an acquisition of 53.0% of the shares in LLJP from UBS[1], Aviva and Sumitomo Mitsui Banking Corporation, through Lendlease Global Commercial (SGP) Pte. Ltd., a wholly-owned subsidiary of LREIT, for S$159.1 million and (ii) an acquisition of between 5.0% to 19.8%[2] of the shares in ARIF3 (with up to 5.0% of the shares in ARIF3 coming from Lendlease International Pty Limited ("**LLI**") and 14.8% of the shares in ARIF3 from UBS[1]) for an aggregate of S$178.2 million[3]. Further details of the acquisition can be found in the Circular dated 7 July 2021 on the SGXNet or LREIT's corporate website.

The acquisition was supported by two independent valuers appointed by the Manager and Trustee. CBRE Pte. Ltd., appointed by the Manager, valued Jem at S$2,061 million and Jones Lang LaSalle Property Consultants Pte Ltd, appointed by the Trustee, valued Jem at S$2,085 million. The valuation methods used by the independent valuers were the capitalisation approach and discounted cash flow methods, and the agreed property value of S$2,077 million was negotiated on a willing-buyer and willing-seller basis.

The proposed acquisition received an almost-unanimous approval with 99.91% votes in favour from the Unitholders at the extraordinary general meeting.

The share acquisitions were completed on 21 September 2021, following which LREIT has achieved its objective to raise its indirect stake in Jem to 31.8%.

Active asset management during a challenging year

The COVID-19 pandemic has presented multifaceted challenges to businesses such as those in the tourism and retail sectors. While the retail industry is expected to recover gradually through Singapore's Phase 2 and Phase 3 re-opening, the reversion to Phase 2 (Heightened Alert) in July 2021 posed new challenges for shopping mall operators, tenants and shoppers.

Since the onset of the pandemic, the Manager has stepped up efforts to provide targeted assistance such as adopting more flexible leasing strategies and marketing support to affected retail tenants.

Throughout the year, the Manager has also put in place extensive protective measures in its shopping malls to safeguard the health and safety of the community. These measures include increasing the frequency of cleaning and sanitising all high-contact touchpoints, deploying thermal scanning systems and enforcing Safe-Entry check-ins.

The Manager remains committed to deliver the best possible outcome for all stakeholders in a post-pandemic world through adopting a more flexible stance on leases, rolling out marketing campaigns to promote recurring spending and meaningful engagement with its tenants amidst a challenging business climate.

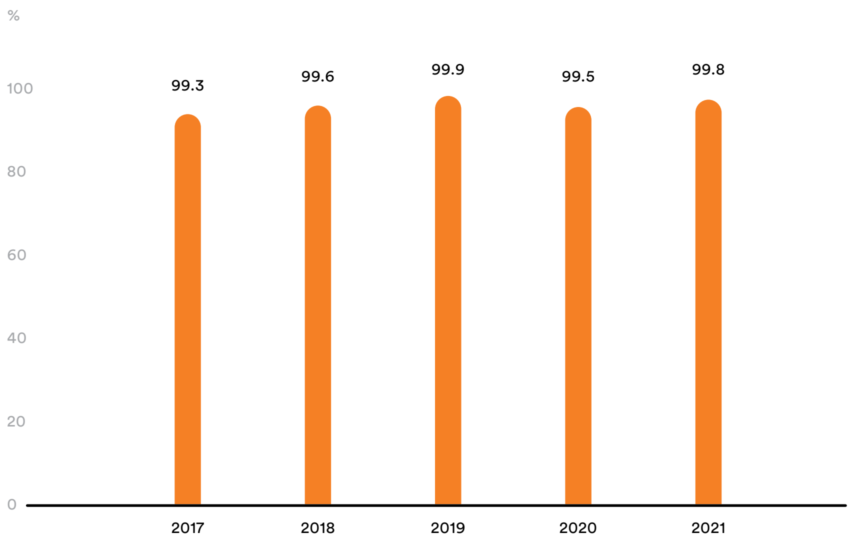
As a result of the Manager's active asset management strategy, LREIT ended the financial year with an almost full occupancy of 99.8% and long weighted average lease expiry ("**WALE**") of 8.8 years by net lettable area ("**NLA**") and 4.5 years by gross rental income ("**GRI**"). The WALE (by GRI) of new leases which commenced in FY2021, based on the date of commencement of the leases, was 2.1 years[4], and these leases account for approximately 13.5% of the total leases by GRI.

Strong occupancy

LREIT's portfolio occupancy continued to remain strong. As at 30 June 2021, its occupancy rose to 99.8% compared to 99.5% a year ago. Committed occupancy for its retail asset remained high at 99.2%, 10 percentage points higher than Orchard Road's[5] average occupancy of 88.2% as at 30 June 2021. LREIT's three Grade A office buildings in Milan remain fully leased to Sky Italia.

Given the challenges in the retail leasing environment, the Manager has employed more flexible leasing strategies to maintain high occupancy level at 313@somerset. A tenant retention rate of 61.5% as at 30 June 2021, together with a strong occupancy level, reflects the Manager's proactive effort in rejuvenating the mall's offering. We continue to focus and improve on marketing activities and building strong relationships with tenants.

Portfolio Occupancy %



Note: Portfolio occupancy for year 2019 to 2021 were as at 30 June.

1 Refers to UBS (Lux) Real Estate Funds Selection-Global and UBS Investment Foundation 3, funds advised by affiliates of UBS Asset Management AG.

2 LREIT proposed to acquire up to 19.8% of the ARIF3 shares from one or more of the other existing shareholders of ARIF3 who are not related to LREIT (the "**Third Party ARIF3 Vendors**") if such Third Party ARIF3 Vendors decide to offer their ARIF3 shares for sale in accordance with the bye-laws of ARIF3. To the extent that LREIT could not acquire up to 19.8% of the ARIF3 Share Capital from the Third Party ARIF3 Vendors by 31 October 2021, LREIT would acquire the shortfall from LLI, up to a maximum of 5.0% of the ARIF3 shares. In the event that the Third Party ARIF3 Vendors do not offer any of their ARIF3 shares for sale in accordance with the bye-laws of ARIF3, LREIT would acquire 5.0% of the ARIF3 shares from LLI.

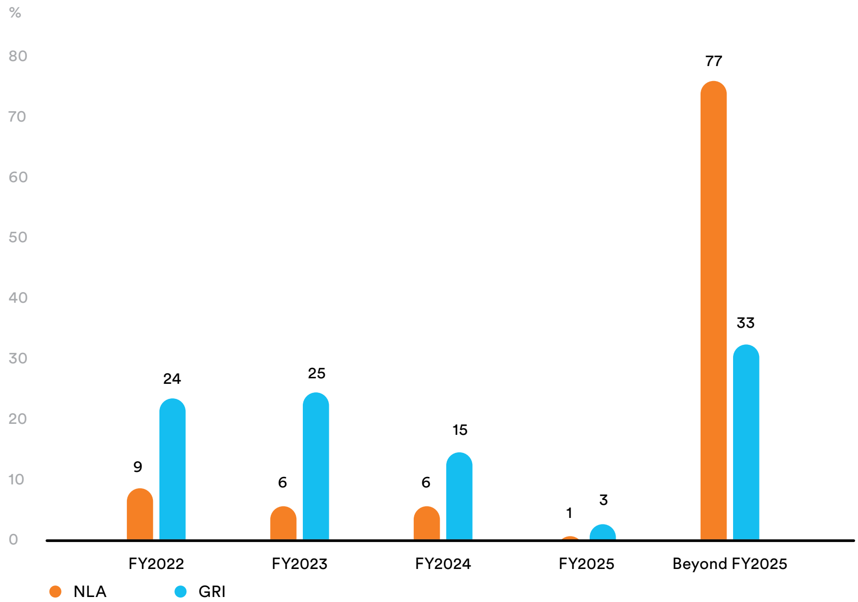
3 Based on the assumption that the purchase consideration payable to the third-party investors in ARIF3 will not be more than the net asset value per share of ARIF3.

4 Includes renewal, replacement tenants, as well as tenants on short-term leases.

5 Based on independent market overview report prepared by Colliers International.

Operations Review

Lease Expiry Profile by NLA and GRI



Lease structure and lease expiry profile

As at 30 June 2021, 96.5% of LREIT's portfolio by NLA has rental step-up embedded in their lease structures. These leases provide stability in earnings growth as 77.6% of such leases have rental escalation pegged to the consumer price index variance with a fixed rate floor. The remaining 22.4% of LREIT's portfolio comprises retail tenants, typically on three-year leases.

For its retail portfolio, approximately 36% and 38% of the leases by GRI will expire in FY2022 and FY2023 respectively. The rental rates are marked-to-market upon expiry, which provide an opportunity for increase in earnings in an upmarket.

The WALE for its office portfolio remained stable at 10.9 years by NLA and GRI, contributed by the lease from its tenant, Sky Italia.

Top ten tenants and trade mix

At the end of the financial year, the portfolio comprises 147 tenants across 13 trade sectors. Top ten tenants contributed approximately 57.2% of the total GRI for the month of June 2021. The portfolio retains a high quality and well-diversified tenant base that generates steady revenue streams across different trade sectors.

By trade sectors, the broadcasting sector contributed 33% to GRI while the food & beverages ("**F&B**") and fashion sectors contributed 27% and 18%, respectively, to the GRI.

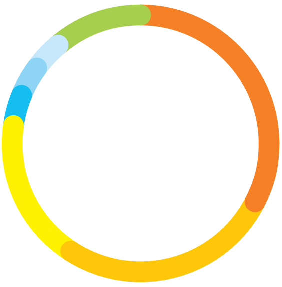
Top 10 Tenants by GRI

Tenant	Percentage
Sky Italia	33.0
Food Republic	4.3
Cotton On	3.6
Zara	3.2
Marche	2.9
Sony	2.9
Forever 21	2.4
Hai Di Lao	2.1
K Bowling Club	1.5
Fat Cat Arcade	1.3

Top 10 Tenants by NLA

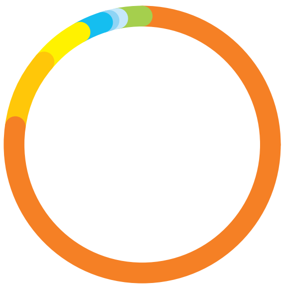
Tenant	Percentage
Sky Italia	77.4
Food Republic	2.2
Zara	1.3
Marche	1.1
K Bowling Club	1.0
Hai Di Lao	1.0
Sony	0.8
Cotton On Outlet	0.7
Fat Cat Arcade	0.7
New World Carnival	0.5

Trade Sector Breakdown by GRI



Broadcasting	33%
Food & Beverages	27%
Fashion & Accessories	18%
Shoes & Bags	4%
Entertainment	4%
IT & Telecommunications	4%
Others	11%

Trade Sector Breakdown by NLA



Broadcasting	78%
Food & Beverages	9%
Fashion & Accessories	6%
Entertainment	3%
IT & Telecommunications	1%
Beauty & Health	1%
Others	3%

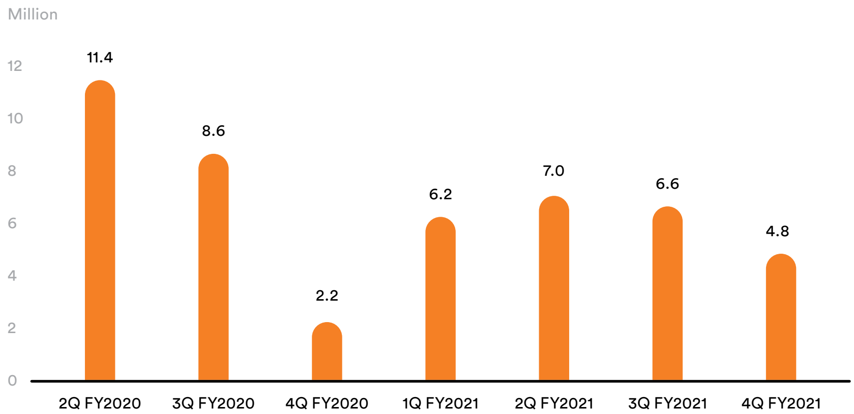
Tenant sales and shopper traffic

Tenant sales registered a narrow year-on-year ("**YoY**") growth in the second half of FY2021, largely due to weak consumer sentiment arising from restrictions imposed in Singapore's Phase 2 (Heightened Alert). In FY2021, tenant sales dipped 8.6%[6] YoY to S$174.9 million. Shopper traffic declined in tandem by 26.0%[6] YoY to 24.6 million as at 30 June 2021.

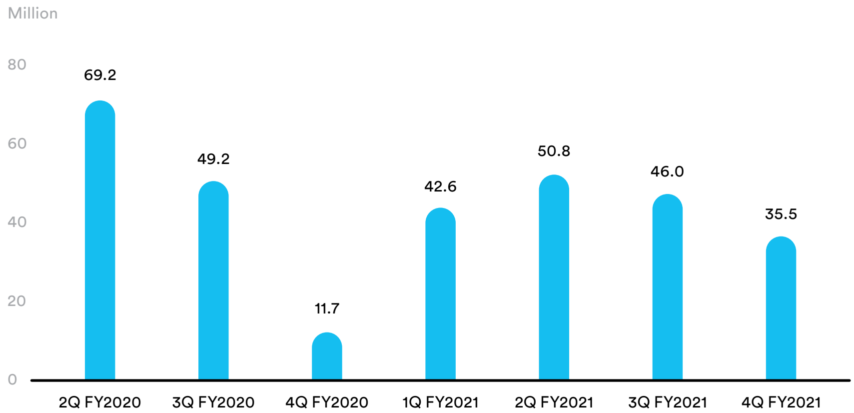
Gross turnover rent, pegged to tenant sales, continued to account for a small percentage of LREIT's gross revenue at less than 2% to ensure income stability for its Unitholders.

A gradual and steady improvement in consumer sentiment is expected to return as Singapore continues to accelerate the COVID-19 vaccination programme while keeping the pandemic under control.

Shopper Traffic

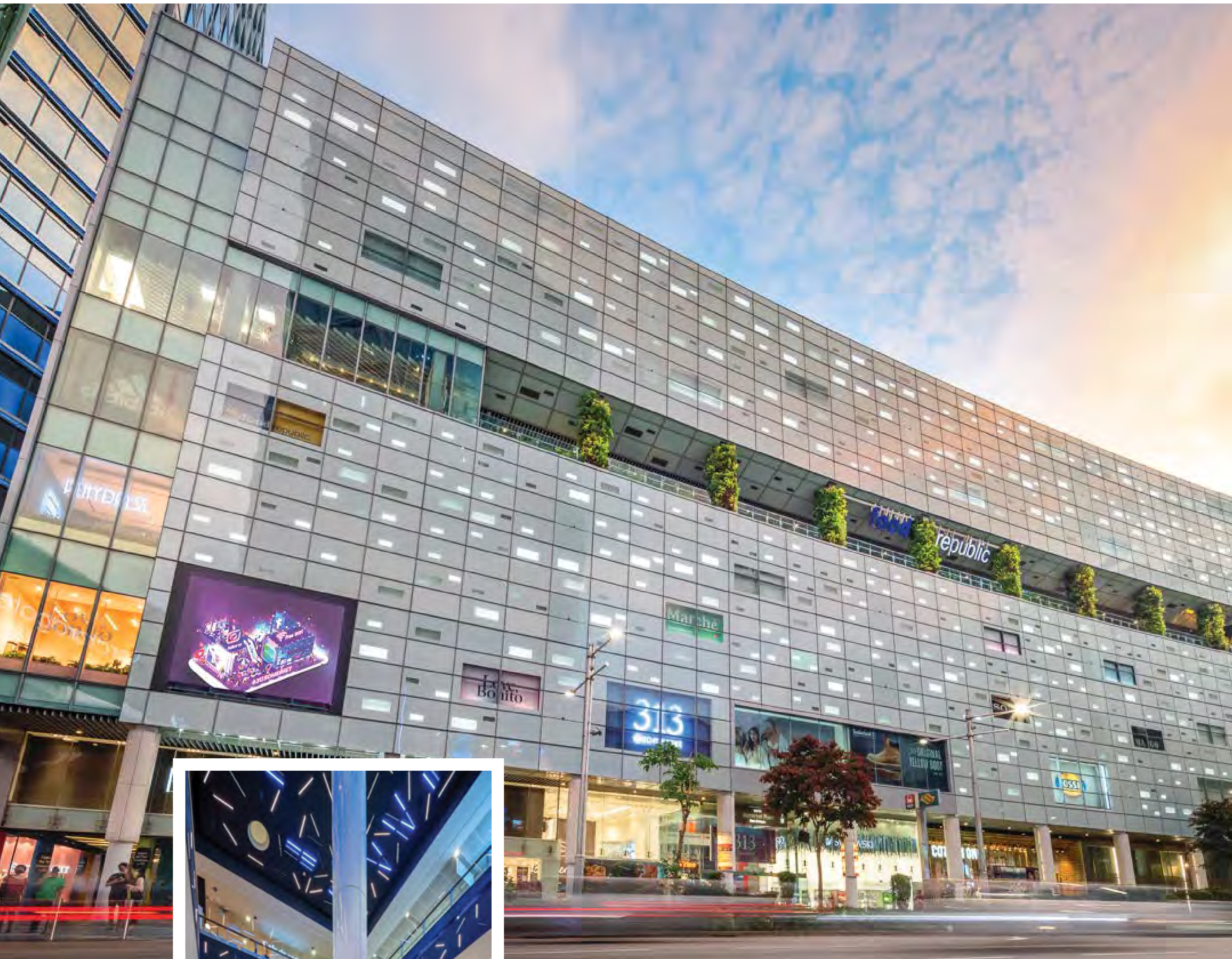


Tenants' Sales



6 Based on 12 months preceding 30 June 2021.

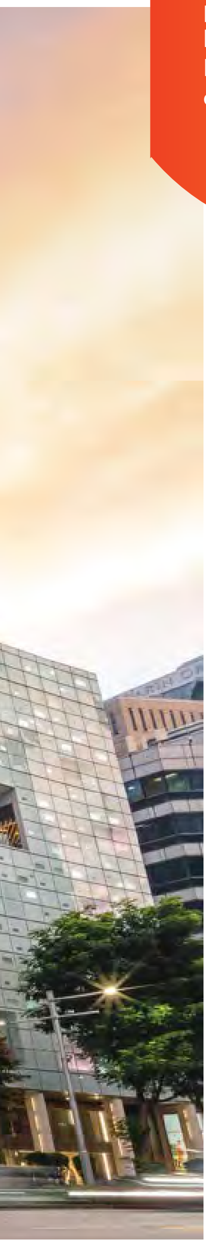
Property Summary



313@somerset

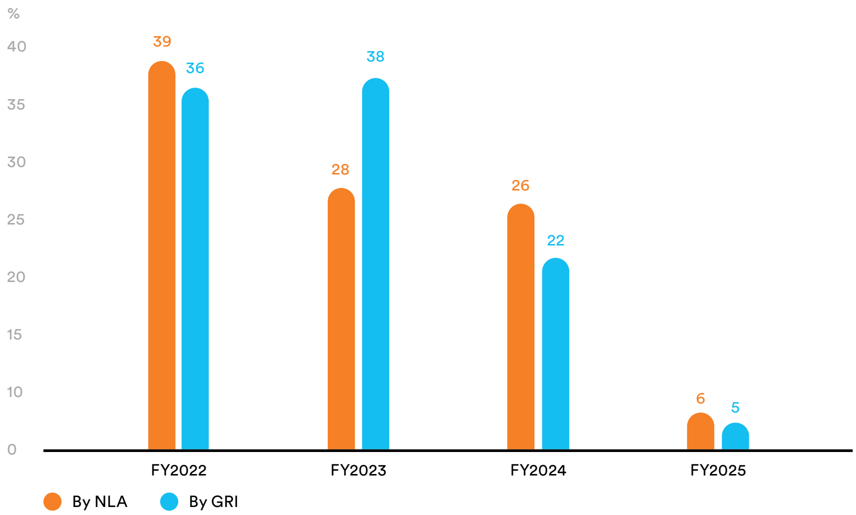
SINGAPORE

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



Occupancy as at 30 June 2021 remained high at 99.2%, 10 percentage points higher than Orchard Road's average occupancy of 88.2%.

Lease Expiry Profile by NLA & GRI



KEY STATISTICS

(as at 30 June 2021)

Location
313 Orchard Road, Singapore 238895

Title/Tenure
Leasehold 99 years from 2006

Ownership
100%

Number of tenants
146

Car park lots
220

Purchase price
S$1,003 million

Valuation
S$983 million

Net lettable area
288,318 sq ft

Gross revenue for FY2021
S$52.3 million

Net property income for FY2021
S$33.2 million

Committed occupancy
99.2%

Opened in 2009, 313@somerset is one of Singapore's leading lifestyle malls strategically located along Orchard Road, Singapore's major shopping district and tourist destination. The prime 8-floor retail property comprises 288,318 sq ft in NLA and boasts of a curated tenancy mix of over 140 top-tier retailers. It is directly accessible from Somerset MRT (Mass Rapid Transit) Station through an underground walkway and all other modes of transport, with a prominent street frontage view from both Orchard Road and Somerset Road.

The mall's "Discovery Walk" at the ground level is flanked by restaurants, cafe and bars and provides an important entryway leading from one of the busiest pedestrian traffic intersections on Orchard Road.

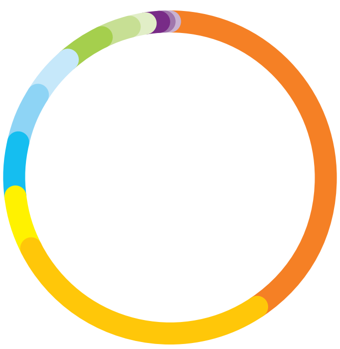
Lease Expiry Profile

313@somerset has a WALE of 1.4 years by NLA and GRI. Approximately 36% and 38% of the leases by GRI are due for renewal in FY2022 and FY2023 respectively.

Trade Sector Analysis

As at 30 June 2021, 313@somerset housed 146 tenants across 12 trade sectors. F&B is the largest contributor to the mall's GRI at 41%, while fashion & accessories was the second largest contributor to GRI at 27%.

Trade Sector Breakdown by GRI



Food & Beverages	40.6%
Fashion & Accessories	27.1%
Shoes & Bags	5.5%
Entertainment	5.5%
IT & Telecommunications	5.4%
Beauty & Health	4.7%
Sundry & Services	4.1%
Sporting Goods & Apparel	3.2%
Lifestyle	1.5%
Books & Stationery	1.3%
Gifts & Souvenirs	0.7%
Electrical & Electronics	0.4%

Property Summary

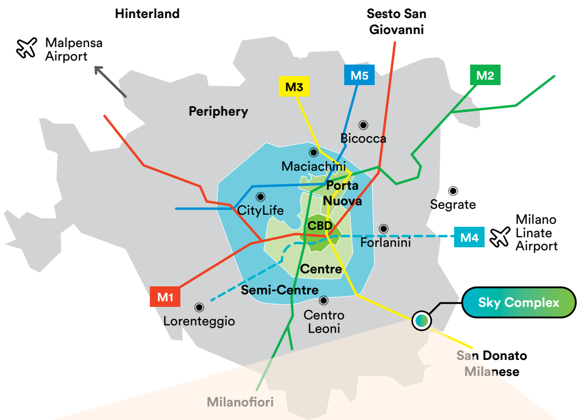
Sky Complex

MILAN

Photo above, left: The office buildings of Sky Complex have large and efficient floor plates to meet the regional needs of global organisations seeking to establish progressive workplaces.

Sky Complex has a triple net lease structure that minimises operational costs and risks for LREIT. It has an annual rental step-up based on 75% of ISTAT[1] consumer price index variation.

Location Map
Milano Santa Giulia



1. Spark One and Spark Two, new grade-A office development projects. Approximately 80% of the space in Spark One was pre-let to Saipem, a global engineering company.
2. Residential area with 1,800 families and a shopping and entertainment street
3. Community park of size 45,000sqm
4. New campus of Giuseppe Verdi Conservatory, the largest music academy in Italy
5. Multifunctional arena where 2026 Winter Olympics will be held

KEY STATISTICS
(as at 30 June 2021)

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

Title/Tenure
Freehold

Ownership
100%

Car park lots
501

Purchase price
€262.5 million

Valuation
€274.0 million

Net lettable area
985,967 sq ft

Gross revenue for FY2021
S$26.3 million

Net property income for FY2021
S$23.7 million

Committed occupancy
100%

Strategically located within the Milano Santa Giulia district – one of Milan's newest office precincts – and a stone's throw from the Rogoredo subway station, as well as 7.5 kilometres away from both the Duomo and Milano Linate Airport, Sky Complex comprises three grade A office buildings that were completed in 2008 (buildings 1 & 2) and in 2015 (building 3). The buildings are connected by a multilevel bridge suspended above ground level allowing for ease of access between them. All three buildings possess Grade A office specifications boasting an excellent energy efficiency profile with building 3 awarded the LEED Gold Certification.

Sky Complex, with 985,967 sq ft of NLA, is fully leased to Sky Italia, a subsidiary of Comcast Corporation, one of the world's largest broadcasting and cable television company by revenue, for a term of 12 + 12 years with a lease expiry in May 2032[2].

[1] ISTAT: The Italian National Institute of Statistics.
[2] Assuming that Sky Italia does not exercise its break option in 2026.

Property Summary

Jem

SINGAPORE

Effective indirect interest of 31.8%

Jem, one of the largest suburban malls, jazzes up Jurong Gateway with fun and fresh shopping experience in Singapore's western area.

Jem is one of Jurong Gateway's best performing mixed-used retail and commercial assets.

Nestled at the heart of Jurong Gateway, Singapore's second central business district and one of Singapore's regional centres and commercial hubs, Jem is an integrated office and retail property in the West of Singapore. With a NLA of over 580,000 sq ft of retail space that currently houses over 220 retail units, it is one of the city's largest suburban malls. Another 311,217 sq ft, accounting for 12 office floors that are fully leased to the Ministry of National Development of Singapore, sit above the six-storey retail mall. Jem is one of Jurong Gateway's best performing mixed-used retail and commercial assets.

The mall's anchor tenants include IKEA, hypermarket Fairprice Xtra, Cathay Cineplexes and Don Don Donki. Newcomer IKEA not only occupies three retail floors, but also introduced its first small concept store in Southeast Asia at Jem, drawing in crowds to improve footfall. The property is well-connected due to its proximity to Jurong East MRT Station and Bus Interchange, and is near amenities such as the Ng Teng Fong General Hospital and Jurong Regional Library. It is expected to benefit further from the government's ongoing decentralisation drive that includes transforming Jurong and its surrounding manufacturing and industrial hinterland.

Jem is the first mixed-use asset in Singapore to be awarded the Green Mark Platinum version 4 and received the Building and Construction Authority's Universal Design Mark Gold Plus Design Award. In the 2020 GRESB rankings under the Asia Retail (Non-Listed) category[1], it was ranked first and achieved the Regional Sector Leader status for strong leadership in sustainability.

BCA GREEN MARK

BCA UD MARK

[1] First and second place rankings obtained while Jem was held under LLJP and ARIF3.

Development of a multifunctional event space adjacent to 313@somerset

SINGAPORE

The new event space that aspires to redefine lifestyle and entertainment experience on Singapore's prime shopping street Orchard Road.

The event space is envisaged to feature unique F&B and entertainment concepts.

KEY STATISTICS

(as at 30 June 2021)

Site Area
4,482 sqm
Gross Floor Area
7,529 sqm
Percentage of interest
100%

Construction of the multifunctional event space is expected to start by the end of 2021 and will take up to 18 months to finish. When completed, the development is set to present a vibrant, first-of-its-kind lifestyle and entertainment experience, offering unique food live performances and serving as a venue for live performances and events. This will increase LREIT's presence in the Somerset precinct to approximately 330,000 sq ft.

The event space is envisaged to feature an independent cinema, unique F&B concepts and multiple event spaces. The space will be connected seamlessly to 313@somerset's Discovery Walk, effectively creating new synergy and bringing greater buzz to Orchard Road. The multifunctional event space has been substantially leased to Live Nation, one of the world's leading live entertainment companies, as the anchor tenant.

In partnership with the Singapore Tourism Board, the new space will run experiential events throughout the year, which is expected to attract crowds and boost tenant sales at 313@somerset. To strengthen connections with the local community, a branding contest for visual concepts and naming for the development was launched. The concepts were used as inspiration for artists to create original artworks, and will be featured on the hoarding around this new space.

The multifunctional event space is part of Singapore's plans to revive the spirit of the Orchard Road shopping district.

Financial Review

Distributable Income for FY2021 was S$55.1 million, 15.3% higher than in FY2020.

The Manager's strategic active asset management and the stable revenue from Sky Complex have helped to mitigate the financial impact from the pandemic, delivering a strong balance sheet for the year.

Note:
- Any discrepancies on figures in this section are due to rounding.
- For a meaningful comparison, variance presented in this section are between actual figures for FY2021 and annualised figures for FY2020 as LREIT was listed on 2 October 2019.

Gross Revenue
S$78.7 million

Net Property Income
S$56.9 million

Gross Revenue

The gross revenue for FY2021 was S$78.7 million, 5.6% higher than the annualised number of FY2020 ("**Annualised FY2020**"). This was attributed to lower rent waivers provided to retail tenants affected by COVID-19 and higher stable revenue contribution from Sky Complex due to foreign exchange.

Property expenses of S$21.7 million for FY2021 was 6.3% higher compared to Annualised FY2020. The higher expenses were mainly attributed to provision for doubtful debts of S$2.3 million and increased expenses from Sky Complex due to foreign exchange. This was partly offset by lower expenses contributed from marketing, insurances, salary & related expenses, operating expenses and utilities expenses.

Gross Revenue	FY2021 Actual (S$ million)	FY2020[1] Actual (S$ million)	FY2020[2] Annualised (S$ million)	Variance[3] (%)
313@somerset	52.4	36.8	49.4	6.0
Sky Complex	26.3	18.7	25.1	5.0
Total	**78.7**	**55.5**	**74.5**	**5.6**

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

[2] The annualised results for FY2020 were based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days.

[3] Between Actual FY2021 and Annualised FY2020.

Net Property Income

As a result of a higher gross revenue contribution from 313@somerset and Sky Complex, LREIT's net property income ("**NPI**") for FY2021 was S$56.9 million, 5.4% higher than Annualised FY2020.

Net Property Income	FY2021 Actual (S$ million)	FY2020[1] Actual (S$ million)	FY2020[2] Annualised (S$ million)	Variance[3] (%)
313@somerset	33.2	23.4	31.4	5.8
Sky Complex	23.7	16.9	22.6	4.8
Total	**56.9**	**40.3**	**54.0**	**5.4**

Management Fees

The Manager's base fee was 2.9% higher than Annualised FY2020 as a result of the increase in LREIT's deposited property. The Manager's performance fee was 8.2% more than Annualised FY2020 due to the higher NPI.

Finance Expenses and Other Trust Expenses

Finance costs were S$0.3 million or 3.4% above that for Annualised FY2020, mainly due to higher foreign exchange. Other trust expenses of S$2.6 million were 55.6% higher than Annualised FY2020 and were attributed to one-off events – acquisition costs for the equity instrument[4] and establishments costs of a S$1 billion multicurrency debt issuance programme[5].

Loss after Income Tax

Loss after income tax of S$1.3 million was an 84.5% improvement from FY2020. The statutory losses in FY2020 were due to transaction costs resulting from the acquisition of the IPO portfolio.

Distributable Income and Distribution Per Unit

LREIT's distributable income of S$55.1 million[6] for FY2021 was 15.3% higher than Annualised FY2020. A DPU of 4.68 cents, representing 100.0% of distributable income, was declared for the FY2021.

[4] On 1 October 2020, the Manager announced the acquisition of a 5.0% stake in ARIF3 which holds a 75.0% indirect interest in Jem.

[5] On 8 January 2021, the Manager announced the establishment of a S$1 billion Multicurrency Debt Issuance Programme.

[6] Includes Singapore property tenant incentive reimbursement of S$2,200,000.

Financial Review

Assets

As at 30 June 2021, the total assets for the company were approximately S$1.7 billion, compared with S$1.6 billion as at 30 June 2020. The increase in total assets was due to funding raised to be utilised for the announced acquisition of indirect interests in Jem.

As at 30 June 2021, LREIT's net asset value per unit was at S$0.81, approximately 4.7% lower than as at 30 June 2020. The decrease was mainly related to the asset revaluation for LREIT's investment properties. The table on the right shows LREIT's total operating expenses in absolute terms and as a percentage of LREIT's Net Assets as at end of the financial period.

Proactive Risk Management

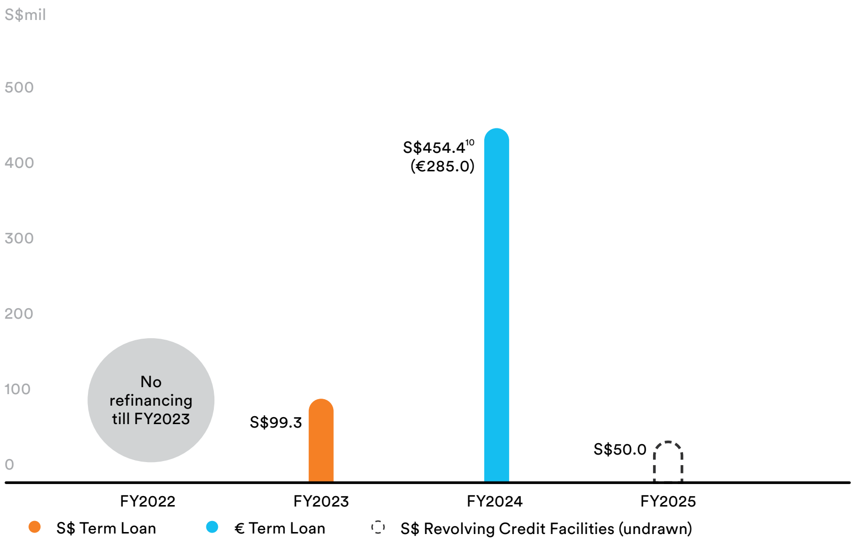
LREIT hedged 100.0% of its floating rate debt to fixed rate through interest rate swaps and options on its gross borrowing of S$553.7 million. To mitigate foreign currency risks, the company has substantially hedged its projected Euro-denominated income for FY2022. LREIT has a natural hedge against its Euro capital investment in Sky Complex via a Euro-denominated term loan facility.

LREIT's exposure to these derivative financial instruments are further detailed in the Financial Statements. The fair value of LREIT's derivative financial instrument assets and derivative financial instruments liabilities were S$0.1 million and S$2.5 million, respectively. The net derivative financial liabilities of S$2.4 million represented 0.2% of the Net Asset of LREIT as at 30 June 2021.

Total Operating Expenses	FY2021	FY2020
Total operating expenses[7], including all fees, charges and reimbursable costs paid to the Manager and interested parties (S$'000)	32,160	22,068
Net Assets as at 30 June (S$'000)	1,156,799	992,250
Total operating expenses as percentage of Net Assets (%)	2.8	2.2

Capital Management	As at 30 June 2021	As at 30 June 2020
Gross borrowings	S$553.7 million	S$545.3 million
Gearing	32.0%	35.1%
Weighted average debt maturity	2.2 years	3.1 years
Weighted average running cost of debt[8]	0.88% p.a.	0.86% p.a.
Interest coverage ratio[9]	8.9 times	9.0 times

Debt Maturity Profile (in million)



Note: Post-FY2021, LREIT entered into a S$120.0 million loan facilities with a tenor of 4 years.

[7] Includes property operating expenses, Manager's fee, other management fee, Trustee's fee and other trust expenses.

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

[9] The interest coverage ratio of 8.9 times is in accordance with requirements in its debt agreements, and 4.7 times in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes. Interest Coverage Ratio refers to a ratio that is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees.

[10] Conversion of € to S$ is based on S$1.594 for €1 as at 30 June 2021.

No Near-term Refinancing Risk

The weighted average running cost of debt was 0.88% per annum. LREIT has a weighted average maturity of 2.2 years as at 30 June 2021, with no refinancing requirements until FY2023.

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

Strong Liquidity Position

As at 30 June 2021, LREIT's cash and cash equivalent were S$249.3 million. In addition, LREIT has uncommitted undrawn debt facilities of approximately S$97.8 million[11] equivalent. In aggregate, LREIT has approximately S$147.8 million of undrawn debt facilities.

LREIT's gearing ratio was 32.0% as at 30 June 2021, well below the regulatory limit of 50.0% under the Code on Collective Investment Schemes, allowing more debt headroom for future growth. Its interest coverage ratio was 8.9 times in accordance with requirements in its debt agreements, and 4.7 times in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.

On 4 August 2021, LREIT entered into S$120.0 million loan facilities with a tenor of four years, to partially finance the acquisition of indirect interest in Jem and for the general working capital and/or corporate funding purposes of LREIT.

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

Cash Flow

Net cash generated from operating activities for FY2021 was S$66.5 million mainly attributed to NPI, partially offset by net working capital requirements. Net cash used in investing activities for FY2021 was S$47.3 million, largely for the acquisition of a 5.0% stake in ARIF3 which holds 75.0% indirect interest in Jem.

Net cash generated from financing activities was S$145.8 million. Proceeds raised from the issuance of perpetual securities were S$200.0 million. This was partly offset by distribution to Unitholders of S$48.1 million.

Use of Proceeds

The remaining S$6 million raised from the IPO carried forward from FY2020 has been utilised on the acquisition of 5% interest in ARIF3 in October 2020.

The proceeds raised from the issuance of S$200.0 million perpetual securities in June 2021 have been used to partially fund the acquisition of indirect interest in Jem.

[11] Uncommitted undrawn debt facilities comprise S$50 million and €30 million.

Independent Market Review

By Colliers International

SINGAPORE

THE SINGAPORE ECONOMY

Economic growth

Singapore is one of the world's most advanced and open economies and a major global trade, logistics and financial hub. Due to its strategic location, world-class infrastructure and competitive tax environment, the city-state is consistently ranked among the most attractive locations in the world for business and investment. Singapore is also becoming one of the most innovative economies globally as research and innovation becomes a key pillar of the country's long-term economic resiliency strategy.

Despite the COVID-19 pandemic, Singapore continues to display solid economic fundamentals, with near full employment and high disposable household incomes. While 2020 brought the continuous growth in consumer demand and gross domestic product ("**GDP**") to a halt due to the pandemic, economic and business prospects remain positive for Singapore's office and retail sectors amid a robust rebound of business activity and consumer spending in early 2021.

Ground floor of 313@somerset. Its broad-based positioning has attracted a wide range of shoppers in Singapore.

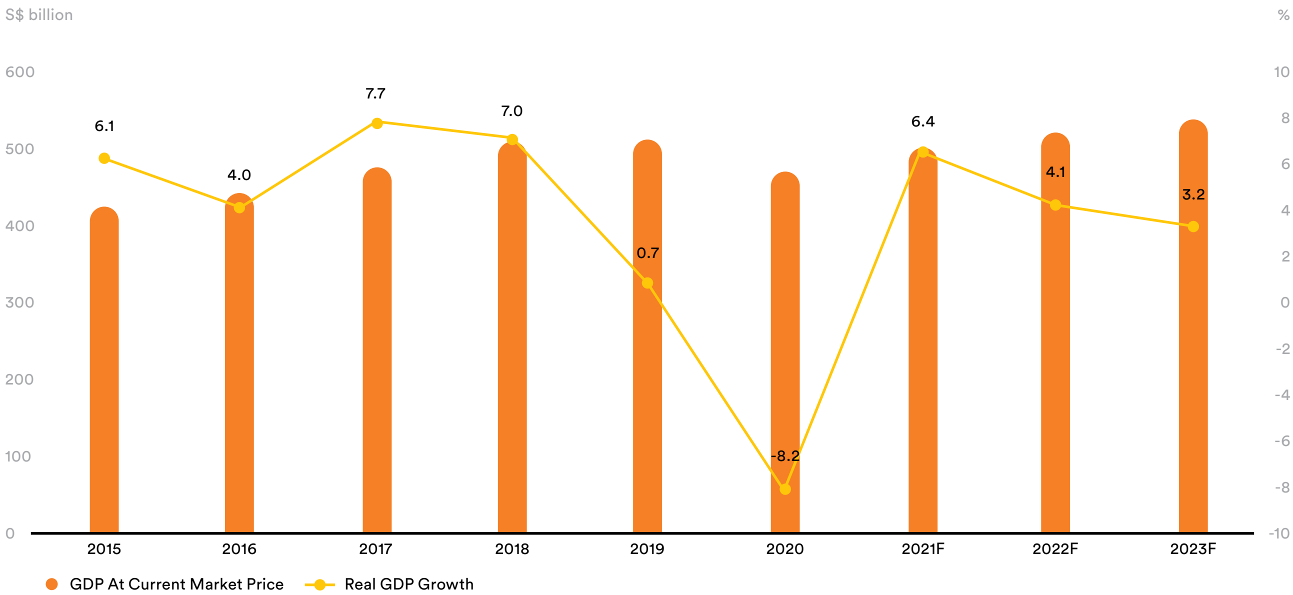
Gross domestic product

Based on annual GDP figures released by the Ministry of Trade and Industry ("**MTI**") in February 2021, Singapore's GDP at current market prices totalled S$469.1 billion in 2020, contracting by 5.4% YoY in 2020 due to the COVID-19 pandemic, its worst economic recession since the 2008-2009 Global Financial Crisis.

As a result of the COVID-19 pandemic and the ensuing global economic slowdown, Singapore's export-dependent economy has been adversely impacted. Following a recession in 2020, the growth forecast for 2021 is projected to be 6.0% to 7.0% according to MTI as of August 2021, on the back of a robust economic recovery supported by the loosening of COVID-19 restrictions. Despite prevailing geopolitical and COVID-19 uncertainties, Singapore's economy is expected to benefit from the recovery of key ASEAN economies as well as the projected expansion of its manufacturing sector, tourism and aviation related sector, retail trade and construction sector in years to come.

According to the latest information released by the MTI and the Department of Statistics (Singstat) in July 2021, Singapore's GDP at current market prices improved by 14.7% YoY in 2Q 2021, extending from the 1.5% YoY growth in the previous quarter. The key driver of growth in the second quarter of 2021 was the manufacturing sector expanding by 17.7% YoY in 2Q 2021, faster than the expansion in the previous quarter at 11.4% YoY.

Singapore GDP and Forecast Growth



Source: MTI, Singstat, Oxford Economics

Impact of the COVID-19 pandemic and government measures

COVID-19 Outbreak: Economic Impact of Unprecedented Magnitude

The COVID-19 outbreak has put a dampener on the Singapore economy and had severe economic consequences in 2020. Based on MTI's press release published on 15 February 2021, the Singapore economy contracted by 5.4% YoY in 2020. The economic impact of the COVID-19 has had the strongest impact in the second quarter of 2020 amid the Circuit Breaker – a Singapore government-imposed partial shutdown to curb the spread of the virus. In addition, Singapore's borders have been closed to foreigners from March 2020, with the exceptions of travellers from selected countries and foreigners with residency and permission to work in Singapore. A mandatory 14-day isolation period was also imposed for all travellers entering Singapore.

The Circuit Breaker which took place from 7 April to 1 June 2020 imposed the closure of all non-essential businesses, places of work and public services in response to a sudden and rapid increase in COVID-19 cases in the city-state. It is estimated that about 80% of retail businesses temporarily ceased operations, with only the essential retail businesses such as supermarkets, convenience stores, grocery stores and wet markets were permitted to remain open subject to implementing strict social distancing and hygiene measures.

In the face of mounting economic pressure resulting from the COVID-19 pandemic, the Singapore government acted swiftly, announcing four rounds of economic measures and packages in the Year 2020 (18 February), Resilience (26 March), Solidarity (6 April) and Fortitude (26 May) budgets – with a combined value of S$92.9 billion, equivalent to 19.2% of Singapore's GDP – to cushion the effect of the outbreak.

The numerous government measures implemented included a deferred loan payment scheme to companies, direct financial support to self-employed workers and freelancers, direct pay-outs to households, job support scheme for private sector employees and property tax rebates for non-residential properties.

The properties most affected by the outbreak, including hotels, serviced apartments, tourist attractions, and retail properties received a 100% rebate on their 2020 property tax bill, while other non-residential properties such as offices and industrial properties received a 30% rebate on their property tax payable for the year. Landlords were also required to pass on the property tax rebates to their tenants in the form of temporary rent rebates.

Independent Market Review

Jem has direct connectivity to Jurong East MRT station and bus interchange.

The Singapore Tourism Board, along with Enterprise Singapore and Sentosa Development Corporation, launched the SingapoRediscovers initiative aimed at boosting domestic tourism and retail spending. In April 2021, the government announced that it will pump an extra S$68.5 million into tourism funding to further support the sector.

In the 2021 budget, the Singapore government announced that it will allocate S$24 billion to enable firms and workers to emerge stronger from the downturn. While the economy recovery is underway, the Singapore government continues to extend generous support to businesses, including an additional S$8 billion to support the hardest hit sectors such as aerospace, aviation and tourism. The Job Support Scheme ("**JSS**") provides wage support to all private sector employers to retain their local employees during the outbreak and the Circuit Breaker, with a subsidy of up to 75% of employee wages (up to a maximum of S$4,600 per month) in all sectors up to March 2021, and extended by six months for more badly affected industries from April to September 2021. Other industries may benefit from a 25% employee wage subsidy for up to nine months. More firms in sectors such as construction, retail and aerospace will be eligible for higher tier wage subsidies under the enhanced JSS.

Earlier this year, Singapore's government announced a new fiscal package worth S$11 billion to support COVID-19 vaccination efforts and economic sectors that were impacted by the pandemic. A key measure was an estimated S$4.8 billion for public health and safe reopening measures, such as vaccination, contract tracing and testing capabilities. Other components of the fund include extensions of the many existing schemes to subsidise workers' wages, provide financing for businesses as well as targeted support for certain sectors such as aviation, land transportation and the arts.

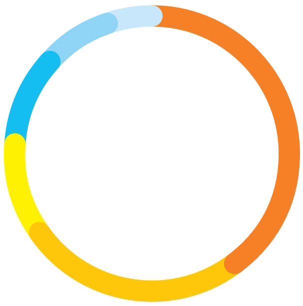
There are plans for travel bubbles underway with countries with low infection rates and high vaccination roll-out by the authorities and news of potential vaccination passports with Australia. The COVID-19 vaccination programme roll out has been successful, with 8,587,340 doses administered as of 15 August 2021, about 76% of the Singapore population has been fully vaccinated, meeting its vaccination target.

As of 10 August 2021, the Singapore government announced vaccinated differentiation measures for fully vaccinated individuals, allowing for dining in at F&B establishments up to groups of five, mask off fitness activities in indoor gym and fitness studios. There are increased maximum capacity for fully vaccinated individuals in cinemas, live performances and marriage solemnisations of up to 500 attendees. These relaxed measures for fully vaccinated individuals have returned vibrancy to shopping malls, restaurants and eateries.

SINGAPORE RETAIL MARKET OUTLOOK

According to data from the Urban Redevelopment Authority ("**URA**"), Singapore's total existing island-wide retail stock stood at 66.4 million sq ft as of Q2 2021. The bulk of the total retail stock (39.8%) is located in the Central Area, followed by the CBD Fringe Area (25.5%). The West and East Region accounted for 10.9% and 10.4% of the total island-wide retail stock respectively.

Geographic Stock Distribution of Retail Space (as of 1H 2021)



Central Area	39.8%
Fringe Area	25.5%
West Region	10.9%
East Region	10.4%
North East Region	8.2%
North Region	5.1%

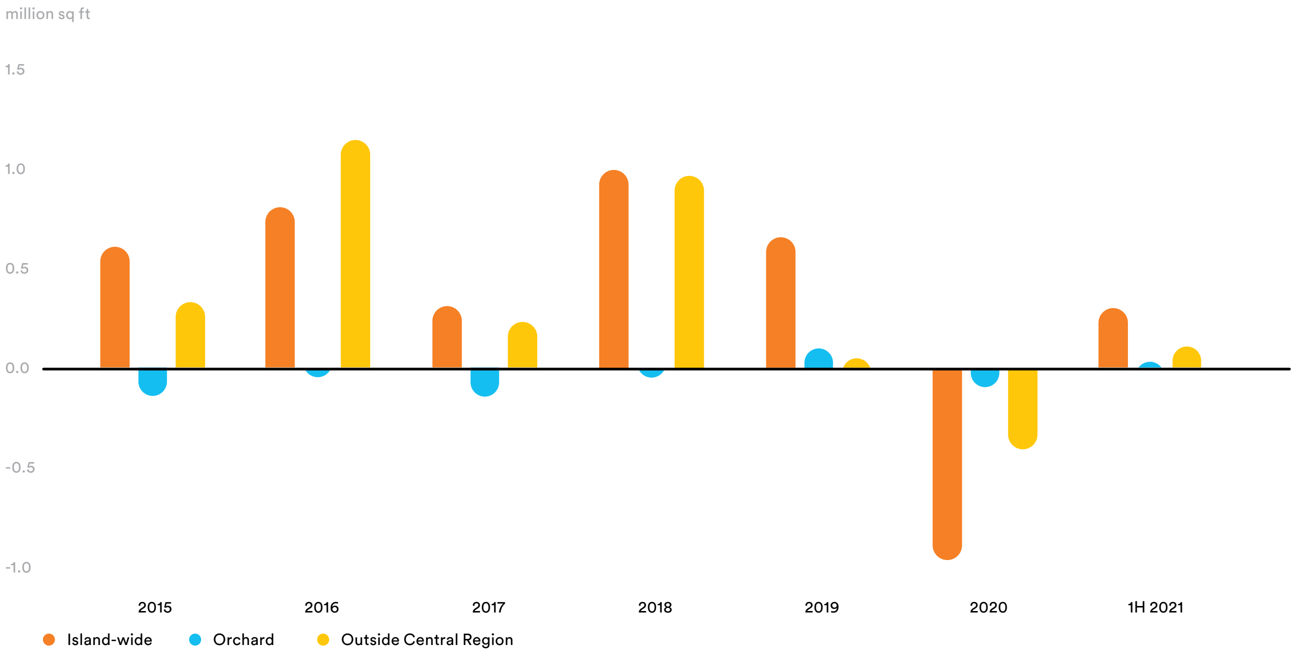
Source: URA Real Estate Information System ("**REALIS**")/Colliers International

Retail supply, demand and occupancy

The average net retail supply over the past five years (2016 to 2020) increased by approximately 400,000 sq ft per year in the suburban submarket and 52,000 sq ft per year in the Orchard submarket, while the island-wide average stood at 364,000 sq ft per year. In 2020, the net new retail supply saw a decrease across all both the Orchard submarket and suburban submarket at approximately -970,000 sq ft and -409,000 sq ft respectively, aligning with a net withdrawal of island-wide supply of approximately 1 million sq ft in the same year as malls undergo refurbishments or are being converted to co-working space or other uses. The limited supply in Orchard Road will benefit from increased leasing demand once restrictions ease and travel borders reopen.

In 1H 2021, the net new retail supply increased by 301,000 sq ft island-wide, while the Orchard submarket saw a marginal increase by 21,428 sq ft and the suburban submarket saw an increase by 10,760 sq ft.

Retail Supply (2015-1H 2021)



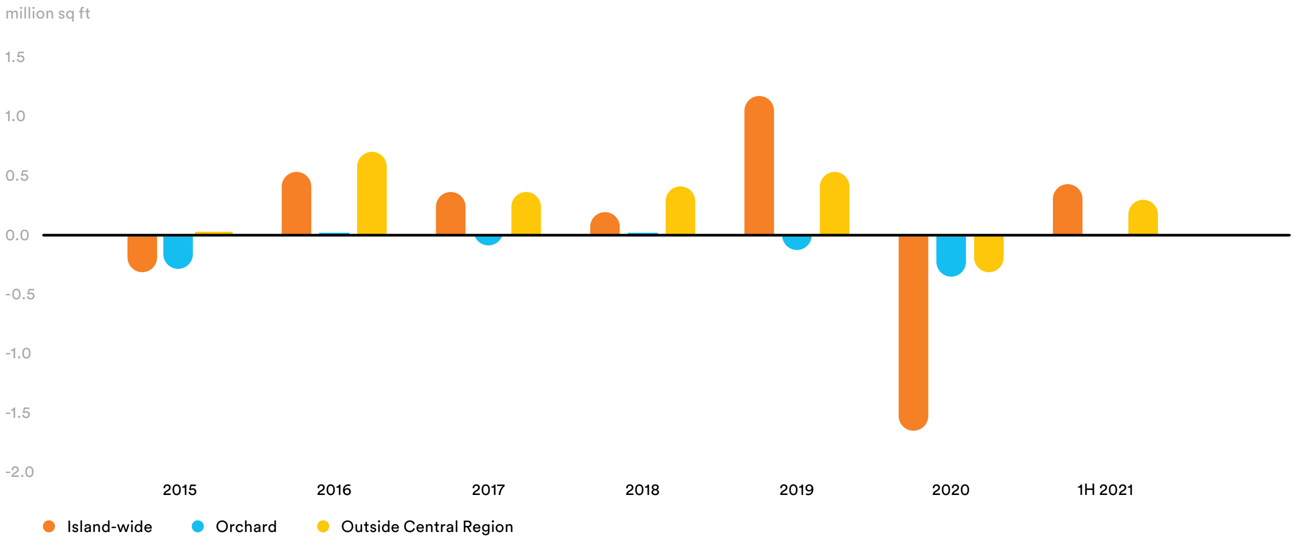
Source: URA, Colliers International

Independent Market Review

According to data from the URA, the average gross absorption of retail space over the past five years (2016 to 2020) stood at approximately 357,000 sq ft per year in the suburban submarket and at -105,000 sq ft per year in the Orchard submarket. Notably, the average net new retail supply in the suburban and Orchard submarkets exceeded demand of 400,000 sq ft and -50,000 sq ft respectively for the same period. The island-wide average gross absorption of retail space stood at 127,000 sq ft per year from 2016 to 2020, lower than the island-wide average supply of approximately 363,000 sq ft for the same period.

In 2020, the retail gross absorption saw its largest decrease across both the Orchard submarket and suburban submarket at approximately -355,000 sq ft and -322,000 sq ft respectively, in tandem with the decline in island-wide demand of approximately 1.7 million sq ft in the same year. In 1H 2021, the retail gross absorption improved island-wide by 452,000 sq ft and for the Orchard and suburban submarkets by nil and 312,000 sq ft respectively.

Retail Gross Absorption (2015-1H 2021)



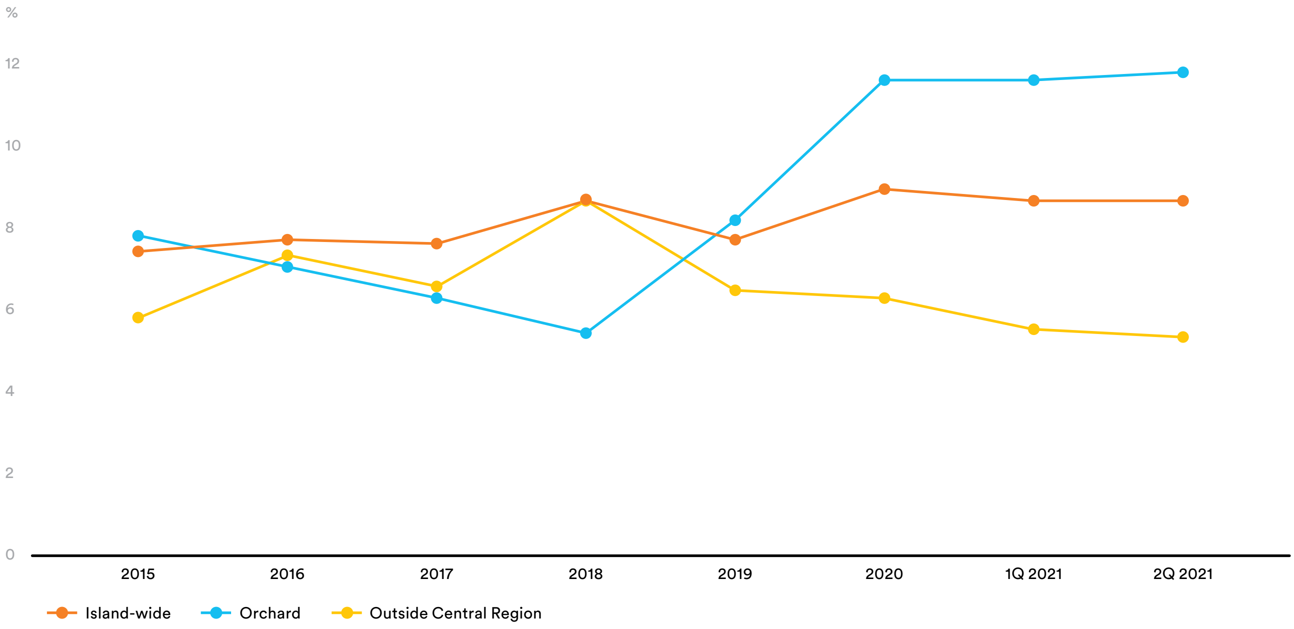
Source: URA, Colliers International

In 2020, there were several high-profile retail brand closures including Robinsons, Esprit, Sportslink, Topshop, Kidzania, and several F&B brands, although not all of these closures were strictly related to COVID-19. However, some resilient brands quickly backfilled these vacated spaces with new concepts. The IKEA deal in Jem was secured at almost the same time as Robinsons' announcement of store closures, demonstrating high confidence in the Jurong sub-market. The Jem store is IKEA's first small concept store in Southeast Asia. BHG took over part of the space formerly occupied by Robinsons at Raffles City Shopping Centre. Decathlon also took over the space previously occupied by Metro at Centrepoint, with the new store having a range of "immersive and activity-based" features and concepts. Further, Courts will open a new flagship store at The Heeren by Q1 2022, taking over the space to be vacated by Robinsons.

The island-wide retail vacancy rate increased during the same period from 7.5% in 2016 to 8.8% in 2020.

In the Orchard retail submarket, the vacancy rate increased by 3.6% YoY, from 8.0% in 2019 to 11.6% in 2020. In comparison, the suburban retail submarket's performance improved, with its vacancy rate falling by 0.3% YoY, from 6.2% in 2019 to 6.0% in 2020, with the most marked improvement in 4Q 2020. In 2Q 2021, the vacancy rate of retail space island-wide and in the suburban submarket tightened marginally to 8.5% and 5.0% respectively while the Orchard submarket retail vacancy rates rose to 11.8%.

Average Retail Vacancy Rate (2015-1H 2021)



Source: URA, Colliers International

According to the URA REALIS as of July 2021, approximately 2.2 million sq ft of retail space is anticipated to be delivered island-wide from 2020 to 2024, averaging about 550,000 sq ft per year of new upcoming supply, which is considerably less than the five-year average of 680,000 sq ft per year from 2015 to 2019. There will be an expected 590,000 sq ft of retail space to be injected in 2021. An additional 198,300 sq ft will be delivered in 2022 and 321,000 sq ft in 2023, and 1.0 million sq ft are expected from 2024 and beyond. The new additions are mostly concentrated in the suburban retail submarket and CBD Fringe submarkets. Of the total new retail space expected to be completed by 2024, 52% comprised of ancillary retail spaces within office, hotel, and residential developments with a supporting function for occupiers and small captive catchment area.

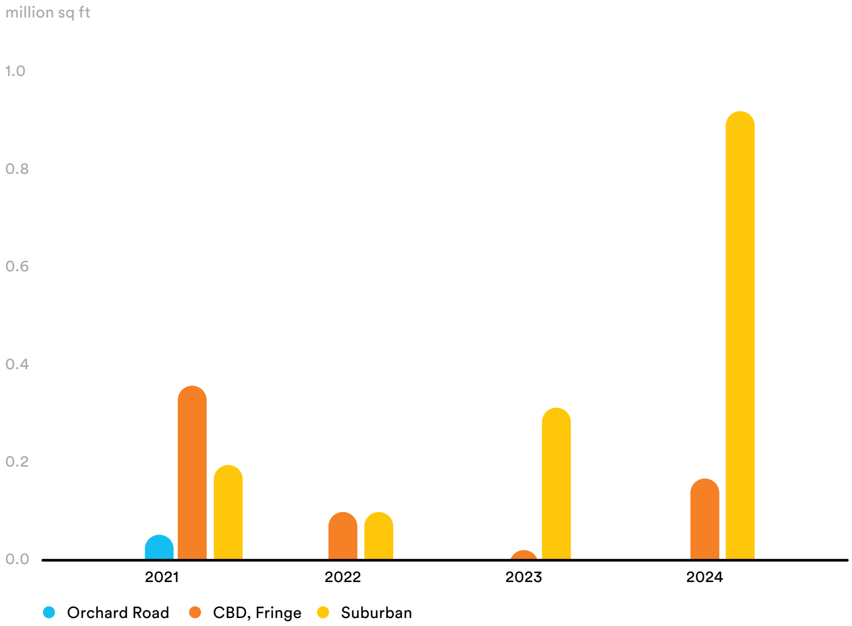
In 2021, 62,900 sq ft retail space will come from the completion of the Grantral Mall @ MacPherson in the suburban submarket and 64,400 sq ft will come from the asset enhancement initiative at Shaw Plaza in CBD Fringe submarket. In 2022, 81,500 sq ft of new supply will be completed from the mixed development at Holland Road in the City Fringe submarket, 96,800 sq ft of new retail space from Woodleigh Mall in the suburban submarket and 20,000 sq ft of upcoming space from Guoco Midtown in the CBD submarket.

The suburban retail submarket will make up the bulk of the supply in 2023 and 2024, with an expected 307,900 sq ft and 478,400 sq ft of retail space to be completed respectively. There is limited upcoming or planned retail development in the Orchard submarket over the next few years. Most developments currently in the pipeline, such as Boulevard 88 (29,900 sq ft) along Orchard Boulevard to be completed by 4Q 2021, are ancillary retail spaces of mixed-use developments. There is limited upcoming supply in the Jurong East area.

As part of the Singapore government's initiative to rejuvenate Orchard Road, LREIT will commence redevelopment works at former Grange Road Carpark in 2H 2021. There are plans to transform the carpark into a multi-functional event space with an independent cinema, hawker stalls and host concerts and events. The redevelopment is expected to be completed 12 to 18 months after construction begins. Along with the approved conversion of Midpoint Orchard, OG Orchard Point and Faber House to hotels or serviced apartments as part of a mega-integrated development, the prime retail submarket would see good quality retail spaces in the medium to long term.

Independent Market Review

Future Supply of Retail Space by area (2021 - 2024)



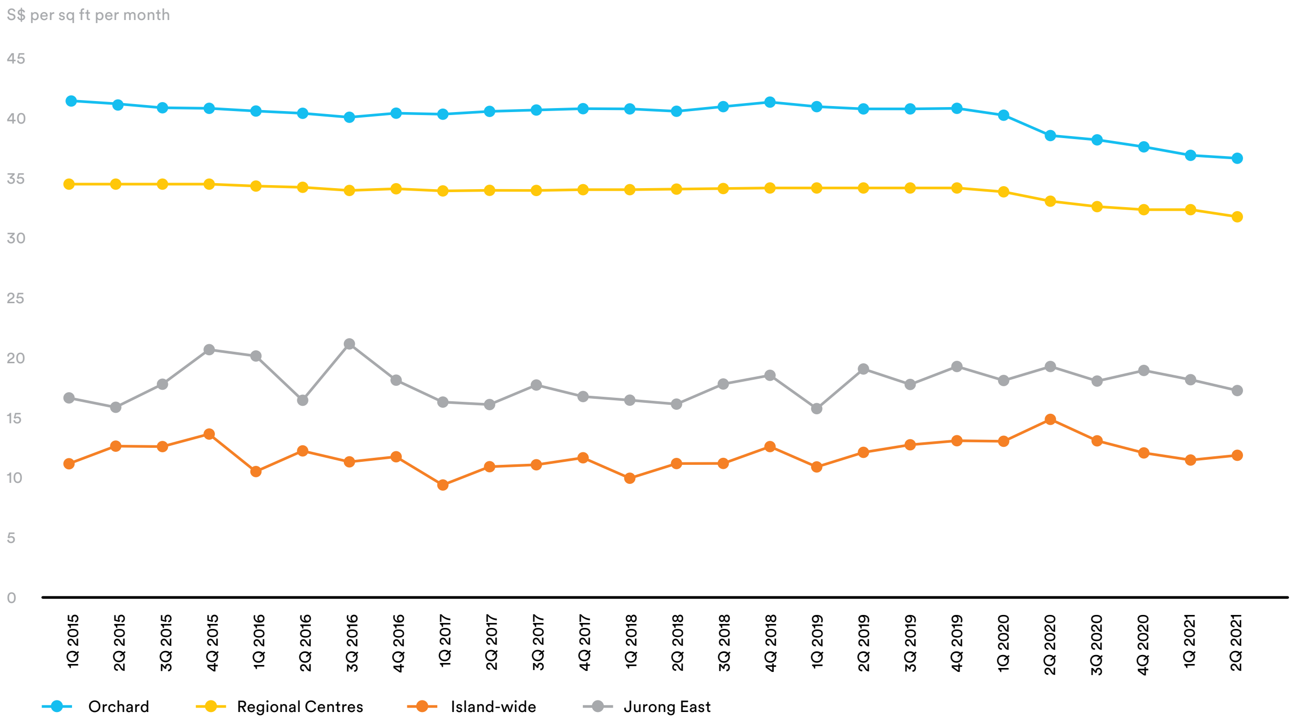
Source: URA, Colliers International

Retail rents

Based on Colliers' research, the ground-floor gross monthly rent in the Orchard submarket declined by 8.4% YoY from S$40.65 per sq ft per month in 2019 to S$37.24 per sq ft per month in 2020, while that of the suburban submarket (Regional Centres[1]) declined by 5.7% YoY from S$33.60 per sq ft per month in 2019 to S$31.68 per sq ft per month in 2020.

Likewise, the median rents for Jurong East submarket also declined albeit at a slower rate than the Orchard and suburban submarket, by 1.8% YoY from S$19.59 per sq ft per month in 2019 to S$19.24 per sq ft per month in 2020. In 2Q 2021, the ground-floor gross monthly rent fell in the Orchard submarket to S$36.23 per sq ft per month and S$31.05 per sq ft per month for the suburban submarket. Jurong East retail median rents has similarly declined in 2Q 2021 to S$17.46 per sq ft per month.

Average Retail Rent (2015-2Q 2021)



Source: URA, Colliers International

[1] Regional Centres refer to suburban malls in key regional centres such as the North (Woodlands), East (Tampines) and West (Jurong East).

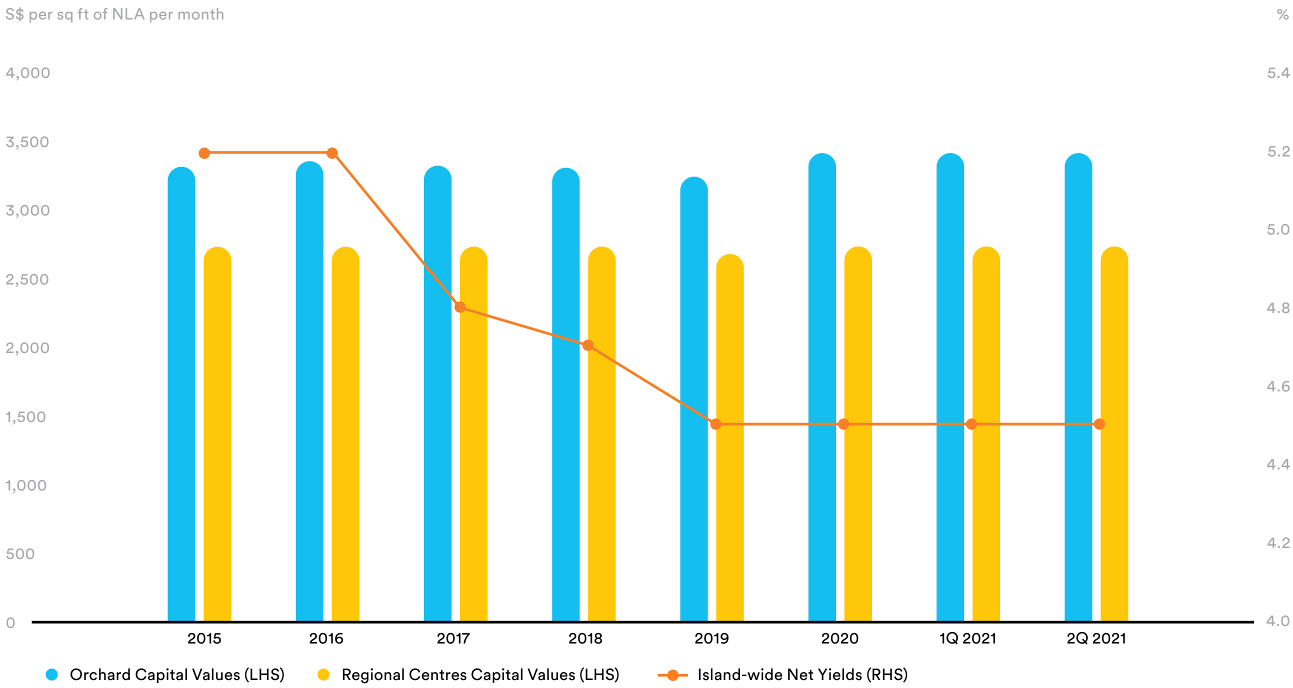
According to data from URA REALIS, the island-wide median gross monthly rents of retail space declined by 8.3% from S$13.02 per sq ft per month in 2019 to S$11.94 per sq ft per month in 2020, and further to S$11.73 per sq ft per month in 2Q 2021. The decline was mainly due to weak demand of retail space amid business closures, low consumer spending and little tourism traffic. The Orchard submarket which had been the most dependent on tourism spending was the hardest hit from the travel restrictions due to the pandemic and saw the most decline in rents. Rents in Regional Centres remain the most resilient of the submarkets as they have natural local population catchments and domestic demand and comprise a larger portion of non-discretionary trade categories as compared to malls in the prime areas.

Retail yields and capital values

According to Colliers International valuation metrics, prime retail yields island-wide have steadily compressed from 2016 to 2020 to stand at about 4.25% to 4.75% in 2020 amid considerable investment appetitive for but a shortage of prime Singapore assets for sale in the market. Despite the COVID-19 pandemic, retail capital values have remained fairly stable at an average of about S$3,434 per sq ft of NLA in the Orchard submarket and S$2,753 per sq ft of NLA in the suburban submarket as of 2Q 2021.

Capital values are expected to remain flat through 2021, tracking rental rates and stable yields. In the long run, it is expected that investors would continue to favour the retail mall asset class in Singapore due to its relative scarcity and stability, as well as the increasing capital allocation to quality assets in Asia's key gateway cities.

Capital Values and Net Rental Yield



Source: Colliers International

Note: "LHS" stands for left-hand side axis and "RHS" for right-hand side axis.

Independent Market Review

Retail industry and business trends and their impacts on the retail sector

The COVID-19 pandemic has accelerated certain emerging trends in the Singapore retail sector, as follows:

Shifting tenant mix with F&B businesses anchoring malls: F&B continues to be a major growth driver of the retail sector, reinforced by the strong growth in online sales recorded in 2020. Supported by a shift in spending patterns toward food-related retail categories among customers, the share of F&B businesses in the tenancy mix is rising in malls across Singapore. Several existing malls have added new F&B components or are repositioning their tenancy mix in favour of F&B outlets, with as much as 35% to 40% of total NLA being dedicated to F&B outlets, to improve their F&B offerings and provide new experiences to consumers. In the aftermath of the COVID-19 pandemic, F&B businesses are considered favourable tenants as they were allowed to continue operations, generate revenue during the Circuit Breaker using online delivery and digital marketplace applications, including those implemented by landlords.

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

Prevalence of malls as main socialisation locales in Singapore: In Singapore, shopping malls are the primary form of meeting, entertainment and community spaces. Given their strategic locations and controlled environments, shopping malls play a key role in the social fabric of Singapore, both in the primary shopping areas such as Orchard Road and in the Regional Centres and remain the places with the highest customer footfall and repeat visitation. As a result, many online-only retail platforms are looking for brick-and-mortar stores to set up a physical presence in Singapore shopping malls, because while online engagement will continue to increase, a physical presence is still very essential in the Singapore context.

Malls are bridging the gap between physical and digital retail: Singapore retail malls have made considerable efforts to become the bridge between brick-and-mortar and digital retail formats. Shopping malls are now increasingly leveraging on integrated “Click-and-Collect” options, omni-channel marketing strategies and digital marketplaces featuring the merchandising of their tenants, to enhance the shopping experience, complement in-store offering and drive sales. While these strategies were already being used by individual retailers and brands, these have barely started being implemented by shopping mall operators in Singapore. These platforms offer shoppers the flexibility to browse items online, before purchasing in-store. Simultaneously, shoppers have the option to browse in-store before purchasing items online and opt for home delivery or in-store collection. As the retail sector transitions toward a ‘phygital’ model, retail malls have an opportunity to play a key role in bridging the gap between the physical and the digital realms.

OUTLOOK

Colliers International is of the opinion that strong overall retail demand in Singapore will prevail in the long term. All evidence suggests that the economy is already recovering from the crisis and that wages and consumption levels will return to their long-term upward trajectory when the COVID-19 pandemic is over.

In the short term, retail absorption is expected to turn positive in 2021 as the economy gradually reopens, while new supply will remain muted. As tenant mixes are rejigged, average retail rents are expected to stay flat in 2021 but could improve thereafter with widespread virus containment and resumption of tourism. Capital values will continue to appreciate amid strong investors' appetite for and limited supply of good quality retail assets for sale in Singapore.

While the COVID-19 outbreak and Circuit Breaker has had a considerable impact on the Orchard Road retail micro-market during 2020, the prospects look bright for Singapore's famous shopping belt. Given Singapore's solid economic fundamentals, healthy household balance sheet and strong overall economic position, consumer spending will resume promptly and rapidly post the pandemic. With limited new supply within the Orchard Road micro-market in the next five years, 313@somerset is poised to be on the forefront of recovery due to its strategic location atop the Somerset MRT station.

The Orchard Road shopping precinct will slowly recover from the pandemic by focusing on local consumer demand in the absence of the large international tourism demand. Retailers and F&B operators have recentered their energies on attracting local consumers through attractive offers, online marketing strategies and e-commerce channels. The long-term rejuvenation of Orchard Road as a unique entertainment destination will further position the micro-market as a unique and existing destination beyond just retail.

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

Further, the Jurong East Regional Centre will also remain resilient due to its favourable location as the second CBD of Singapore in the medium to long term. Future development projects will consolidate the Live-Work-Play character of the precinct, ensure vibrancy, and generate high commercial traffic in the area. The area is poised to become highly attractive for office occupiers such as manufacturing companies, maritime related firms, government agencies and other corporate occupiers with operations in the West Region.

Jem is expected to remain competitive and to perform well during the post-COVID-19 recovery due to its strategic location, large catchment area, destination retail offering, high proportion of non-discretionary trades, good quality office space and connectivity to the rest of Singapore. With its mix of mass market, destination retail and family-oriented positioning, Jem is also expected to record a faster recovery from the COVID-19 outbreak as compared to other mixed-use properties in the Jurong East micro-market and elsewhere in Singapore.

Independent Market Review
MILAN

In H1 2021, the Milan office market continued to perform well despite the prolonged COVID-19 pandemic.

MILAN ECONOMY

Milan is back in business after a difficult pandemic year

The Milan Metropolitan City ("**Milan**") – Italy's business and economic powerhouse and the fourth largest urban economy in the European Union – has recorded its worst economic performance in a generation in 2020 due to the COVID-19 pandemic. According to estimates from Oxford Economics, Milan's GDP fell by 8.7% in 2020 due to long and repeated lockdowns and public health measures from March to December 2020. While 2020 was a difficult year for the Milan economy, early economic indicators from ISTAT for the first half of 2021 suggest that Italy's recession is coming to an end and that the recovery should be soon underway, with a GDP growth of 2.7%. Oxford Economics estimates that Milan's economy will rebound strongly in the second half of 2021, with an expected GDP growth of 5.0% YoY in 2021, compared to about 3.8% for the whole of Italy.

Milan is the capital of the Lombardy Region and the centre of Northern Italy's sophisticated industrial complex. In 2020, Milan had a population of about 3.26 million residents and an estimated regional GDP of about €170 billion. Despite the COVID-19 pandemic, Milan remained the most prosperous region in Italy with a regional GDP of about €52,100 per capita in 2020, considerably higher than the national figure of €27,743 per capita thanks to its well-diversified and vibrant private sector-led economy. The city is the largest net contributor to the Italian economy, accounting for an estimated 10.3% of the national GDP while its population makes up only 5.5% of the national total.

Milan's primary economic sectors include business services, finance & insurance, fashion, advanced manufacturing and tourism, with the city recording particularly strong growth in business services and transport and logistics in recent years. Milan is the preferred home of Italy's largest corporations, including banks, insurance companies, media conglomerates and the Borsa Italiana – Italy's stock exchange. A major international business gateway, four out of ten international companies with a presence in Italy are based in Milan, which also serves as a prime business location for international financial companies serving the European market by being shifted from London due to Brexit. The city is also renowned as the world's fashion capital, with several major global fashion houses and labels maintaining their international headquarters and design studios in Milan.

Over the past decade, Milan's economy has grown faster, unemployment has remained lower and income levels have fared better than Italy as a whole thanks to a well-diversified local economic base. In 2020, the unemployment rate in Milan remained stable at 5.4% – slightly lower than in 2019 – despite the pandemic amid generous government support programmes which protected employees. This low unemployment rate in the Milan Metropolitan area compares to about 9.1% nationally. Inflation – already low in recent years in Italy – compressed even further in 2020 amid the economic recession, with the consumer price index recording a 0.5% YoY decline in 2020. Overall, despite a material economic shock due to the pandemic in 2020, Milan's economic fundamentals remain strong amid a robust private sector and a well-diversified local and regional economy.

Key Office Property Indicators of Milan and the Periphery Submarket (2019 vs. 2020)

'000 sqm	Milan		Periphery Submarket	
	2019	2020	2019	2020
Total Stock	12,419.5	12,454.0	3,982.7	4,001.0
Stock Change	20.5	34.5	0	18.3
Vacancy Rate (%)	10.0	9.0	13.8	11.6
Take-up	462.1	285.8	131.3	117.3
Absorption	264.9	157.1	96.3	104.2
Prime Rent (€/sqm per year)	590	590	280	280
Prime Net Yield (%)	3.25	3.25	5.75	5.75
Transaction Volume (€ million)	3,496.9	3,365.1	732.6	757.9

Source: Colliers International

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

Impact of the COVID-19 pandemic and government economic recovery measures

The Lombardy region was among the first and worst impacted by COVID-19 in Europe in the early days of the pandemic. On 8 March 2020, the government of Italy under Prime Minister Giuseppe Conte imposed a lockdown over most of Northern Italy, including most of the Lombardy region, restricting the movement of the population except for necessity, work, and health circumstances. The lockdown and other COVID-19-related restrictions lasted until 18 May 2020 and were gradually lifted thereafter for the summer months. Authorities in Lombardy region re-introduced strict rules to curb the spread of the second wave of COVID-19 on 17 October 2020, including a curfew, the prohibition of the consumption of food and drink in all public outdoor areas and limited opening hours for bars and restaurants, until the end of January 2021.

While most of the Milanese economy suffered from the COVID-19 outbreak, the consumption-oriented sectors, – including retail, F&B and tourism, have generally been the most impacted, particularly during the government-imposed lockdown. The Milan office sector has seen limited short-term impact as most office functions, including in media and broadcasting, shifted to work-from-home arrangements, and remained operational with limited disruption throughout the year.

The Italian government implemented several rounds of financial support and recovery measures since the start of the pandemic. On 17 March 2020, the Italian government enacted the "Cura Italia" law decree to fund a series of ambitious emergency economic assistance and stimulus programmes totalling over €750 billion – nearly half of the country's GDP – to mitigate the impact of the COVID-19 outbreak. These liquidity injection measures include direct government grants, government-backed bank loans, interest-free credit facilities, temporary work tax suspension, and targeted tax reliefs to support businesses that have been hit hard by the lockdowns.

A law decree was also passed to provide support and protection to commercial tenants in buildings falling under cadastral category C/1 whose activities were materially disrupted due to the government-imposed quarantine measures.

Independent Market Review

Later in the year, the "Simplification Decree" was released on 16 July 2020 to simplify the administrative procedures related to the COVID-19 mitigation measures, while the "August Decree" released on 14 August 2020 provided additional support measures for jobs and economic recovery. Finally, with the Legislative Decree no. 15, dated 7 October 2020, the state of emergency was extended until 31 January 2021, and then to 31 July 2021 by the authorities, though with a gradual re-introduction of the lower "yellow" tier of COVID-19 restriction zones from 26 April 2021 in response to the improving epidemiological situation. As of 5 August 2021, most of Italy and Lombardy are in white zone.

The COVID-19 vaccination programme started slowly across Italy from December 2020, and ramped up rapidly in the first quarter of 2021, considerably reducing the rate of infection across the country. As of 3 August 2021, there had been around 69.7 million COVID-19 vaccine doses administered in Italy, including 8.5 million in Lombardy, which records the highest rate of vaccination in the country. The country is now on track to achieve its objective of vaccinating 80% of its population fully vaccinated by September 2021.

MILAN OFFICE SUPPLY BY SUBMARKET

As of 1H 2021, the Milan office market comprised approximately 12.4 million sqm of office space distributed across the city's six office submarkets: CBD Duomo, CBD Porta Nuova, Centre, Semi Central, Periphery and Hinterland. The Sky Complex is located at the south-eastern end of the Periphery submarket.

The Periphery submarket had a total office stock of about 4.0 million sqm of office space, accounting for 32.2% of the total Milan office stock as of 1H 2021, with a large proportion of modern office properties developed since 2009. The submarket continued to emerge as an attractive office development location given its land availability, accessibility to the Milan Linate International Airport, high-speed rail services and other good public transport infrastructure. While the Milan Periphery submarket has traditionally been home primarily to manufacturing and engineering activities, the area is now increasingly popular with diverse sectors, including media and communication, business services, technology, financial & insurance services and consumer and leisure services. Large corporations and MNCs who favour grade A and modern spaces have increased their presence in the Periphery market amid the availability of large office floorplates at a lower cost than in the prime CBD areas.

The 2026 Olympic Winter Games are bringing about an urban regeneration trend, with two areas expected to be developed near the Olympic Village, including the former Porta Romana railway yard. In the Milano Santa Giulia area, a new arena will be built. This area is attracting interest thanks to its strategic location near the Milano Rogoredo railway station (where the high-speed trains stop) and the metro line.

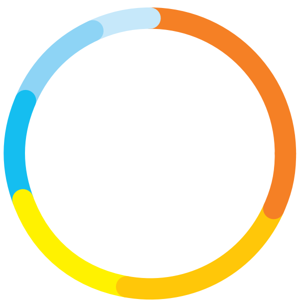
Sky Complex is located within 150 metres from the Milano Rogoredo high-speed rail train and metro station within the Milano Santa Giulia precinct, a major European brownfield urban regeneration project comprising retail, residential, commercial office, and leisure spaces with a total area of 1.1 million sqm.

Milan office market shows strong resilience despite pandemic

In 2020, the Milan office market remained surprisingly resilient despite a very challenging economic and business environment due to the COVID-19 pandemic. While the office market recorded a material decline in leasing transaction activity, key office property market performance indicators such as occupancy, rent and transaction volume were less impacted than expected on the back of sustained occupier demand and balanced supply and demand dynamics. Supported by strong pre-letting commitments and large leasing transactions, office market activity recorded a new all-time high amid limited new supply, resulting in a substantial decline in the vacancy rate and healthy lease rates across the entire Milan office market.

In 1H 2021, the Milan office market continued to perform well despite the prolonged COVID-19 pandemic. Due to the limited supply, the vacancy rate in 1H 2021 improved to 11.7% from 13.7% in the Periphery submarket compared to 1H 2020. The prime office rent in Milan and the Periphery submarket as of 1H 2021 remained the same as the pre-COVID-19 levels given the long remaining lease terms in the market. The Milan office market in 1H 2021 has experienced a decline in transaction activity especially in the Periphery submarket but is expected to recover from Q3 2021 amid the vaccination roll-out across Italy.

Milan Office Stock by Submarket as at 1H 2021



Periphery	32.2%
Hinterland	21.1%
Semi Central	17.0%
CBD Duomo	12.1%
CBD Porta Nuova	11.7%
Centre	6.8%

Source: Colliers International

Key Office Property Indicators of Milan and the Periphery Submarket (1H 2020 vs. 1H 2021)

'000 sqm	Milan		Periphery Submarket	
	1H 2020	1H 2021	1H 2020	1H 2021
Total Stock	12,422.0	12,420.0	3,983.0	4,001.0
Vacancy Rate (%)	10.0	9.0	13.7	11.7
Take-up	159.9	62.5	77.8	47.8
Prime Rent (€/sqm per year)	590	590	280	280
Prime Net Yield (%)	3.25	3.10	5.75	5.75
Transaction Volume (€ million)	2,075.9	533.2	606.8	9.5

Source: Colliers International & RCA

Note: "Take-up" refers to total leasing activity in a given year, notwithstanding changes in supply and vacancy in the broader market. Transaction volume as of 1H 2020 and 1H 2021 accounts for office sales held in the first half year period of 2020 and 2021. Transaction volume includes transactions with disclosed price only.

Take-up and absorption

In 2020, the total annual take-up amounted to 285,800 sqm across the entire Milan office market, down 38% YoY and considerably lower than the 5-year average of 354,014 sqm. The total annual take-up is the lowest of the last five years as the COVID-19 pandemic slowed down transaction activity in the market. The low take-up was also reflected in the office absorption figure across Milan which stood at about 157,100 sqm, down 40.7% YoY and slightly higher than the 5-year average of 131,697 sqm.

Despite the pandemic, limited new supply and strong corporate demand, particularly in key sectors such as business services, financial and insurance services, manufacturing and media & communication, had sustained leasing activity across all Milan office submarkets in 2020. Tenants have turned towards quality office spaces, especially in areas well served by public transportation as companies with expiring leases renegotiated their contracts and took the opportunity to move to more attractive properties and locations. Repricing in rent has begun for secondary locations while prime rents in CBD remained stable.

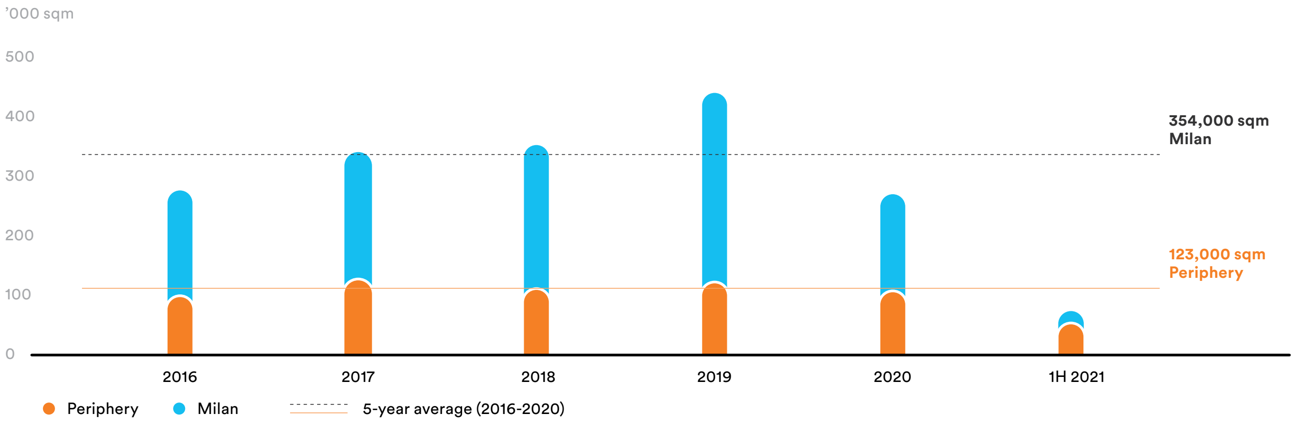
According to Colliers International research, the Periphery is still recording a high level of supply that could fuel take-up for the next five years. There have been a few large speculative deals in 2020 and 2021. Some large transactions have contributed to the sustainable level of take-up in 2020. For instance, UBI Banca and COIMA SGR acquired Gioia 22 in the Porta Nuova district for the transfer of UBI Group's new Milan headquarter. The Milan municipality has also bought some 19,000 sqm of the building in Via Sile 8 occupied by the city planning councilor. Outside of these transactions, there is a general wait-and-see approach among office occupiers, who are waiting for the pandemic to end before making long-term leasing decisions. As such, there was an increase in tenants renegotiating existing contracts and searching for more efficient floorplates.

During 2020, the Periphery submarket accounted for the lion's share (41.0%) of the total office take-up across Milan. Take up rates of modern Grade A office spaces tend to be higher than lower quality office grades and available supply remains low in the Periphery submarket. Absorption in the Periphery submarket continued to be high in 2020 with about 104,200 sqm, up 8.2% YoY and two times higher than the 5-year average of 52,465 sqm. The strong absorption was largely attributed to the limited new supply, large available office inventory, and strong occupier demand for new good quality peripheral office spaces. As a result, there continues to be strong occupier interest for new and recently built office developments located near metro stations in the Periphery submarket amid the decentralisation trend among major corporate occupiers.

Independent Market Review

Over the past years, the Periphery recorded good levels of take-up. In 2020, the drop was limited to -11%, compared to -38% in all the market thanks to the Saipem deal closed in 1Q 2020 in the Milano Santa Giulia district. This large transaction in the Periphery submarket in 2020 was the pre-leasing deal for the circa 44,000 sqm of Spark 1 & 2 Buildings leased by the Italian multinational gas and oil company, Saipem, and are expected to complete in 2022.

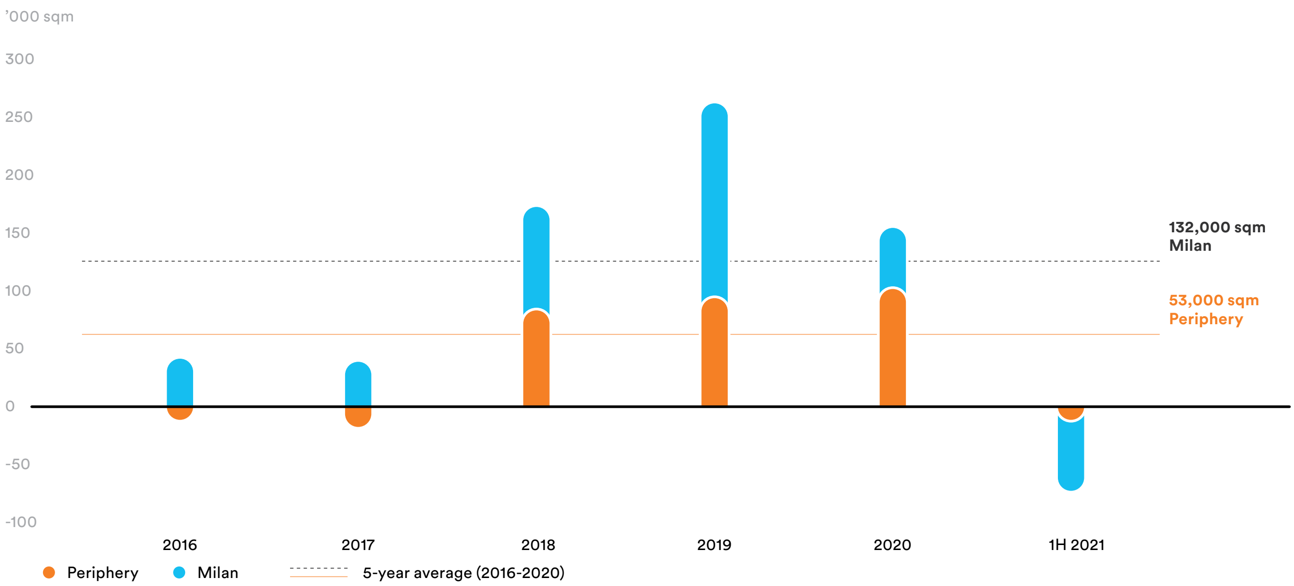
Total Office Take-up in Milan Metropolitan City and the Periphery Submarket (2016-1H 2021)



Source: Colliers International

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

Total Office Absorption in Milan Metropolitan City and the Periphery Submarket (2016-1H 2021)



Source: Colliers International

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

Supply and vacancy

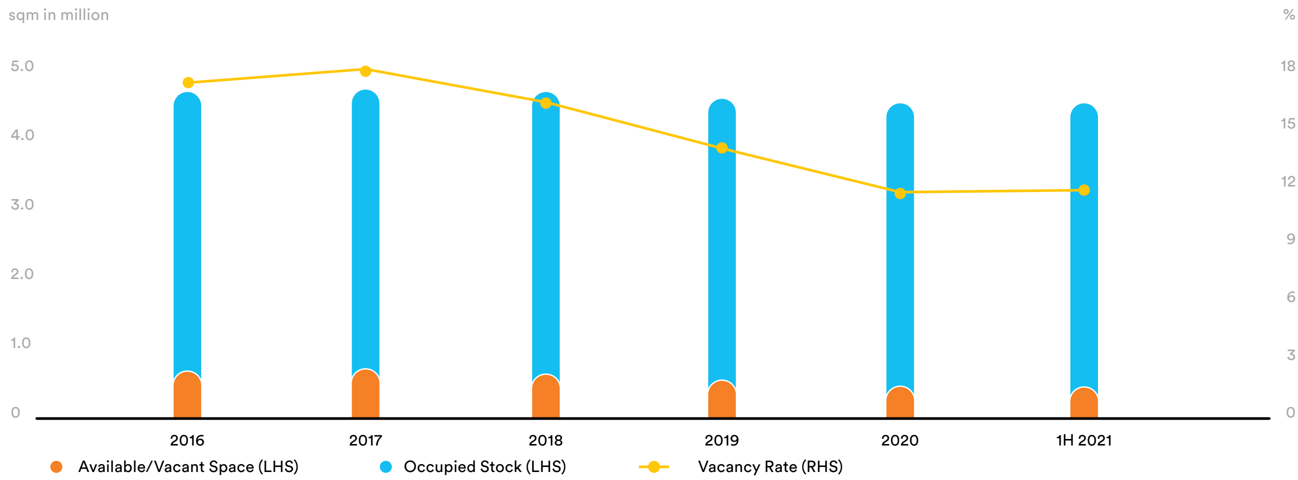
As of 1H 2021, the vacant office space in Milan stood at 1.2 million sqm (some 9.5% of the office stock). This volume reduced over the last three years thanks to an increasing take-up. Overall office vacancy has decreased in the Milan market over the past five years amid limited net new supply, the renovation, refurbishment and conversion of ageing stock, and strong occupier demand for the quality office spaces.

In the Periphery submarket, absorption (5-year average of about 52,500 sqm per year) has also exceeded net new supply (5-year average of about 16,100 sqm per year) over the past five years, causing the vacancy rate to decline from 17.2% in 2016 to 11.7% in 1H 2021. The contraction of the vacancy rate in the Periphery submarket has been supported by high demand for high-quality office products with small footprint and good connectivity and high-specification such as LEED-certified office buildings. It is important to note that the higher office vacancy rate in the Periphery submarket – relative to citywide – is related to the large proportion of Grade B and C office spaces located away from a metro or train station which exhibit relatively low occupancy levels compared to Grade A office buildings located near key transit nodes.

Strong occupier demand for affordable, well-located and good quality office properties has put further downward pressure on the vacancy rate in 2020. The amount of vacant space in the Periphery submarket declined from 550,000 sqm in 2019 to about 464,000 sqm in 2020 due to the limited amount of new office space over the past three years. A considerable share of the office take-up in the Periphery submarket compared to the Milan market in 2020 was 41.0%, which reflects a high demand in Grade A office buildings especially in the areas well served by the metro system.

The Periphery submarket's office stock increased slightly in 2020 due to the completion of select new projects in 2020. The Periphery submarket continues to remain an office development hotspot in the Milan market as well-located and readily available development sites remain scarce in central and semi-central areas of the city.

Total Office Stock & Vacancy in the Periphery Submarket (2016-1H 2021)



Source: Colliers International

Note: "LHS" stands for left-hand side axis and "RHS" for right-hand side axis.

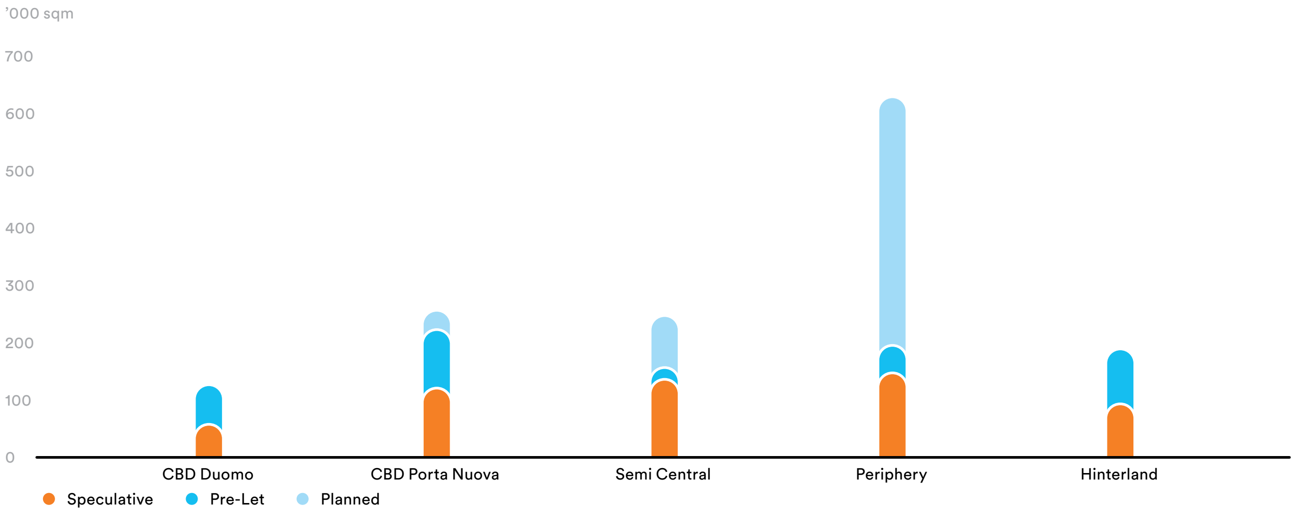
New supply and projects in the pipeline

As of 1H 2021, approximately 1,420,000 sqm of gross lettable area ("**GLA**") of office space is expected to complete between 2021 and 2024 across Milan. Of the total, Colliers International estimates that 32% of the total GLA was in speculative projects and 22% in pre-let multi-tenant projects. The remaining 46% are planned projects for which works have not started.

Independent Market Review

In the Periphery submarket, there is a pipeline of approximately 620,000 sqm of GLA, accounting for some 43% of Milan's total pipeline, of which about 68% are still in the planning phase. Of the remaining, 8% have already secured a lease and 150,000 sqm are being developed speculatively. The COVID-19 pandemic has delayed the delivery of all projects by three to six months, more especially for speculative projects.

Upcoming New Office Supply by Area in Milan (2021-2024)



Source: Colliers International

Development Projects in the Pipeline Near Milano Santa Giulia District (as of 1H 2021)

Property Name	Location	Status	Expected Completion Year	GLA (sqm)
Symbiosis	Viale Ortles	Under construction	2021	8,300
6° Palazzo Uffici	Viale Alcide De Gasperi	Under construction	2021	56,000
Milanofiori Nord U3	Milanofiori Nord U3	Under construction	2021	10,100
Milanofiori Nord U1	Milanofiori Nord U1	Under construction	2021	10,100
Spark One & Two	Milano Santa Giulia	Under construction	2022	50,000
Spark 3, 4, 5	Milano Santa Giulia	Planned	2023 and beyond	57,000
The Sign-Building D	Via Schievano 1	Planned	2023 and beyond	13,000
Connecto	Milano Santa Giulia	Planned	2023 and beyond	40,000
Milanofiori Nord Ux	Milanofiori Nord	Planned	2023 and beyond	10,100
Novalis	Via Rizzoli	Planned	2023 and beyond	35,000

Source: Colliers International

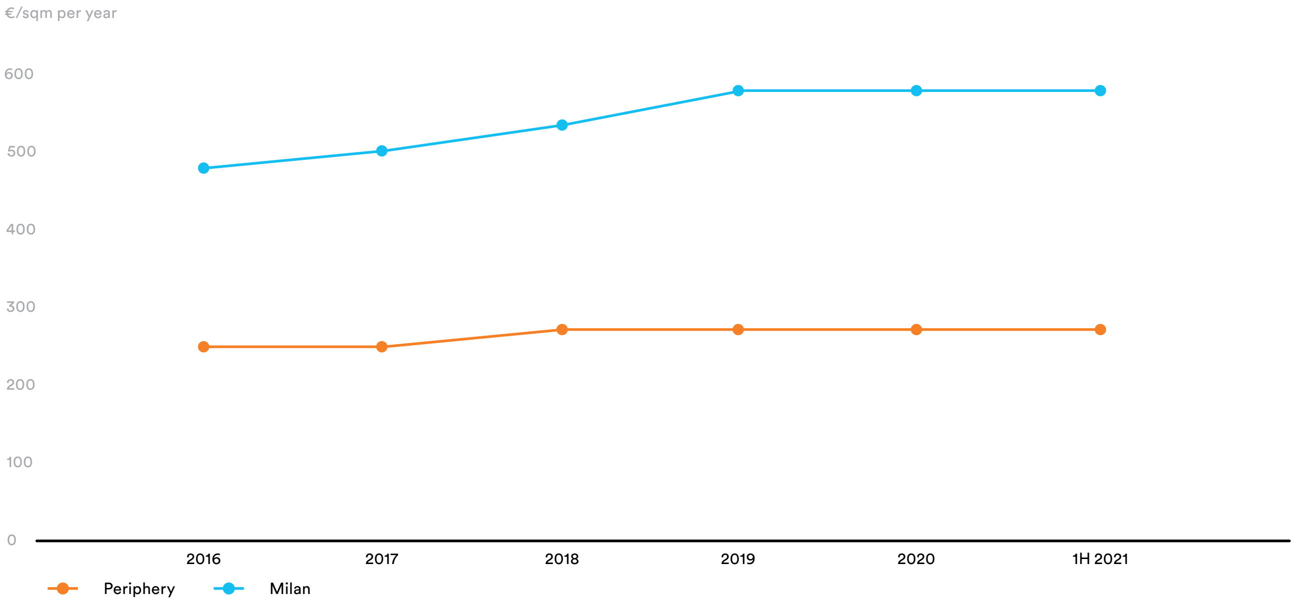
Rents

The lack of quality spaces on the market has helped keep prime rents at the healthy levels in 2020. While the COVID-19 pandemic has negatively impacted new demand, it did not lead to a decline in rental as landlords responded with support package for its tenants.

The tightening of supply and demand conditions in the Milan office market have placed upward pressures on rents in recent years, both in central and peripheral areas of the city. The reduction of the available vacant supply across the city made it more challenging for occupiers to secure large floor plates in high-quality Grade A buildings, particularly in well-located locations in established business districts and near metro and rail stations. The average rent of prime Grade A office locations in Milan rose from €500 per sqm per year in 2016 to €590 per sqm per year in 2020, a compounded annual growth rate ("**CAGR**") of 4.2% over the five-year period. The sustained rent increase was supported by a very low vacancy and limited new supply in the city's prime office districts of CBD Duomo and CBD Porta Nuova in recent years.

In the Periphery submarket, average prime rents rose more moderately from €260 per sqm per year in 2016 to €280 per sqm per year in 2020 – a 1.9% CAGR – amid a larger stock of available space due the large influx of new supply over the past five years. Given that the majority of the good quality office stock in the Periphery market has been developed in the past 10 years, a large number of tenants are first occupiers in the building and remain on original lease terms subject to Italy's rent adjustment control regulations. As leases expire, rent increases are expected during renewal and relocation negotiations. Further rent increases are expected in the Periphery submarket in years to come as the occupier flight to good quality peripheral space continues, supply-demand dynamics continue to tighten, and the submarket becomes more established as a Grade A office location.

Office Average Prime Rent in Milan (2016-1H 2021)



Source: Colliers International

Overview
Performance Overview
Sustainability
Governance
Financials

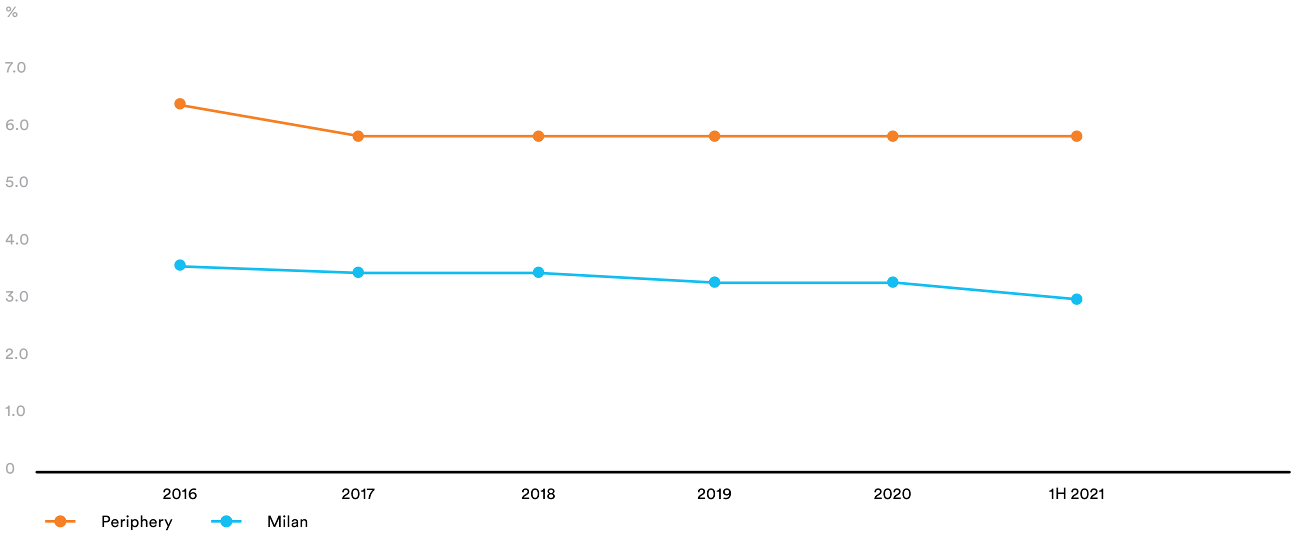
Independent Market Review

Yields and transactions

Over the period 2013-2020, Milan attracted 64% of the office property investment deals in Italy, making the city the top destination for this asset class. In the first half year of 2021, office investments in Milan reached 84% of the Italian volume. Investors are looking at core products, mainly in the central areas of the city.

In 2020, prime yields remained stable while a discount on non-core opportunities resulted in an increase in the spread between prime and secondary assets. The Milan prime office market transitioned to a two-tier investment yield system in recent years. The first tier includes office assets located in prime central district such as CBD Duomo and CBD Porta Nuova which command a valuation premium, with a net yield of around 3.0% as of 1H 2021. This tier of assets recorded a rapid yield compression over the past five years (about 7.1%) amid the low interest rate environment, the limited number of assets on the market and increased participation from foreign investors. The second tier includes good quality assets in well-connected peripheral locations with considerable development potential, such as the Periphery submarket where yields for good quality office properties compressed more moderately since 2016, from 6.2% to 5.8%. The high level of liquidity and the strong competition to secure the best assets is keeping pressure on yields that could further decrease in the coming years.

Office Prime Yields (2016-1H 2021)



Source: Colliers International

The total investment volume in the Milan office market totalled €3.4 billion in 2020, down just 3.8% YoY from 2019, which was the highest level recorded. In the Periphery submarket, Colliers International estimates based on information available publicly, that €757.9 million worth of office property assets were transacted in 2020. Four notable Grade A office transactions include the acquisition of the Via Sile 8 by the Milan Municipality, Lighting Building by Kryalos, Spark One & Two by Lendlease and PSP Investments and the Via Giovanni Durando 38 by the Milan Municipality. The estimated capitalisation rates of transacted properties in the Periphery submarket average about 5.75% based on factors such location, physical state of the property, occupancy rates and positioning.

OUTLOOK

The long-term prospects are bright for the Milan office market. The Milan office market has withstood the economic crisis well and remained the focus of major investment in Italy. While a temporary contraction of leasing and transaction activity has occurred in 2020 as a result of the COVID-19 outbreak and lockdown, the Milan office market is expected to continue its strong performance in the coming years on the back of solid economic fundamentals, limited new supply, sustained occupier demand and enduring investment appetite from local and international investors. The main market drivers would be the search for quality, modern and flexible spaces. Post pandemic, the Milan office market will see a sustained interest by investors given its proven resilience despite a challenging economic and business environment over the past year.

In the near term, Colliers International expects the Periphery submarket to further raise its profile as a key office location for major occupiers interested in good quality office facilities located near rapid transit at a lower price point than the prime CBD areas. The office vacancy rate in the Periphery submarket is expected to continue to decrease gradually in the coming years as large occupiers pursue space rationalisation and office decentralisation strategies. The limited space availability in central and semi-central areas will also generate demand spill-over from these districts to the Periphery submarket, particularly in locations easily accessible by metro and train. As such, office locations near a metro and train station will continue to outperform those located further away and will attract increasing interest from developers for potential office developments.

Finally, the Periphery submarket is expected to continue to be a preferred location for major occupiers interested in built-to-suit office solutions, particularly in the context of the development land scarcity in the central and semi-central areas of Milan. The development of a new arena to be used as a key venue for the 2026 Winter Olympics in the Milano Santa Giulia will complete the district and raise its profile as an emerging mixed-use destination in the long-term. This development and the other nearby office developments could push the landlords and the Municipality to accelerate the rejuvenation progress in the Milano Santa Giulia. Sky Complex will considerably benefit from the enhanced regional destination status of Milano Santa Giulia given its strategic location near the area's transit node and its good quality office space, with lease rates and capital values expected to increase amid growing occupier and investor interest.

DISCLAIMER

To the extent permissible under applicable laws, in no event shall Colliers International be liable to the Client or anyone claiming by, through or under Client, including insurers, for any lost, delayed, or diminished profits, revenues, production, business, use or opportunities, or any incidental, special, indirect, or economic losses, wasted costs, diminution of value or consequential damages, of any kind or nature whatsoever, however caused.

All the costs and benefits forecasted will, ultimately, be determined by future market conditions. Forecasts of these elements are based on assumptions of certain variable factors, which, in turn, are extremely sensitive to changes in the market and economic contexts. For this reason, the figures mentioned in this report were not computed under any known or guaranteed conditions. Rather, these are forecasts drawn from reliable sources of data and information and made in the best judgment and professional integrity of Colliers International. Notwithstanding this, Colliers International reiterates that it will not accept any responsibilities in the face of damage claims that might result from any error, omission or recommendations, viewpoints, judgments and information provided in this report.

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Investor Relations

Upholding the highest standards of corporate governance and transparency are the bedrock of all our stakeholder engagements. Together we thrive.

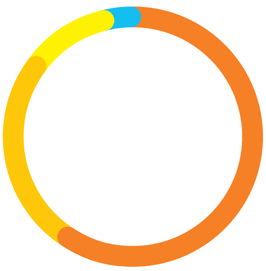
The Manager is committed to upholding the highest corporate governance standards and providing transparency in our business operations.

It believes in proactively engaging with all its stakeholders, to help them better understand LREIT's performance and growth strategies. The Manager's focus remains on connecting with investors, fund managers, analysts and the media through regular meetings and conferences, as well as other investor relations ("**IR**") activities so as to foster top-of-mind recall for LREIT within the investment community.

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

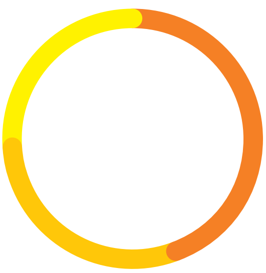
The COVID-19 pandemic had resulted in restrictions placed on in-person roadshows, meetings and site visits, but this had not deterred the Manager from continuing to maintain regular engagement with the investment community through virtual outreach events and activities to provide updates on LREIT's development, financial performance, insights on its strategies as well as market outlook.

Unitholdings by Geography[1]



Singapore	31.6%
Asia (excluding Singapore)	13.8%
North America	5.9%
United Kingdom & Europe	2.0%

Unitholdings by Investor Type



Institutional investors	44.2%
Retail investors	30.9%
Lendlease Group	25.9%

Note: Information on unitholdings was as at 30 June 2021.

[1] Excludes Lendlease Group's unitholdings.

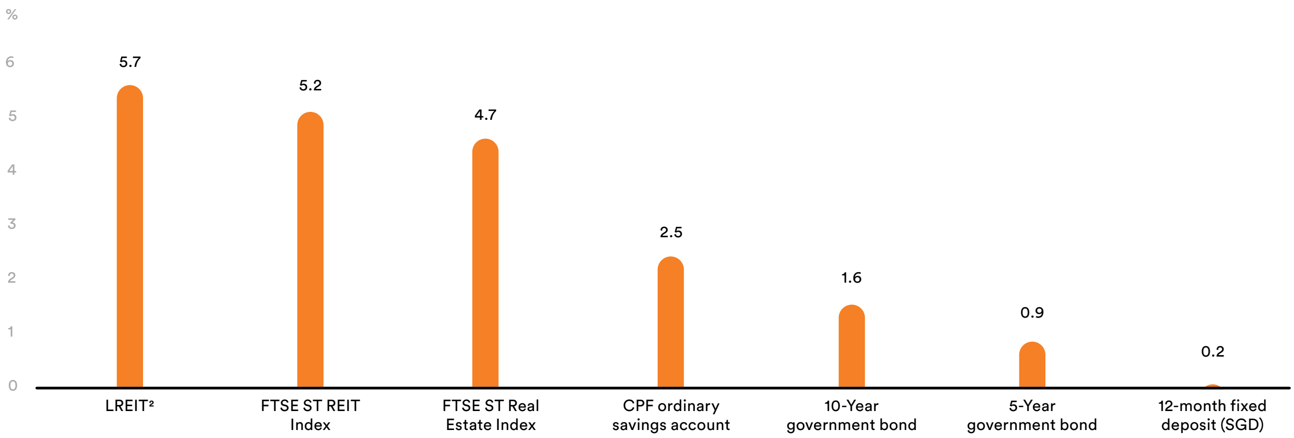
In FY2021, the management team met with more than 200 research analysts and institutional investors through quarterly analyst briefings, one-on-one and group meetings, as well as investor conferences, with the majority of outreach activities conducted online.

Retail investors are an important group and part of the Manager's outreach efforts. To engage with the retail investors, the Manager collaborated with the REIT Association of Singapore ("**REITAS**") to conduct a webinar in December 2020 (with SGX) and March 2021 (with Phillip Capital and UOB Kay Hian). Each of the webinars was well attended by more than 150 retail investors. In May 2021, the Manager also participated in the online edition of the annual REITs Symposium, organised by ShareInvestor and REITAS, which attracted more than 4,000 registrants.

The inaugural annual general meeting of LREIT unitholders in October 2020 was held by electronic means and was well attended by retail investors.

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

Attractive Yields Compared to Other Investments (as at 30 June 2021)



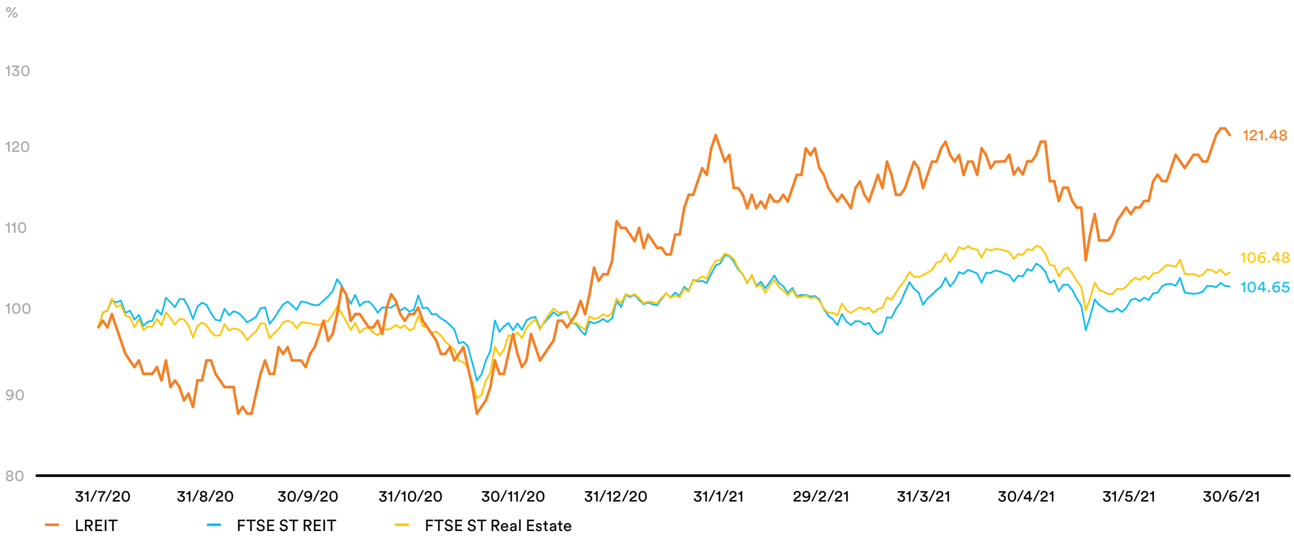
Source: Bloomberg, Monetary Authority of Singapore and Central Provident Fund

Unit Price & Trading Volume	As at 30 June 2021
Closing price on the last trading day prior to the commencement of the period (S$)	0.675
Highest closing price (S$ per unit)	0.830
Lowest closing price (S$ per unit)	0.605
Average closing price (S$ per unit)	0.726
Closing price for the period (S$ per unit)	0.820
Total trading volume (units in million)	766.9
Market capitalisation (S$ million)	968.4

[2] Based on LREIT's DPU of 4.68 cents for the Financial Period and the market closing price per unit of S$0.82 as at 30 June 2021.

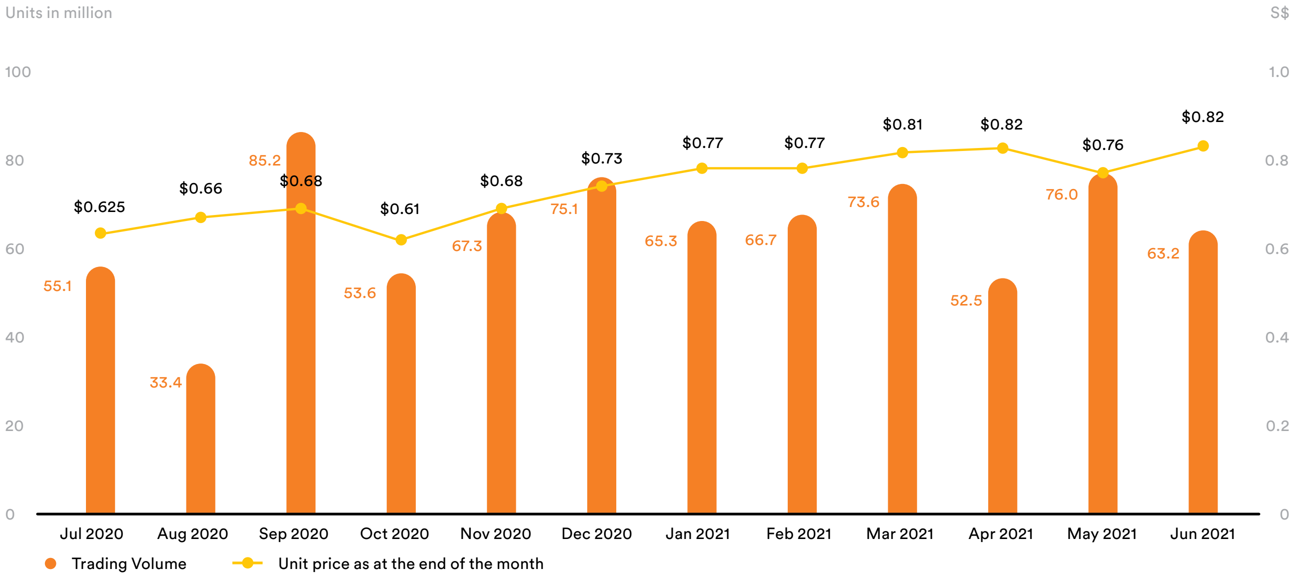
Investor Relations

Relative Price Performance for the Period 1 July 2020 to 30 June 2021 (%)



Source: Bloomberg

Monthly Trading Performance



Research Coverage

7 research houses:
- CGS-CIMB
- Citi
- Daiwa
- DBS
- Macquarie
- Phillip Capital
- UOB Kay Hian

Constituent of Key Indices

- FTSE EPRA Nareit Global Developed Index
- FTSE ST Singapore Shariah Index
- FTSE ST Small Cap Index
- GPR/APREA Investable REIT 100 Index
- iEdge S-REIT Index
- iEdge S-REIT Leader Index
- MSCI Singapore Small Cap Index

Unitholders' Enquiries

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

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

IR Events and Milestones

2020

JUL

- Maybank Kim Eng Invest Asean 2020

AUG

- 4Q FY2020 Results Announcement
  4Q FY2020 Results Analyst Briefing
  4Q FY2020 Results Investor Conference Call
- CITI-REITAS-SGX C-Suite
  Singapore REITS & Sponsors Forum

SEP

- Coverage initiation from CGS-CIMB
- DBS-SGX-REITAS Future Of Real Estate Series
- HSBC Virtual Singapore REITS Corporate Day
- SGX-Credit Suisse Real Estate Virtual Corporate Days

OCT

- Annual General Meeting FY2020

NOV

- 1Q FY2021 Business Update
  1Q FY2021 Business Update Analyst Briefing
- Coverage initiation from UOB Kay Hian
- SGX-JP Morgan Virtual Corporate Days
- Webinar Series With Equities Tracker hosted by Phillip Capital

DEC

- Coverage initiation from Phillip Capital
- SGX-REITAS Webinar Presentation

2021

FEB

- 1H FY2021 Results Announcement
  1H FY2021 Results Analyst Briefing
  1H FY2021 Results Investor Conference Call

MAR

- Included in Edge S-REIT Leader Index and iEdge S-REIT Index
- Nomura Non-Deal Roadshow
- Phillip Capital Lunch Hour Webinar
- UOB Kay Hian-REITAS Webinar

MAY

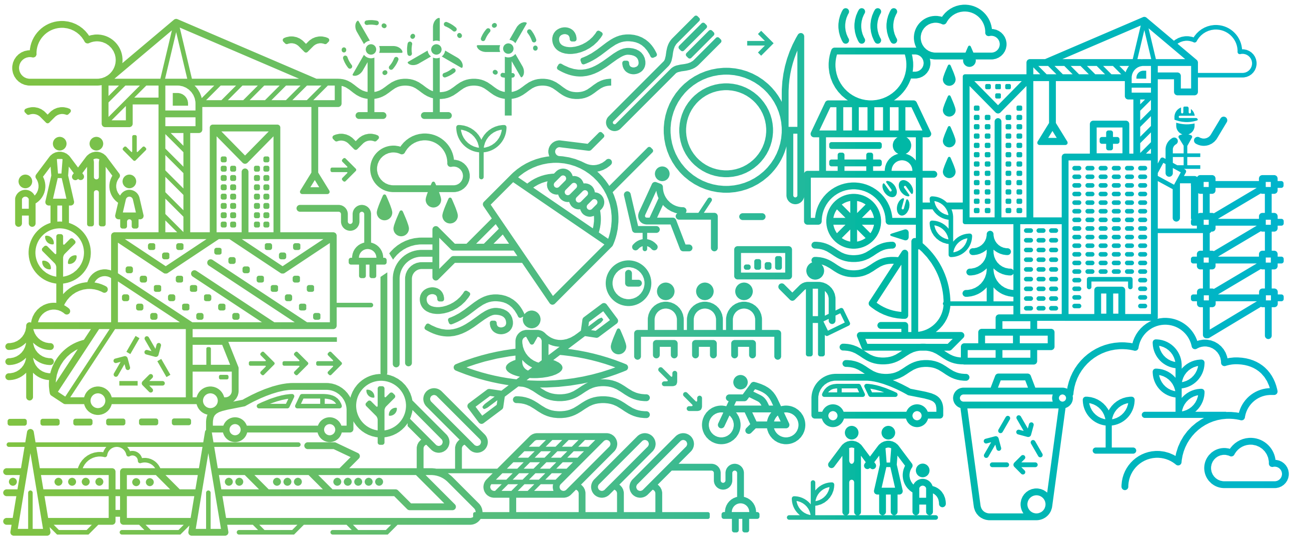
- 3Q FY2021 Business Update
  3Q FY2021 Business Update Analyst Briefing
  3Q FY2020 Business Update Investor Conference Call
- REITAS-DBS Private Banking Conference
- REITAS-ShareInvestor 7th REIT Symposium 2021
- SGX-Sinopac Securities Investor Conference

JUN

- CITI Pan-Asia Regional Investor Conference 2021
- CITI-Asia-Pacific Property Conference Day
- Coverage initiation from Citi
- DBS-SGX-REITAS Virtual Conference

Cultivating Purpose, Together

The communities in which we operate sustain our performance. We invest time and resources into strengthening the bonds within these communities.



Sustainability Report

In FY2021, LREIT performed well across its material ESG factors. It aims to create value in the communities in which it operates by going beyond asset obligations and support shared value partnerships.

ABOUT THIS REPORT

This is Lendlease Global Commercial REIT's ("**LREIT**") second sustainability report, which has been prepared in accordance with the sustainability reporting requirements of the SGX-ST Listing Rules 711A and 711B and the Global Reporting Initiative Sustainability Reporting Standards ("**GRI Standards**"): Core option. GRI's Reporting Principles are applied in guiding its report content.

This report presents detailed information on LREIT's sustainability policies, practices, performance and commitments that are material to LREIT's business and stakeholders during the period from 1 July 2020 to 30 June 2021 ("**FY2021**").

The scope of the report covers:

- LREIT;
- Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**");
- Lendlease Retail Pte. Ltd. (the "**Property Manager**"); and
- LREIT's property, 313@somerset (the "**Property**"), over which the Manager has operational control[1].

The abovementioned entities and property are located in Singapore. LREIT's other property, Sky Complex in Milan, and its investment in Jem is excluded from the scope as the Manager does not have operational control of the property. The multifunctional event space adjacent to 313@somerset is also excluded from the scope as it has not commenced operations.

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

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

BOARD STATEMENT

The Board of Directors (the "**Board**") is pleased to present LREIT's sustainability report for FY2021. This report highlights engagements across the entire management from the Manager and the Property Manager to demonstrate competitive advantage in achieving sustainability firsts across all areas of their value chain. As wholly-owned subsidiaries of Lendlease (the "**Group**"), the Manager and Property Manager uphold the Group's sustainability approach and commitments, supported by its robust risk and governance structure. The Group is committed to be a leader in sustainability in its operating segments of Development, Investment and Construction. It has launched Mission Zero, a campaign to promote its new sustainability targets in May 2021, which are some of the most ambitious for the real estate sector globally (more details on page 71).

The COVID-19 pandemic has reshaped society and business operations in the past two years, and its impact will likely continue for the years to come. On the back of the pandemic, there has been a greater call for global efforts to improve collective resilience, on both environmental and social fronts. In this respect, LREIT will continue to work towards enhancing the Property's climate resiliency, take the lead in disclosing LREIT's exposure to climate-related risks, and adopt best practices to drive building performance for the Property.

LREIT's sustainability initiatives are driven and executed by the Sustainability Working Committee ("**SWC**"), which comprises members in the management team of the Manager, the Property Manager and senior representatives across the Group's core functions. The Board oversees the work of the SWC, and is responsible for determining, managing and monitoring LREIT's material environmental, social and governance ("**ESG**") factors.

Following on from FY2020's initiatives in response to the pandemic, the Manager has continued to work with LREIT's key stakeholders to maintain business resiliency while driving positive outcomes. The Manager has provided targeted assistance for its tenants and increased its marketing efforts significantly to generate recurring spending and drive footfall back to the Property. The Property Manager has also stepped up on its disinfection regime at the Property, adhering to governmental guidelines and regulations. The Manager has remained committed to safeguarding and supporting the livelihoods of its employees through its employee practices and has continued to support fundraising activities for communities affected by the pandemic for the second year.

In FY2021, LREIT performed well across its material ESG factors. Aligned to the Group's commitments to the United Nations' Global Compact ("**UNGC**") and its social value target of creating A$250 million of social value by 2025, LREIT aims to create value in the communities in which it operates by going beyond asset obligations and support shared value partnerships. For instance, Annual Community Day was adopted in 2019 – an initiative established by the Group's Foundation since 1996, where it matches employee skills with community needs to deliver and support a range of projects. However, the Manager was unable to carry out the Annual Community Day programme[2] in FY2021 amid the restricted movements in place due to the pandemic. The Board remains hopeful to reignite this initiative as Singapore takes its next steps towards resuming more business and social activities.

In FY2021, LREIT took the top spot and won the Regional Sector Leader status for both Asia Retail (Overall) and Asia Retail (Listed) categories in 2020 GRESB Real Estate assessment. This marks LREIT's inaugural international accolade in its first year of listing on the Singapore Exchange.

In the coming year, the Board will continue to drive LREIT's sustainability performance through the SWC while strengthening its business resilience. The Board will also continue to embed practices of good governance to ensure the Manager understands its responsibility in building a positive influence on society and contribute to its wider developmental goals. This dynamic strategy drives LREIT's commitment in creating long-term value for its stakeholders.

SUSTAINABILITY APPROACH

The Group's vision of creating value through vibrant places and leaving a positive legacy for future generations is supported by its Sustainability Framework. The Framework spells out three imperatives – namely, Sustainable Economic Growth, Vibrant and Resilient Communities and Cities, and Healthy Planet and People, and are supported by a suite of actionable environmental and social focus areas. These are adopted by the Manager, in line with Group's commitment as a signatory to the UNGC and United Nations Principles for Responsible Investment ("**UNPRI**").

The Manager recognises its fiduciary duty to LREIT's stakeholders and stewardship role in the management of its property portfolio and have integrated ESG factors as part of the Manager's processes. These factors were identified through extensive consultation with customers, investors, employees and other stakeholders. Through its integrated and robust approach, the Manager is able to deliver sustained economic value and positive environmental and social outcomes for LREIT's stakeholders.

[1] Based on GHG Protocol's control approach.
[2] More details could be found in the Group's corporate website, Lendlease Foundation.

Sustainability Report

SUSTAINABILITY FRAMEWORK

Sustainability Imperatives

SUSTAINABLE ECONOMIC GROWTH

Growth that recognises the finite nature of our planet and resources, and provides pathways for economic prosperity for everyone

VIBRANT AND RESILIENT COMMUNITIES AND CITIES

Creating vibrant and resilient communities that are adaptable and resilient to change, socially inclusive and valued

HEALTHY PLANET AND PEOPLE

Ensuring a healthy planet and healthy people – where we connect to and respect nature and facilitate wellbeing

Environmental Focus

RESOURCES AND MATERIALS

Focus on conserving natural resource and selecting sustainably sourced materials

- Eliminate waste and promoting circular economy
- Conserve energy and water

CLIMATE ACTION

Focus on adapting and mitigating climate impacts

- Improve energy efficiency, use of renewable energy, reduce carbon emission
- Create resilient places to adapt to climate change
- Work with tenants to reduce carbon in operations

NATURE AND POLLUTION

Focus on protecting and restoring the natural environment

- Enhance biodiversity of fauna and flora in the places LREIT creates
- Connect the built to the natural environment, maximising opportunities for the connection of people to nature
- Eliminate pollution on air, water and land

Social Focus

ECONOMIC PROSPERITY

Focus on generating prosperity for the communities we impact

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

COMMUNITY INCLUSION

Focus on creating thriving communities resilient to climate change, rich with culture and context with a place for all

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

WELLBEING

Focus on supporting and enhancing people's physical and mental wellbeing

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

Sustainability Governance

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

In consultation with the Group's Sustainability function, the SWC is responsible to develop sustainability objectives and strategy, as well as to manage and drive performance in accordance with the Group's sustainability direction and approaches. The SWC's responsibilities include developing the sustainability report under the guidance of the GRI Standards: Core option and reviewing LREIT's sustainability framework on an annual basis. The SWC reports LREIT's sustainability progress to the Board annually.

Stakeholder Engagement

LREIT is committed to safeguard its stakeholders' interests. To do so, it maintains transparent and effective two-way communication with its stakeholders to meet their concerns and expectations as outlined below. In FY2021, engagement with stakeholders were conducted virtually.

Key Stakeholders	Key Areas of Interest	Mode of Engagement	Frequency	Why are they key stakeholders?
Tenants	• Quality of facilities and services • Health and safety • Shopper traffic	• Tenant engagement events • Tenant satisfaction survey • Green leases	Regular Annual Regular	• Maintain LREIT's economic resilience through sustainable and stable rental collection.
Retail shoppers	• Range and quality of retail offerings, amenities and services • Health and safety • Access to public transport	• Online communication platforms including social media • Customer service • Marketing and promotional events • Customer satisfaction survey • RepTrak survey by external party	Regular Regular Regular Regular Annual	• Generate recurring sales for the tenants and maintain the vibrancy of the Property.
Investment Community (Institutional and retail investors, banks and analysts)	• Business performance and strategies • Good corporate governance • Timely and transparent reporting	• Teleconferences and meetings • Site tours at the Property • Partner with REITAS and brokerage houses to conduct corporate presentation to retail investors • SGXNet announcements • Results briefings to analysts • Annual Report • RepTrak survey by external party	Regular Regular Regular Regular Quarter Annual Annual	• Being investable to investors will enhance LREIT's trading liquidity and its visibility. It reflects investor perception of its ability to generate long-term value for its stakeholders. • It is through analyst coverage that enables LREIT to reach out to a wider pool of investors worldwide. Investors will be able to obtain LREIT's operational and financial update through the reports issued by the analysts. • The ability for LREIT to secure financing from banks maximises operational efficiency. It is through efficient capital management that helps maintain smooth operations and improve LREIT's financial performance.

● Regular ● Annual ● Quarter ● Monthly

Sustainability Report

Key Stakeholders	Key Areas of Interest	Mode of Engagement	Frequency	Why are they key stakeholders?
Employees	• Career development • Health and wellbeing • Diversity and inclusion	• Team meetings • Regular performance conversations on career, well-being and flexibility • Training and development opportunities • Virtual health and wellbeing seminars • Team bonding activities • Community Day & volunteering activities	● ● ● ● ● ●	• Employees are the most valuable assets in the Group. They are the greatest contributors to its success and enable it to fulfil its purpose. Together it creates value through places where communities thrive.
Business Partners (suppliers, service providers, banks)	• Fair and reasonable business practices • Corporate governance • Health and safety	• On-boarding risk assessment for contractors • Supplier Code of Conduct • RepTrak survey by external party	● ● ●	• Healthy and safety is always a top priority at the LREIT. This includes all employees, tenants and suppliers who the Group works with. • LREIT and the Property Manager place great emphasis in safe working conditions for its suppliers and also to ensure that their production processes are responsible and environmentally friendly. • Components of a supplier code of conduct include labour practice and standards to safeguard against child labour, non-discrimination, health and safety, working conditions, working hours, compensation, right to association, freely chosen employment; Environmental policy on product and materials use; Ethics that establish anti-corruption measures, and adhering to fair business practices in winning business, employees, and in managing partner relationships.

Key Stakeholders	Key Areas of Interest	Mode of Engagement	Frequency	Why are they key stakeholders?
Regulators and Industry Associations	• Regulatory compliance • Corporate governance • Local retail industry performance	• Meetings, briefings and consultations with regulators including Urban Redevelopment Authority, Building and Construction Authority ("**BCA**"), Singapore Tourism Board, Orchard Road Business Association, REITAS, Singapore Business Federation ("**SBF**"), The Singapore Exchange and Monetary Authority of Singapore	Regular	• LREIT is committed to creating better places for the community. • Working closely with industry regulators enable LREIT and the Property Manager to protect community interest and be responsible to ensure good corporate governance. • LREIT and the Property Manager monitor its compliance with applicable legal and regulatory requirements.
Local Community	• Community investments • Impact of business on the environment and society	• Sustainability initiatives • Shared Value Partnerships • RepTrak survey by external party	Regular Annual Annual	• Being a socially responsible company helps to build LREIT's corporate reputation and create positive impact in the community. • LREIT forms long-term partnerships with selected non-governmental organisations and social enterprises. This is done through the Annual Community Day programme to contribute and support the communities. • Social responsibility empowers employees to leverage the corporate resources at their disposal to do good. It could also boost employee morale and lead to greater productivity in the workforce.

Regular Annual Quarter Monthly

Sustainability Report

Materiality Assessment

In line with the GRI Standards' Principle of Materiality, the SWC conducted a materiality assessment to determine the ESG topics that are material to both LREIT's business and stakeholders in FY2020. The prioritisation of ESG topics are based on two criteria: the impact of a material topic on LREIT's business and the significance of the topic to its stakeholders. Following that, the Manager has continued to assess sustainability matters deemed material and relevant to LREIT's business and its stakeholders annually. This review considers emerging global and industry trends such as the impact of COVID-19 as well as LREIT's operating context. In FY2021, LREIT's material sustainability matters remain unchanged.

LREIT'S MATERIALITY ASSESSMENT PROCESS AND RESULTS

1. IDENTIFY MATERIAL ESG FACTORS

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

2. PRIORITISE MATERIAL ESG FACTORS

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

3. VALIDATE MATERIAL ESG FACTORS

Sought approval from the Board on the prioritised material ESG factors

4. RESULTS TOP MATERIAL ESG FACTORS

ECONOMIC

- Economic performance and customer experience

ENVIRONMENTAL

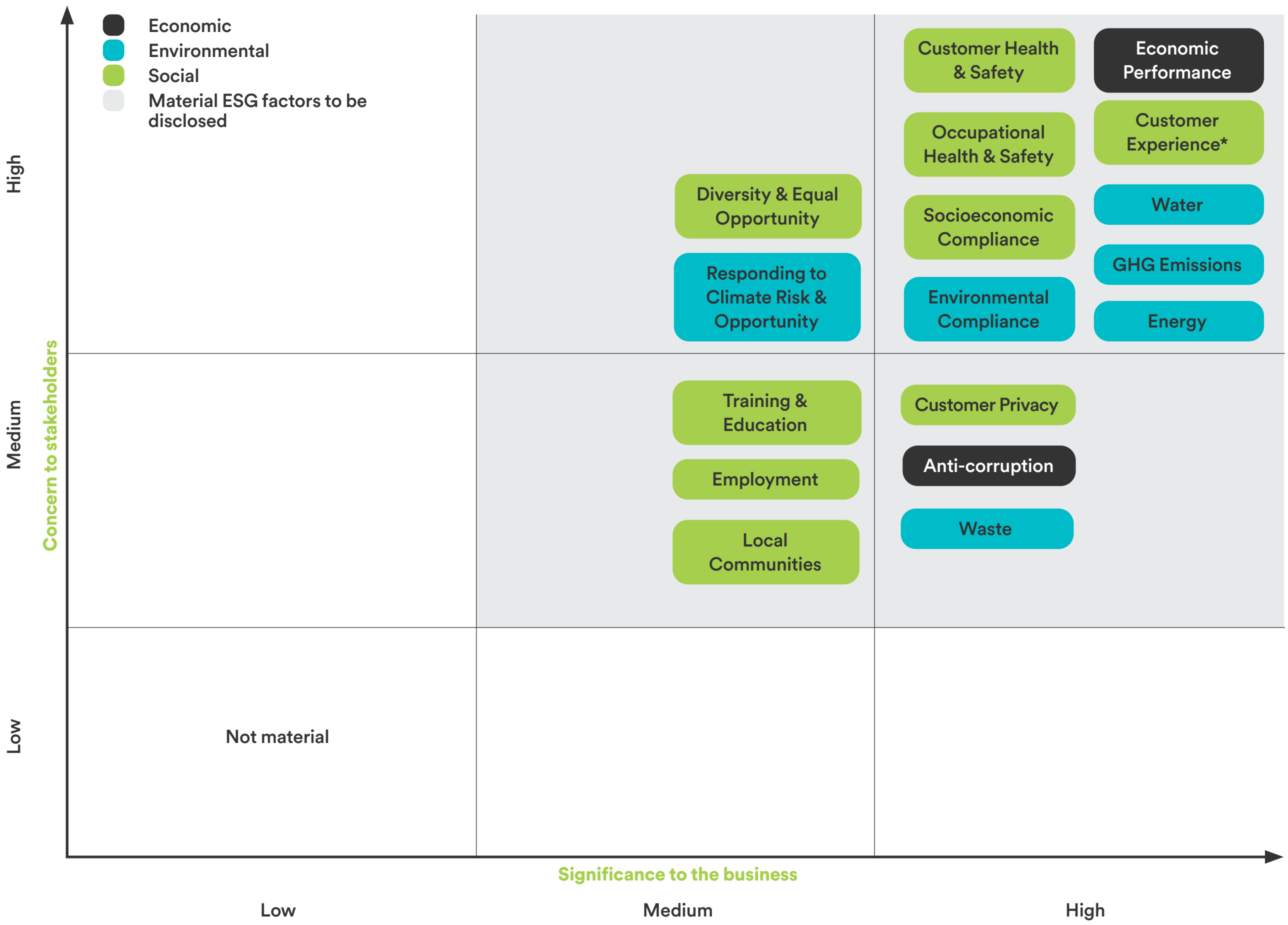
- Resource efficiency (energy, water and waste)
- Climate change mitigation, adaptation and resilience building

SOCIAL

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

GOVERNANCE

- Anti-corruption
- Regulatory compliance
- Customer privacy



* Non-GRI aspect.

ECONOMIC PERFORMANCE AND CUSTOMER EXPERIENCE

Tenants and shoppers play a key role in ensuring LREIT's economic resilience. Through the Property Manager, LREIT continuously engages with its tenants and customers through an array of initiatives. New retail and F&B concepts were introduced to refresh the tenancy mix to enhance shopping and gastronomical experience as well as to improve the visual appeal of the Property.

Despite the challenges faced due to the COVID-19 pandemic, LREIT ended the financial year with a gross revenue of S$78.7 million and net property income of S$56.9 million, up 5.6% and 5.4% compared to FY2020 respectively. Distribution per unit totalled 4.68 Singapore cents for the year, up 15.3% compared to FY2020[3].

For detailed financial results and performance, please refer to the following sections of this Annual Report: Key Highlights (page 3), Financial Review (pages 32 to 35) and Financial Statements (pages 132 to 192).

LREIT's strategies to bolster economic resilience are taken with tenants and shoppers in mind. As part of the Group's reputation research, it partnered RepTrak to conduct an annual corporate reputation research, which measures familiarity with the Group's brand and reputation versus its peers. This year's research was the fourth measure since tracking began in 2016, and the survey, which was run in multiple markets across the world, had concluded in May 2021. The findings on Lendlease in Singapore showed strong improvement in overall levels of trust, familiarity, admiration and respect. Familiarity score increased by 10% in 2021 and Lendlease's reputation score in Singapore has been able to maintain at 60.0, on par with all its industry peers. The report also included feedback from 1,016 Singapore residents, which showed that Lendlease Singapore managed to maintain a high level of approval, esteem and familiarity in the eyes of its customers. The strong performance was linked to the listing of LREIT in Singapore in late 2019, as well as the opening of Paya Lebar Quarter in 2020.

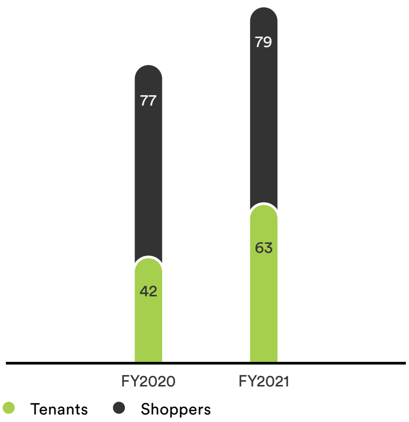
[3] Against annualised results for FY2020, which was based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days.

Sustainability Report

An annual Customer Experience Research survey was conducted in February 2021 at the Property to track tenant and shopper satisfaction levels. Simultaneously, LREIT has implemented a monthly tenant and shopper feedback system to document and monitor concerns. Thus far, most operational issues have been resolved in one to two days. If an issue is unable to be rectified, it would be escalated to management of the Property Manager, with the situation being continuously tracked until it is concluded.

In FY2021, the Property Manager identified marketing and communications as an area for improvement. To enhance shopping experience for their customers, the Property Manager has stepped up its online presence to assist its tenants in the changing consumer landscape brought about by the pandemic. They increased digital marketing efforts to engage the online community. The campaigns launched include *#313 Friyay* Instagram Giftaway, a collaboration with Lazada *(Lendlease Plus x Lazada: two ways to get 55% off)* as well as various deals and rewards from Lendlease malls such as *Welcoming you back with exciting deals* and *Great meals and rewards* initiatives. LREIT will continue to explore opportunities to ensure its business stays relevant by differentiating the Property while maintaining its commitment to deliver strong ESG performance.

Overall Satisfaction (%)



Customer Experience Research	FY2020	FY2021
Number of tenants responded	61	45
Number of shoppers surveyed	200	201

FY2021		FY2022
TARGET	**PERFORMANCE STATUS**	**TARGET**
To achieve higher scores for tenant and shopper satisfaction		To improve on the current year's results by achieving higher ratings for tenant and shopper satisfaction

ENVIRONMENTAL

LREIT acknowledges that climate change is a global phenomenon with far-reaching consequences for the built environment and recognises the urgent need to tackle the climate crisis and strives to minimise the environmental impact of its operations at the Property. As part of the Group's carbon targets under Mission Zero, which include attaining "Net Zero Carbon[4]" by 2025 and "Absolute Zero[5]" by 2040, the Property Manager aims to use less energy by setting progressive goals, addressing the immediate emissions activity, and fostering stakeholders' participation and partnership to respond to wider, indirect emissions. An initiative like its green lease programme is a prime example where all tenants are encouraged to adopt best-in-class sustainability commitments.

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

The Group's Supplier Code of Conduct sets out the expectations for third-party suppliers, consultants and contractors when supplying goods and services to the Property. They are expected to minimise environmental harm to the extent that is reasonably practicable and appropriate, through efficient use of energy, water and raw materials and minimising pollution, GHG emissions and waste. On a monthly basis, the Property Manager monitors the Property's energy, water, waste and GHG emissions performance through an in-house sustainability data management and reporting platform, FOOTPRINT, that allows them to carry out data monitoring and analytics for developing strategies. In FY2021, the Property's energy, GHG emissions, water and waste performance are subjected to external audits (for the Group including LREIT) and third-party data assurance was obtained for the GRESB assessment.

RESOURCE EFFICIENCY[6]

Energy

The production of electricity is the largest contributor to carbon emissions globally and hence a priority material topic for policymakers and investors. LREIT identifies its responsibility to manage energy consumption of the Property, and progressively looks to reduce energy usage and increase its usage of renewable energy (e.g. Solar power) for better energy efficiency.

As part of the Group's reporting process, annual third-party data assurance is obtained as part of GRESB assessment. In addition, the Green Mark recertification is conducted once every three years to ensure that building performance is maintained at Green Mark Platinum, the highest level of green building rating in Singapore. Beyond the monthly monitoring of energy consumption via FOOTPRINT, the project manager also proactively reviews building performance and implements energy reduction strategies.

The Property also generates and utilises renewable energy, in the form of on-site rooftop solar PV system, to complement overall energy consumption. Every month, approximately 4,500kWh of energy is harvested from the solar panels at the Property to power common area usage. Several energy-saving initiatives including the use of motion sensor and energy efficient equipment, 100% Green Leases based on Green Mark Platinum 2.1v requirements, and the use of low-E double glazed glass to optimise heating, ventilation, and air conditioning loads and enhance occupant comfort have also been implemented.

In FY2021, the Property Manager conducted green retrofitting of ageing equipment in the Property. In addition, it encouraged its employees and tenants to play their part in reducing energy usage in day-to-day operations. This is done through tenant engagement exercises, onboarding briefings, regular circulars and displaying of posters on energy saving initiatives.

During Earth Hour 2021, LREIT partnered with National Environment Agency ("**NEA**") and Public Utilities Board ("**PUB**") to create awareness on energy conservation by switching off its facade and non-essential lighting in the Property for two hours. Through these efforts, the Property has maintained its BCA Green Mark Platinum certification and realised a reduction in its total energy consumption of 1,973 MWh in FY2021 as compared to FY2016.

Solar panels on the roof to harness energy and convert it into electricity which is used in 313@somerset.

[4] By 2025, the Group will reduce greenhouse gas emissions as far as possible, with the remainder offset in an approved carbon offset scheme. The net zero target applies to scope 1 & 2 emissions.

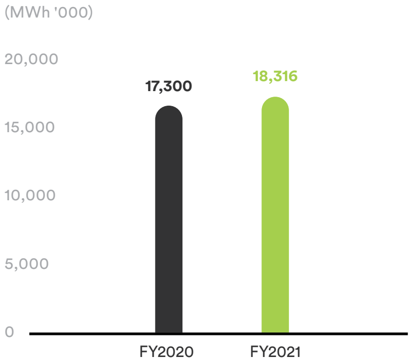
[5] By 2040, no greenhouse gas emissions from the Group's business activities. No offsets. The absolute zero target applies to scope 1, 2 & 3 emissions.

[6] For comparison purpose, all FY2020 data represented in the Resource Efficiency section are extrapolated by averaging nine months of FY2020 data and multiplying by 12 months to reflect a year's data. External assurance of FY2021 data has yet to be concluded at the date of publication of this report. Performance measured was for the period of 1 July 2020 to 30 June 2021.

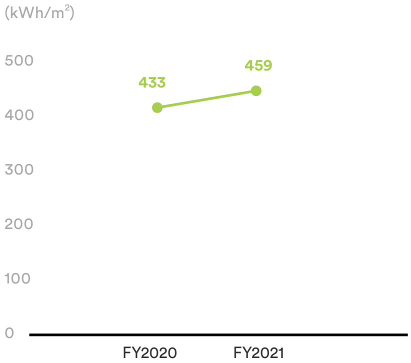
Sustainability Report

However, there is still an overall increase from FY2020, as FY2021 rebounded from the impacts of COVID-19 with the gradual lifting of restrictions on the Property's operations, capacity limits and tenancies after FY2020's Circuit Breaker. The resumption of operations coupled with the increase in footfall contributed to an overall increase in energy and water consumption as well as waste generation. In addition, the increased frequency of cleaning and disinfecting of the Property also required the use of more electricity.

Total Energy Consumption[7]



Energy Intensity[7,8]



FY2021 TARGET	FY2021 PERFORMANCE STATUS	FY2022 TARGETS
Achieve 11% reduction in energy intensity (landlord provisions) from baseline year of 2016[9]	Achieved 19% reduction in energy intensity (landlord provisions)	1. Continue to maintain Green building certifications – BCA Green Mark Platinum 2. Achieve 12% reduction in energy consumption or energy intensity (landlord provisions) from FY2016

The Sky Terrace at level 5 of 313@somerset has rotating green columns which are irrigated using harvested rainwater.

Water

With a growing focus on water self-sufficiency coupled with increasing demand for potable water, water conservation and reusing of Singapore's resources is critical. LREIT's initiatives to conserve water include using green retrofitting, innovative technology, effective monitoring and educating stakeholders to reduce water usage. In addition, alternative water strategies like harvesting of rainwater for certain operations such as toilet flushing, irrigation of green columns at the Sky Terrace and the landscaping along Discovery Walk, were adopted. Cooling towers had also used recycled water (NEWater) in order to conserve resources. The Property Manager places continuous emphasis to conserve water through awareness posters and implement

7 Using operational control approach, calculation includes landlord provisions and tenants' energy consumption.

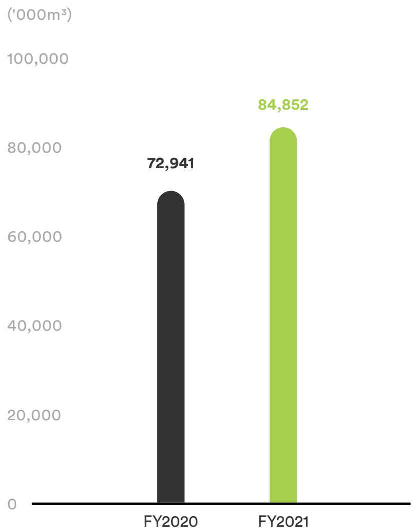
8 The intensity measurement is based on gross floor area, which is the sum of space shared by all building users and space leased to tenants (sum of floor area for common areas and occupied NLA).

9 In baseline year 2016, the Property consumed: Total energy (landlord provisions) of 10,329 MWh with an energy intensity at 259 kWh/m².

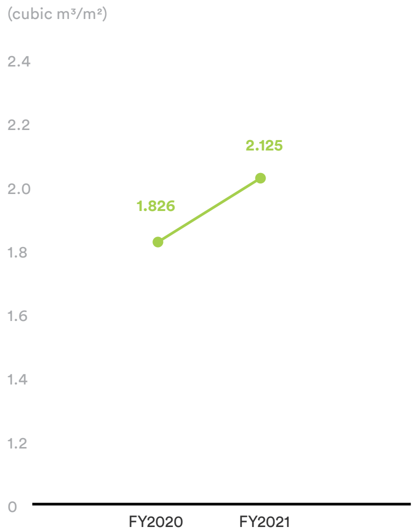
retrofitting 3-ticks water fittings for new tenants. Water audits are carried out once every three years as part of the Group's annual reporting process to identify water saving opportunities and monitor water leakage.

In FY2021, the Property used a total of 84,852 m³ of water, of which 92% was NEWater sourced from the PUB (recycled and treated wastewater) and 3% was rainwater harvested onsite. By using NEWater and rainwater, the Property reduces the need to withdraw freshwater[10] and redirects wastewater streams into beneficial uses. The increase in water intensity in FY2021 was attributed to the increased cleaning regime due to the pandemic as well as the gradual resumption of business operations.

Total Water Consumption



Water Intensity



FY2021 TARGET	FY2021 PERFORMANCE STATUS	FY2022 TARGET
Achieve 22% reduction in water intensity from baseline year of 2016[11]	Achieved 35% reduction in water intensity	Maintain target to reduce 22% in water consumption or water intensity from FY2016

Waste

Successful collaborative efforts between LREIT and its tenants in managing waste generated at the Property was encouraged through constant sharing of knowledge on recycling. During the year, 100 tonnes of waste were recycled, and these include used cooking oil, organic wastes, metals, plastics, e-waste, glass, paper and cardboard. To facilitate food recycling efforts at the Property, refuse bins were used to separate liquid from solid waste. For greater public awareness, food waste reduction posters are placed at the Property's lobby and staff pantry.

Since 2011, the Property has been hosting the Green and Gorgeous Fashion Swap annually. Instead of disposing old clothes and accessories, the community is given a platform to swap them. For FY2021, the project attempts to finish the fashion loop by redistributing "less-than-perfect" items and keeping them out of Singapore's landfill through re-wearing, upcycling, and donating to the less fortunate. In the process, 11,157 pieces of fashion items were rescued, of which 1,600 were donated to charities Soles4Souls, Green Square & MINDS and 9,557 were swapped among shoppers.

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

[11] In baseline year 2016, the Property consumed 130,663 m³ of water with an intensity at 3.27 m³/m².

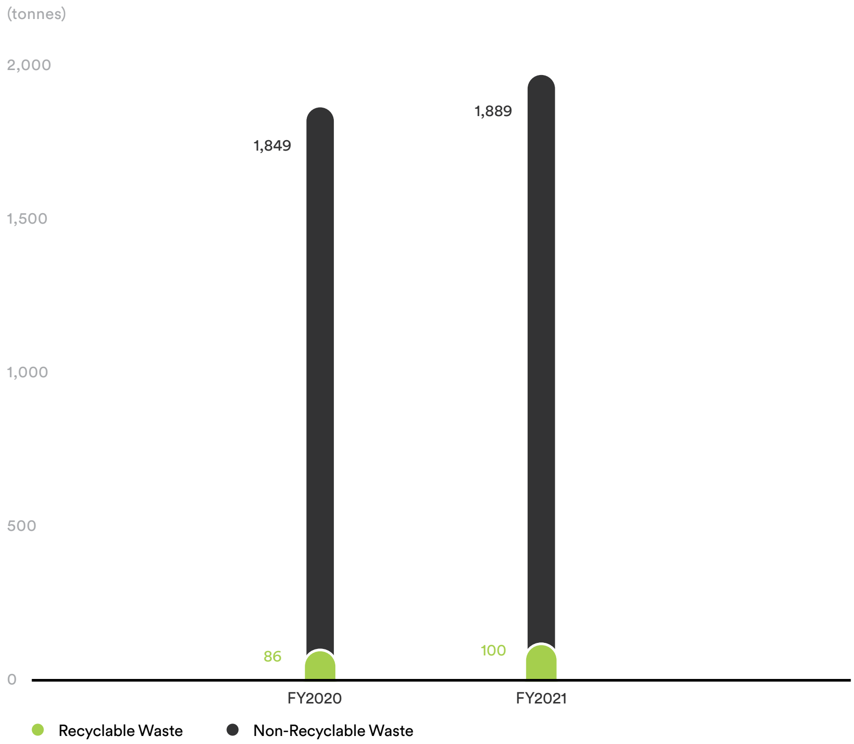
Sustainability Report

These efforts have resulted in 5% of total waste being recycled in FY2021 and a 24% reduction in total waste generated from FY2016. In recognition of the Property's outstanding waste management practices, minimisation efforts and initiatives, as well as 3R engagement with stakeholders (including tenants, shoppers, staff and suppliers), the Property was awarded Distinction in the NEA 3R Awards for Shopping Malls, held once every two years, for the second time in September 2019. However, in view of the pandemic situation, the award for 2021 was cancelled.

In the coming year, LREIT plans to install a Food Waste Digester System along with a monitoring platform to continually improve its waste management performance.

In FY2021, there was an increase in waste tonnage compared to the previous year due to the gradual resumption of business operations which resulted in an increase in overall waste generated.

Total Weight of Recyclable and Non-Recyclable Waste[12]



FY2021		FY2022
TARGETS	**PERFORMANCE STATUS**	**TARGETS**
1. Achieve recycling rate of 10% from baseline year of 2016[13] 2. Continue to encourage recycling through various initiatives and campaigns	☆ 1. Achieved 24% total waste reduction from FY2016 2. Participated in *Waste in Retail Research Initiative*, an effort towards waste reduction and circular economy strategy. Other initiatives like onsite food waste management system and e-waste recycling programme were implemented	1. Maintain target to achieve recycling rate of 10% from baseline year of 2016 2. Continue to encourage recycling through various initiatives and campaigns

[12] The waste disposal methods are determined based on information provided by the waste disposal contractor.

[13] In baseline year 2016, the Property achieved a waste recycling rate of 6% which accounted for 2,605 tonnes.

Circularity in Retail: Tackling the Waste Problem

Lendlease Singapore has launched the "Circularity in Retail: Tackling the Waste Problem" report, in collaboration with WWF-Singapore as part of its commitment under PACT (Plastic ACTion), a business initiative that aims to eliminate plastic pollution in nature and move towards a circular economy on plastics. In support of Singapore's zero-waste ambitions, the study serves as a guide for the retail sector to improve efforts towards a waste reduction and circular economy strategy via practical and tailored recommendations.

The study analysed waste data from Lendlease's three retail malls in Singapore – 313@somerset, Jem and Parkway Parade – between 2018 and 2019. One of the findings unveiled that the average recycling rate at Lendlease malls stood at almost 29%, more than 2.5 times Singapore's average recycling rate of 11.4%.

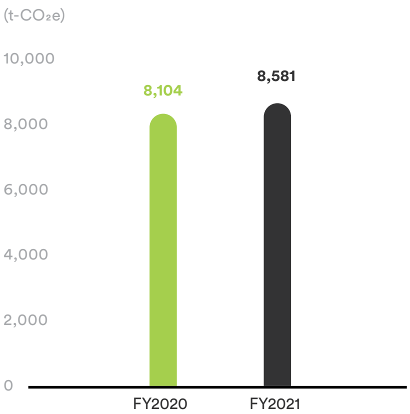
This showcased LREIT as a pioneering retail mall in leading greener waste management through its recycling programme. For more information, please refer to research report, Circularity in Retail: Tackling the Waste Problem.

Greenhouse Gas Emissions[14]

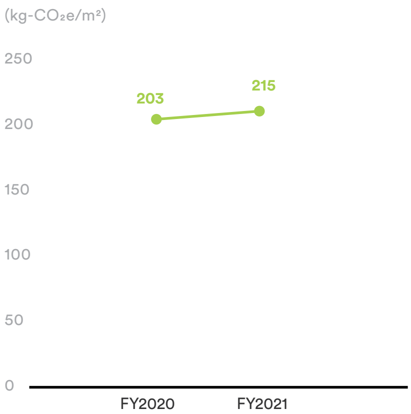
Climate change presents significant risks to the built environment, and LREIT's response in managing climate risks will impact its stakeholders and business continuity. These include physical risks presented by extreme weather events such as flooding, financial risks due to potential insurance liability from such weather events, and transitional risks as different stakeholders – government, suppliers, tenants and visitors respond unevenly to climate change. Since 2018, Group has been a supporter of the Taskforce for Climate-related Financial Disclosure ("**TCFD**") recommendations. As part of the process, the Group has committed to disclosing climate-related risks and opportunities under the TCFD Framework. The Manager aims to set progressive steps to adopt the same disclosures.

In FY2021, the Property accounted for indirect Scope 2 GHG emissions and other indirect Scope 3[15] GHG emissions of 7,458 tonnes of carbon dioxide equivalent ("**t-CO_2e**").

GHG Emissions



GHG Emissions Intensity



Note: For FY2021, the used emission factor of 0.47 kg-CO_2e/kWh for Singapore is based on the International GHG Protocol. Calculation includes landlord provisions (Scope 2) and tenants' GHG emissions (Scope 3).

FY2021 TARGET	FY2021 PERFORMANCE STATUS	FY2022 TARGET
Reduce Scope 2 GHG emissions intensity (landlord provisions) by 11% from baseline year of 2016[16]	Achieved 20% reduction in Scope 2 GHG emission intensity (landlord provisions) from baseline year of 2016	Achieve target to reduce Scope 2 GHG emissions intensity (landlord provisions) by 12% from baseline year of 2016

[14] The GHG Protocol has established that direct Scope 1 GHG emissions are from sources that are owned or controlled by an organisation. LREIT do not have any GHG emissions from sources that are owned or controlled by the organisation.

[15] Using the operational control approach, tenants' GHG emissions are considered Scope 3 as LREIT has no operational control over them.

[16] In baseline year 2016, the Property had Scope 2 emissions of 4,890 t-CO_2e with an emissions intensity at 123 kg-CO_2e/m^2.

Sustainability Report

SOCIAL

Health and Safety

LREIT has always adhered to the highest health and safety standards at its Property. A safe environment for employees, suppliers, tenants and visitors is vital to developing a sustainable business in the long term.

A number of internal policies and practices are already put in place, including occupational safety and health management system (**"OSH"**). This is in line with the Group's EHS framework, which is audited internally on a bi-annual basis and is subjected to management review. LREIT's OSH also meets the Singapore Standard SS506 on OSH management systems. In addition, the Property is BizSAFE PARTNER certified and it has attained Workplace Safety and Health ("**WSH**") Performance award (Silver) in FY2021.

The Property Manager has put in place a Risk Management team to enforce relevant national WSH regulations and LREIT's OSH policies. This team is made of the Property Manager's management staff, maintenance personnel and WSH personnel. A joint management-worker health and safety committee, comprising the General Manager, Head of Department (Marketing, Leasing, Property Management, Concierge and Retail Design Management), Operational Assurance Manager and the Property team (Building Executive, Property Executive and Building Supervisor), will meet every quarter to discuss improvements needed for the OSH management system.

Apart from that, new hires of the Property Manager also undergo Group's Global Minimum Requirements, risk management courses and first aid training. To boost its employees' capabilities to handle health and safety issues, the Property Manager conducts quarterly training sessions for all employees, tenants, security, and cleaning contract workers. The trainings include work-at-height training and confined space entry training as required by their nature of the job. The Property Manager has identified working at heights greater than two metres as one work-related hazard that pose a risk of high-consequence injury[17].

In addition to training and policies, the Group takes concerted efforts to identify work hazards through its Safe Work Method Statement ("**SWMS**") process. Through SWMS, risks are identified and subsequently reduced by using the hierarchy of controls: Elimination, Substitution, Engineering, Administration and Personal Protective Equipment ("**PPE**"). This risk assessment is conducted by respective project leaders that have completed the pre-requisite risk management course and will be submitted to the Operational Assurance Manager or Property Manager for review. The SWMS documents are reviewed annually.

In the event of work-related incidents, Root Cause Analysis process will be used to investigate and determine corrective actions. A Risk Control Plan is created to implement improvements to the SWMS and risk assessments. All staff must attend SWMS briefings prior to starting a project to understand any potential risk or danger involved. During these briefings, workers can express any concerns they have if they feel insecure doing their jobs.

In FY2021, there were no incidents of non-compliance with regulations and voluntary codes concerning health and safety at the Property. The table on page 77 shows the number and rate of work-related injuries and ill health for the employees[18] in FY2021.

Tenants

Compliance to the Property's health and safety policies is an important clause in the tenancy agreement and the Property Manager will conduct safety inspections within tenant premises twice a year. Tenants will be informed of non-compliance and deadline will be given to make rectifications.

Vendors and Contractors

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

Measures Against COVID-19

LREIT has continue to prioritise health and safety issues amid the ongoing COVID-19 pandemic. The Property Manager provides sufficient PPE, such as surgical masks and gloves for employees and in-house vendors who engage with members of the public. Hand sanitisers have also been made available at high-touch places and at all entrances. Installation of air

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

[18] Refers to all employees of the Manager and relevant employees of the Property Manager, as well as the Group's vendors and contractors.

sterilisers, ioniser, microbial coating on high tough point areas have also been implemented. At the Property, *Safe Entry* is set up at all entry and exit points. Safe distancing of one metre is implemented at places where queues may occur in the Property. To minimise the risk of COVID-19 transmission in the workplace, work from home arrangements have been implemented for all staff in line with the government's health advisory and recommendations. For staff who are required to be stationed on-site, mandatory temperature taking is conducted twice daily and daily health and travel declaration is required.

Safe Entry registration at the main entrance of 313@somerset.

FY2021 TARGETS	FY2021 PERFORMANCE STATUS	FY2022 TARGETS
1. Zero work-related injuries and ill health 2. Zero incidents of non-compliance with regulations and voluntary codes	☆ 1. No work-related injuries and ill health incident including fatalities, high-consequence workplace injury and recordable work-related injury[19] 2. No incidents of non-compliance with regulations and voluntary codes	1. Zero work incident and loss time injuries 2. Zero incidents of non-compliance with regulations and voluntary codes

OUR PEOPLE

The Group's people are the greatest contributors to its success and enable it to fulfil its purpose. Together the Group creates value through places where communities thrive.

FY2021 was a challenging year as the Group adapted to new ways of working. Supporting its people during the pandemic has been its priority. From enhanced communications and technology to enable remote work to providing additional support for its frontline workers, the Group has continued to invest and evolve its support for the health and wellbeing of its people.

To deliver the Group's refreshed business strategy that it needs to attract, retain and invest in its people to have the right capabilities to succeed into the future, the Group aspires to create a work environment that:

- cares for its people, with safety and wellbeing as its priority
- provides inspirational leadership with a clear direction for the future
- is team-oriented, inclusive and diverse
- fosters a culture aligned to purpose and values that drives the way it operates with each other and to create a sense of belonging

To support LREIT's growth ambitions, it taps on the Group's people strategy that focused on engaging its leaders and developing leadership excellence, fostering an enterprise mindset and sharing of knowledge, helping its people to thrive by providing a consistently positive employee experience, building critical capability to deliver for its customers and communities, and deploying its talent globally.

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

Sustainability Report

Developing and Growing its Talent

The Group continues to invest in the development of its people's capabilities.

The Group launched its Leadership Excellence Programme this year, aimed at driving leadership engagement and providing its leaders with the right capabilities to inspire and lead its people. The Group continues to invest in talent programmes such as the Global Graduate Programme, Talent Export Programme, coaching and mentoring, to provide accelerated developmental pathways for its talents.

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

Whilst the current operating environment remains challenging through the pandemic, LREIT has no attrition in FY2021, with all team members retained and developed. This is a positive reflection of the team engagement and opportunities available to the team.

Talent Export Programme

The Talent Export Programme provides the Group's outstanding talents in Asia with international mobility opportunities to accelerate development into leadership roles and support Asia's future growth aspirations. Even with border control challenges, there were moves made in FY2021 and a few employees have since completed the programme and returned to further contribute with the Asia business. Despite the COVID-19 pandemic, this programme continues to gain great interests amongst employees and serves as an avenue to build capability and leadership bench strength.

LLevel UP

In FY2021, the Group rolled out a new upskilling programme called LLevel UP where learning sessions are curated based on Future Ready themes; with a focus on helping its employees develop skills like digital literacy and data analytics & storytelling. A new approach is being trialed for this programme to make learning fun and engaging as well as boost voluntary participation through gamification of the learning journey. The programme has received good feedback from employees. The engagement survey in May 2021 showed that close to 90% of the Group's workforce rated positively that Lendlease actively supports the learning and development of its employees.

Education Assistance

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

Employee Experience

Teams are at the heart of the Group's listening strategy and help it to understand the environment and experiences it is providing to its employees. These insights provide the Group's leaders with key actions to support its employees to thrive.

The Group continuously communicates and engages its people in designing and evolving the way it works to foster greater enterprise-wide teamwork, continuous learning and knowledge sharing, and open and transparent dialogue.

In the Group's most recent People Survey, the Manager's employees perception of their line managers providing support through COVID-19 outperformed Singapore's top quartile company norms by scoring 13 percentage points more, demonstrating the Group's strong culture of care during these challenging times.

The Group as well as the Manager's leadership also conduct regular virtual calls with employees to cascade key messages to keep employees updated of the company's business performance as well as highlight important topics such as Safety and Mental Wellbeing.

Health and Wellbeing

Supporting its people through COVID-19 and beyond

Health and mental wellbeing of the employees have always been a key priority focus for the Group and the Manager. Various communication and support channels are available to employees to ensure that the workforce can get access to comprehensive support when needed so that they are able to live well and work productively.

The COVID-19 pandemic has created new norms in the Group's work environments, and it aims to create a healthier and more engaged workforce by caring for the wellbeing of its people. A series of interactive wellbeing sessions, Masterclasses, articles and activities are continuously organised for its employees to gain a better understanding of their physical and mental health but also to empower them to take preventative steps on their journey of personal wellbeing. Topics include Stress Management at Work, Conquering Change and Self-Care at Work.

In addition, to provide the employees with a higher level of care and support, from this year, the Group has enhanced its healthcare support to allow its employees and their dependents to seek mental health treatments confidentially.

Mental Health First Aid

Recognising the potential impacts of the pandemic on people, the Group invested in the development of Mental Health First Aid skills and actively embedded its programme into the organisation's culture. One of the ways the Group did this was by emphasising wellbeing in performance conversations.

A Mental Health First Aid for Leaders course was rolled out to provide the Group's People Managers with the awareness and tools to support others with mental health challenges and to create a healthy work environment – more than 160 leaders attended this programme in FY2021.

As part of the Group's Global Mental Health Approach, the Group has in place a Friend In Need (FiN) network located at all its offices and sites which aims to promote a culture of positive mindsets that is crucial to the mental and emotional wellbeing of all employees.

Lendlease Hardship and Wellbeing Fund

The Hardship and Wellbeing Fund was established in 2020 to help employees and their families experiencing hardship due to the impacts of COVID-19 or other reasons. To date, close to S$1 million in funds have been distributed by the Group across its regions.

The impacts of the pandemic have been particularly hard for some areas of the Group's workforce, particularly its frontline colleagues. In 2021, the fund has been utilised to make a one-off payment to a number of frontline and customer facing workers who went to great lengths to support its customers during the pandemic.

The fund helps to address immediate financial needs, but the Group's entire health and wellbeing approach is designed to provide holistic support, including others like mental wellness and employee assistance programme.

Employee Assistance Programme

The Group understands that balancing the competing demands of personal, family and work lives can be challenging at times. Employees may also face difficulties in life and would like to have someone to speak to. The Employee Assistance Programme is designed to provide additional support to employees and dependants' concerns during times of personal and professional challenges.

"We Care" Packs

In line with the Group's Health and Wellbeing strategy and demonstrating the culture of care, it put together a "Care Pack" consisting of a variety of support items including reusable face masks to its teams across Asia.

It is also a way to show all its employees, whether they are working remotely or at the frontlines, that supporting their health and wellbeing remains a priority.

Use of Virtual Doctors

On top of the robust medical and wellbeing support provided, the Group's employees and dependants also have the option to consult doctors virtually for medical consultation and treatment at their choice of time and location, without having to visit a physical clinic. Post-consultation, prescribed medications can also be delivered to the employees' doorsteps upon purchase. This provides a greater sense of assurance and safety amidst the pandemic and beyond.

Diversity and Inclusion

The Group is committed to creating a workplace that unites diverse minds, where respect, equal treatment and equal opportunity are just the norm.

Inclusive Policies and Practices

The Group is an equal opportunity employer. It believes in equal employment opportunities to employees and applicants and its policy applies to all phases of employment from job advertisements, interviews and compensation to training opportunities, succession planning and promotion reviews – to eliminate potential bias and ensure fair opportunities for all employees.

Gender Equality

The Group ensures that its people, regardless of their gender, are given equal opportunities. The Group undertakes annual gender pay reviews to eliminate any gender-based pay gaps.

The Group created an awareness video and toolkit to bring attention to common language, behaviours and social norms that perpetuate gender stereotypes and assumptions. Resources were designed to generate self-reflection and conversations.

Supporting Flexible Working

The Group prioritises connection to its workplaces and its culture. It remains committed to enabling flexible work options, encouraging open dialogue between managers and employees about flexible working. The Group established new ways of working through virtual tools, events and communications to share knowledge and connect people, regardless of where they were working.

Sustainability Report

BOARD DIVERSITY

By Gender (FY2021),
no change compared to FY2020

MALE - 3 60%

FEMALE - 2 40%

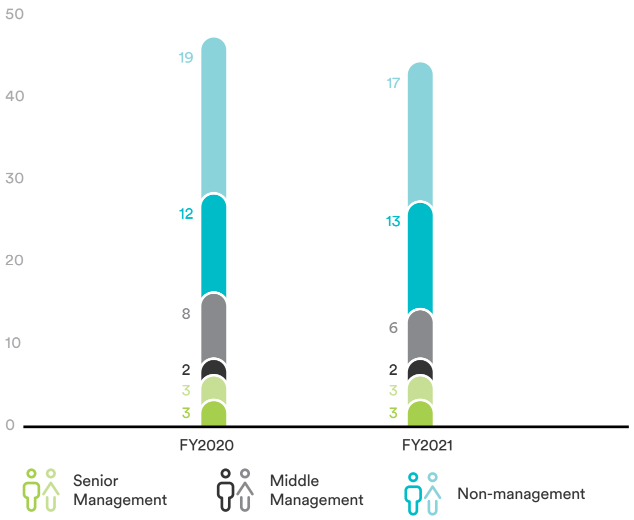
By Age Group (FY2021),
no change compared to FY2020

30 - 50 YEARS OLD - 1 20%

>50 YEARS OLD - 4 80%

EMPLOYEES OF THE MANAGER AND PROPERTY MANAGER

By Gender



By Age Group

Note: Senior management refers to the Manager's Chief Executive Officer ("**CEO**") and Executive General Manager, Finance, the Property Manager's Head of Asset Operations (Singapore), Head of Property (Singapore), Leasing Director and General Manager relevant to LREIT. Middle management refers to all managerial levels of the Manager and Property Manager relevant to LREIT. Non-management refers to all other employees of the Manager and Property Manager relevant to LREIT.

FY2021		FY2022
TARGETS	**PERFORMANCE STATUS**	**TARGETS**
1. Retain key talent across all talent programmes 2. Effective succession planning to demonstrate the depth of capable talent ready to progress into leadership and critical roles 3. Measure the effectiveness of the engagement between the Group's leaders and employees through Our People Survey 4. Commit to having a diverse and inclusive workforce and provide fair opportunities based on merit	1. Retained key talent 2. Achieved through the programmes under Developing and Growing its Talent 3. Scored 8 percentage points above Singapore average with no attrition 4. Achieved through the programmes under Diversity and Inclusion	1. Retain of key talent 2. Effective succession planning to demonstrate the depth of capable talent ready to progress into leadership and critical roles 3. Measure the effectiveness of the engagement between the Group's leaders and employees through Our People Survey 4. Commit to having a diverse and inclusive workforce and provide fair opportunities based on merit

Groceries were packed and distributed to 86 under-privileged households in the Boon Lay area.

LOCAL COMMUNITIES

The Manager believes that being a responsible corporate citizen and building lasting relationships with its communities are critical to the long-term viability of its business and aligned to its Sustainability Framework. As such, the Manager has various community engagements to reach out to a broad group of beneficiaries.

Community Relief Efforts for COVID-19

In line with LREIT's commitment to build and support resilient communities, the Manager has provided targeted assistance to COVID-19 relief efforts for communities in Singapore.

In January 2021, the Manager collaborated with Thye Hua Kwan Moral Charities to run a food distribution drive. They packed and distributed groceries to 86 under-privileged households in the Boon Lay area. The COVID-19 pandemic has affected many vulnerable groups and this initiative can play a small part to alleviate the hardship faced by these communities.

Another collaborate initiative with NTUC Senior Day Care was conducted as a virtual interactive programme with the elderly. The day was fun-filled, and care gift bags were distributed to each individual. The gift bag contained essential PPE in light of COVID-19, such as hand sanitisers and disposable face masks. To end the event on a full note, light refreshments were also provided at the end of the event.

Community Outreach and Public Awareness

In FY2021, many in-person volunteering attempts were curtailed as a result of restricted movements. The Manager hopes to kickstart some of these efforts in FY2022. Lendlease Foundation is launching a shared-value partnership with social enterprise Project Dignity, with the Manager as the business champion for this partnership. Project Dignity is one of the few social enterprises in Singapore that train and support people with disabilities to access employment opportunities. Through the partnership, Lendlease Foundation will fund 20 trainees as part of the Dignity Kitchen's Train-and-Place programme.

Separately, the Manager collaborated with National Neuroscience Institute to organise a webinar for the public to raise awareness about mental health issues in Singapore, particularly neurological conditions such as dementia, stroke and Parkinson's disease.

"We can all make a difference in the lives of our seniors because it is simple gestures that make the most significant differences. It was heartening to see our seniors enjoying and engaging in the activities Lendlease has planned for them. Thank you Lendlease Global Commercial REIT for volunteering at NTUC Health Day Centre for Seniors (Taman Jurong) and putting a smile on our seniors' faces."

- Letchumiy, Assistant Centre Manager, NTUC Health Day Centre for Seniors (Taman Jurong)

"NNI would like to thank Lendlease Global Commercial REIT for its support of the NNI Fund, which helps people suffering from brain, spine, nerve and muscle conditions. Together we can transform lives! "

- National Neuroscience Institute, NNI

FY2021		FY2022
TARGET	**PERFORMANCE STATUS**	**TARGETS**
Support the local community through proactive engagements	☆ Achieved target through introducing four engagements/initiatives in FY2021	1. Four community engagements/ initiatives 2. Partner with a beneficiary for corporate sponsorship opportunities

Sustainability Report

GOVERNANCE

LREIT adheres to all social and economic regulations in the jurisdictions it operates. As LREIT operates in a highly regulated industry, non-compliance will result in hefty fines and reputational damage, which can impact business performance.

Anti-Corruption

LREIT has zero tolerance for fraudulent activities, corruption and other unethical behaviour. The following policies encompass the standards and procedures taken by LREIT to ensure fair and transparent business practices:

Policies and Procedures	Details
Lendlease Group Employee Code of Conduct	Standards expected of all employees relating to appropriate behaviours, including how employees should conduct business and maintain all business relationships. The Group's employees are required to complete an annual "How We Work in Lendlease" online module as a refresher on the Group's Code of Conduct. Please refer to the Corporate Governance Section for more details.
Lendlease Group Conduct Breach Reporting	Policy supporting the reporting of illegal or improper conduct occurring in the Lendlease business, including behaviour that does not accord with its Core Values, Employee Code of Conduct or Supplier Code of Conduct.
Lendlease Group Corporate Sponsorship and Partnership Policy	Policy relating to any proposed sponsorships/partnerships using the Group's brand. It also applies to all projects, assets under management and joint ventures.
Lendlease Group Political Donations Policy	Policy relating to the Group's political donation governance and approval framework in order to protect its reputation as an ethical and responsible organisation and to ensure that employees are fully aware of their responsibilities in this area.
Entertainment and Gifts from Third Parties Policy	Procedures established by the Manager on the acceptance of gifts and entertainment requiring prior approval from the Manager's CEO or the CEO of Lendlease Asia (depending on threshold) and the Head of Compliance. The policy is reviewed and updated annually by the Manager's Audit & Risk Committee ("**ARC**") and adopted by the Board. The effectiveness of the ARC terms of reference is also reviewed on an annual basis. For details of the ARC terms of reference, please refer to the following section of this Annual Report: (page 113).
Conflict of Interest Procedures	Procedures established by the Manager to prevent and deal with potential conflicts of interest issues. Please refer to the Corporate Governance Section for more details.
Whistleblowing Policy	Provision of an independently monitored, confidential channel for employees, service providers and associates to report any suspected wrongdoing or dangers at work without fear of reprisals. The Policy also provides guidelines for independent investigation of any reports and appropriate follow-up action. All whistleblowing reports will be directed to the relevant parties at the Senior Management level of the Manager and the ARC who will take the appropriate follow-up actions. Please refer to the Corporate Governance Section for more details.
Anti-Money Laundering Manual	Assists the Manager in understanding the legal and regulatory obligations under Singapore law as well as the internal policies and procedures instituted by the Manager when conducting its business.

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

In FY2021, there was no legal case brought against LREIT, the Manager or any employee. There was also no recorded instance of corruption.

FY2021		FY2022
TARGET	PERFORMANCE STATUS	TARGETS
Zero confirmed incidents of corruption	No confirmed incidents of corruption including: 1. Employees dismissed or disciplined for corruption 2. Contracts with business partners were terminated or not renewed due to violations related to corruption 3. Public legal cases regarding corruption brought against the organisation or its employees during the reporting period and the outcomes of such case	Zero confirmed incidents of corruption

REGULATORY COMPLIANCE

LREIT is committed to comply with all applicable laws and regulations. Policies and processes are established to minimise regulatory and compliance risks, including Compliance Manual, Anti-money Laundering Manual and Securities Trading Policy – the latter ensure that employees comply with legal obligations relating to dealings in securities while they are in possession of non-public inside information.

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

In FY2021, LREIT had zero incidents of non-compliance with relevant laws and regulations that resulted in significant fines or non-monetary sanctions.

FY2021		FY2022
TARGET	PERFORMANCE STATUS	TARGET
Zero incidents of non-compliance with relevant laws and regulations that result in significant fines or non-monetary sanctions	No incidents of non-compliance with relevant laws and regulations that result in significant fines or non-monetary sanctions	Zero incidents of non-compliance with relevant laws and regulations that result in significant fines or non-monetary sanctions

Sustainability Report

CUSTOMER PRIVACY

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

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

At the Property Manager level, there is a standard operating procedure in place to investigate any complaints received with respect to personal data issues. Training on the Singapore Personal Data Protection Act is provided to the employees of the Property Manager at least once every two years.

In FY2021, LREIT had zero substantiated complaints concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data.

FY2021		FY2022
TARGET	PERFORMANCE STATUS	TARGET
Zero substantiated complaints received concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data	No substantiated complaints received concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data	Zero substantiated complaints received concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data

GRI CONTENT INDEX

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Universal Standards			
GRI 102: General Disclosures	**Organisational Profile**		
	102-1	Name of the organisation	Sustainability Report, Board Statement, page 63
	102-2	Activities, brands, products, and services	Corporate Profile, page 1
	102-3	Location of headquarters	Sustainability Report, About This Report, page 62
	102-4	Location of operations	Sustainability Report, About This Report, page 62
	102-5	Ownership and legal form	Trust Structure, Statistics of Unitholdings, pages 18, 195 and 196
	102-6	Markets served	Corporate Profile, page 1
	102-7	Scale of the organisation	Sustainability Report, About This Report, Our People, pages 62, 77 to 80
	102-8	Information on employees and other workers	Sustainability Report, Our People, pages 77 to 80
	102-9	Supply chain	Sustainability Report, Sustainability Approach, Environmental, Social - Health and Safety, pages 63, 71 and 76
	102-10	Significant changes to the organisation and its supply chain	Letter to Unitholders, pages 9 to 11
	102-11	Precautionary principle or approach	Risk Management, pages 120 to 123
	102-12	External initiatives	LREIT adopts ISO 14001:2015 for environmental management, Singapore Standard SS506 for OSH management system, responds to GRESB annually, maintains BCA Green Mark Platinum certificcation, SS 557:2012 Water Efficiency management (WEMS), WSH regulations, undergoes GMR course
	102-13	Membership of associations	REITAS, Financial Industry Disputes Resolution Centre (FIDReC) and SBF
	Strategy		
	102-14	Statement from senior decision-maker	Sustainability Report, Board Statement, page 63
	Ethics and Integrity		
	102-16	Values, principles, standards, and norms of behaviour	Strategy and Mission, page 7 Sustainability Report, Sustainability Approach, page 63
	Governance		
	102-18	Governance structure	Sustainability Report, Governance, pages 82 to 84

Sustainability Report

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
	Stakeholder Engagement		
	102-40	List of stakeholder groups	Sustainability Report, Stakeholder Engagement, pages 65 to 67
	102-41	Collective bargaining agreements	N/A
	102-42	Identifying and selecting stakeholders	Sustainability Report, Stakeholder Engagement, pages 65 to 67
	102-43	Approach to stakeholder engagement	Sustainability Report, Stakeholder Engagement, pages 65 to 67
	102-44	Key topics and concerns raised	Sustainability Report, Stakeholder Engagement, pages 65 to 67
	Reporting Practice		
	102-45	Entities included in the consolidated financial statements	Investment in Subsidiaries, pages 161 and 162 Sustainability Report, About This Report, page 62
	102-46	Defining report content and topic boundaries	Sustainability Report, About This Report, Materiality Assessment, pages 62, 68 and 69
	102-47	List of material topics	Sustainability Report, Materiality Assessment, pages 68 and 69
	102-48	Restatements of information	There is no restatement of information in this report
	102-49	Changes in reporting	There are no changes in reporting
	102-50	Reporting period	Sustainability Report, About This Report, page 62
	102-51	Date of most recent report	LREIT's first sustainability report was published in October 2020
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	Sustainability Report, About This Report, page 62
	102-54	Claims of reporting in accordance with GRI Standards	Sustainability Report, About This Report, page 62
	102-55	GRI content index	GRI Content Index, pages 85 to 89
	102-56	External assurance	The Group has obtained external audit services over its energy, water, waste and GHG emissions performance data. The Property's performance data is included as a part of the Group's external assurance engagement.
Management Approach and Topic-specific Standards			
Economic Performance			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Sustainability Approach – Sustainability Framework, Economic Performance and Customer Experience, pages 63, 64, 69 and 70
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Resource Management			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Resource Efficiency, pages 71 to 75
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Resource Management			
GRI 302: Energy	302-1	Energy consumption within the organisation	Sustainability Report, Resource Efficiency, pages 71 to 75
	302-3	Energy intensity	
GRI 303: Water and effluents (2018)	303-1	Management approach: Interactions with water as a shared resource	
	303-2	Management approach: Management of water discharge-related impacts	
	303-3	Water consumption	
GRI 306: Effluents and Waste	306-2	Waste by type and disposal method	
Emissions			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Greenhouse Gas Emissions, page 75
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 305: Emissions	305-2	Energy indirect Scope 2 GHG emissions	
	305-4	GHG emissions intensity	
Health and Safety			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Health and Safety, pages 76 and 77
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 403: Occupational Health and Safety (2018)	403-1	Management approach: Occupational health and safety management system	
	403-2	Management approach: Hazard identification, risk assessment, and incident investigation	

Sustainability Report

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Health and Safety			
	403-3	Management approach: Occupational health services	Sustainability Report, Health and Safety, pages 76 and 77
	403-4	Management approach: Worker participation, consultation, and communication on occupational health and safety	
	403-5	Management approach: Worker training on occupational health and safety	
	403-6	Management approach: Promotion of worker health	
	403-7	Management approach: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-9	Work-related injuries	
	403-10	Work-related ill health	
GRI 416: Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
Our People			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Our People, pages 77 to 80
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 404: Training and Education	404-2	Programmes for upgrading employee skills and transition assistance programmes	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	
Local Communities			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Local Communities, page 81
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programmes	

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Anti-Corruption			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Governance – Anti-corruption, pages 82 and 83
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 205: Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	
Regulatory Compliance			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Governance – Regulatory Compliance, page 83
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	
Customer Privacy			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability Report, Governance – Customer Privacy, page 84
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	

Strengthening Partnerships, Together

Through our diverse industry partnerships and strong corporate governance practices, we build enduring ecosystems based on trust and responsibility.

Corporate Governance

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

The Manager adopts the Code of Corporate Governance 2018 (the "**2018 Code**") as its benchmark for corporate governance policies and practices. This report sets out LREIT's corporate governance practices for the financial year ended 30 June 2021 ("**FY2021**") with specific reference to principles of the 2018 Code.

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

The Manager of LREIT

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

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

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

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

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

The Board's Conduct of Affairs

Principle 1:

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

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

The key roles of the Board are to:

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

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

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

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

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

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

Corporate Governance

The number of Board and Board Committee meetings held in FY2021, as well as the attendance of each Board member at these meetings, are disclosed in the following table:

Director	Board Meetings	ARC Meetings	NRC Meetings
Ms Ng Hsueh Ling	8	-	3
Dr Tsui Kai Chong	8	4	5
Mrs Lee Ai Ming	8	4	5
Mr Simon John Perrott	8	4	5
Mr Anthony Peter Lombardo	8	4	-
No. of Meetings held in FY2021	**8**	**4**	**5**

Note: Ms Ng Hsueh Ling did not attend two of the NRC meetings as the agenda was to discuss the change of Chairperson of the Board.

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

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

Upon appointment, a formal letter will be sent to newly-appointed Directors explaining their duties and obligations as Director. All newly-appointed Directors will undergo induction, training and development programmes which include management presentations on the business, operations, strategies, organisation structure, responsibilities of Chief Executive Officer ("**CEO**") and other persons having authority and responsibility for planning, directing and controlling the activities of the Manager ("**key management personnel**"), and financial and governance practices. These programmes are provided to existing Directors as well and may include visits to LREIT's properties. Through these programmes, the new Director also gets acquainted with members of Management which facilitates their interaction at Board meetings.

New Directors who have no prior experience as a director of a public listed entity listed on the SGX-ST will undergo further training required under Rule 210(5)(a) of the Listing Manual. Mr Anthony Peter Lombardo and Mr Simon John Perrott have undergone the requisite training under Rule 210(5)(a) of the Listing Manual on the following dates:

Module	Mr Anthony Peter Lombardo	Mr Simon John Perrott
LED 1 – Listed Entity Director Essentials	17 May 2021	17 May 2021
LED 2 – Board Dynamics	19 May 2021	8 October 2020
LED 3 – Board Performance	20 May 2021	20 May 2021
LED 4 – Stakeholder Engagement	21 May 2021	21 May 2021
LED 5 – Audit Committee Essentials	15 October 2020	21 July 2021

Module	Mr Anthony Peter Lombardo	Mr Simon John Perrott
LED 6 – Board Risk Committee Essentials	22 July 2021	22 July 2021
LED 7 – Nominating Committee Essentials	Not required as he is not a member of the NRC	23 July 2021
LED 8 – Remuneration Committee Essentials	Not required as he is not a member of the NRC	29 July 2021

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

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

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

Board Composition and Guidance

Principle 2:

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

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

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

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

Corporate Governance

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

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

The Manager has in place a Board diversity policy that sets out the Board's philosophy on and approach to achieve diversity on the Board. Board diversity embraces differences in skills, knowledge, business experience, gender, age, ethnicity and culture, geographical background and nationalities, religion and tenure of service. These differences are taken into account in determining the optimal composition of the Board and where possible should be balanced appropriately. All director appointments will be based on merit and take into account the benefits of diversity and needs of the Board. The objectives of the Board diversity policy include (1) committing to achieving a Board composition that reflects a diversity of backgrounds, knowledge, experience and abilities, (2) including at least one female as part of the interview and selection panel for Board appointments, and (3) identifying and including female candidates with suitable skills and experience for consideration for Board succession planning. Board diversity embraces differences in skills, knowledge, business experience, gender, age, ethnicity and culture, geographical background and nationalities, religion and tenure of service. As of 30 June 2021, the Board composition reflects the philosophy as set out in the Board diversity policy. With two out of five Board members who are female, including the Chairperson of the Board, as well as two out of five Board members with international exposure, the Board is of the view that it has made good progress in achieving its objectives under the Board diversity policy. The policy will be reviewed from time to time as appropriate, to ensure its effectiveness.

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

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

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

In FY2021, independent Directors made up a majority of the Board, which is in line with Provision 2.2 of the 2018 Code, as the Chairperson is a non-independent Director.

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

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

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

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

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

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

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

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

Board Membership

Principle 4:

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

Nomination and Remuneration Committee

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

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

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

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

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

(a) the NRC reviews the balance and diversity of skills, experience, gender, age and knowledge required by the Board and the size of the Board which would facilitate decision-making;

(b) in light of such review and in consultation with Management, the NRC assesses if there is any inadequate representation in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;

(c) external help (for example, the Singapore Institute of Directors, search consultants, open advertisement) to be used to source for potential candidates if need be. Directors may also make suggestions;

(d) the NRC meets with the shortlisted candidates to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and

(e) the NRC makes recommendations to the Board for approval.

Corporate Governance

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

Criteria for Appointment of New Directors

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

(i) integrity;
(ii) independent judgment;
(iii) diversity – possess core competencies that meet the current needs of LREIT and the Manager and complement the skills and competencies of the existing Directors;
(iv) ability to commit time and effort to carry out duties and responsibilities effectively;
(v) track record of making good decisions;
(vi) experience in high-performing corporations or property funds; and
(vii) financially literate.

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

Unitholders' Endorsement for the Appointment of Directors

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

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

The endorsement or re-endorsement from Unitholders of any appointment of any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting of LREIT. The Undertaking shall not restrict the Manager or Lendlease Singapore Holdings from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rules of the SGX-ST) and the Constitution of the Manager.

The Undertaking shall remain in force for so long as:

- the Manager remains as a wholly-owned subsidiary (as defined in the Companies Act) of Lendlease Singapore Holdings; and
- Lendlease Global Commercial Trust Management Pte. Ltd. remains as the Manager.

Review of Directors' Independence

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

(i) each independent Director provides information of his or her business interests and confirms, annually, that there are no relationships which interfere with the exercise of his or her independent business judgement with a view to the best interests of the Unitholders as a whole, and such information is then reviewed by the Board; and
(ii) the Board also reflects on the respective independent Directors' conduct and contributions at Board and Board Committee meetings, in particular, whether the relevant independent Director has exercised independent judgement in discharging his or her duties and responsibilities.

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

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

	Ms Ng Hsueh Ling[1]	Dr Tsui Kai Chong	Mr Simon John Perrott[2]	Mrs Lee Ai Ming	Mr Anthony Peter Lombardo[3]
had been independent from Management and LREIT during FY2021	-	√	√	√	-
had been independent from any business relationship with the Manager and LREIT during FY2021	-	√	√	√	-
had been independent from every substantial shareholder of the Manager and every substantial Unitholder of LREIT during FY2021	-	√	-	√	-
had not been a substantial shareholder of the Manager or a substantial Unitholder of LREIT during FY2021	√	√	√	√	√
has not served as a Director of the Manager for a continuous period of nine years or longer as at the last day of FY2021	√	√	√	√	√

1 Ms Ng Hsueh Ling is the Managing Director, Singapore, the Key Executive Officer of Lendlease Retail Pte. Ltd. and a director of Lendlease Retail Pte. Ltd., Lendlease Singapore Pte. Ltd. and LLIM, all of which are related corporations of the Sponsor. Prior to July 2021, Ms Ng was also a director of Lendlease Asian Retail Investment Fund 3 Limited, Triple Eight JV Ltd, LL JV Ltd, Triple Eight Investment Holdings Ltd and LL Investment Holdings Ltd., all of which are managed by LLIM, which is a related corporation of the Sponsor. As such, during FY2021, pursuant to the SF(LCB) Regulations, Ms Ng is deemed (i) to have a management relationship with the Manager and LREIT; (ii) to have a business relationship with the Manager and LREIT; and (iii) to be connected to a substantial shareholder of the Manager and a substantial Unitholder of LREIT. The Board is satisfied that, as at the last day of FY2021, Ms Ng was able to act in the best interests of all the Unitholders as a whole. As at the last day of FY2021, Ms Ng was able to act in the best interests of all the Unitholders as a whole.

2 Mr Simon John Perrott is an independent non-executive Director and a member of the Audit and Risk Management Committee of Lendlease Real Estate Investments Limited ("**LLREIL**"), which is a wholly owned subsidiary of the substantial shareholder of the Manager and substantial Unitholder of LREIT, namely the Sponsor. As such, during FY2021, pursuant to the SF(LCB) Regulations, Mr Perrott is deemed to be connected to a substantial shareholder of the Manager and a substantial Unitholder of LREIT. Taking into consideration (I) Mr Perrott having declared that (a) he serves in his personal capacity as an independent non-executive director and a member of the Audit and Risk Management Committee of LLREIL, and (b) he is not in any employment relationship with the Sponsor, Lendlease Trust and their subsidiaries (the "**Lendlease Group**") and is not under any obligation to act in accordance with the directions, instructions or wishes of the Lendlease Group, and (II) the instances of constructive challenge and probing of management by Mr Perrott at the Board and the Board committee meetings of the Manager, the Board is satisfied that, as at the last day of FY2021, Mr Perrott was able to act in the best interests of all the Unitholders as a whole. As at the last day of FY2021, Mr Perrott was able to act in the best interests of all the Unitholders as a whole.

3 Prior to 1 June 2021, Mr Anthony Peter Lombardo was the CEO of Lendlease Asia Holdings Pte. Ltd., and a director of Lendlease Investment Management Pte. Ltd. ("**LLIM**"), both of which are related corporations of the Sponsor. Mr Lombardo was appointed the Global CEO of the Sponsor on 1 June 2021. As such, during FY2021, pursuant to the SF(LCB) Regulations, Mr Lombardo is deemed (i) to have a management relationship with the Manager and LREIT; (ii) to have a business relationship with the Manager and LREIT; and (iii) to be connected to a substantial shareholder of the Manager and a substantial Unitholder of LREIT. The Board is satisfied that, as at the last day of FY2021, Mr Lombardo was able to act in the best interests of all the Unitholders as a whole. As at the last day of FY2021, Mr Lombardo was able to act in the best interests of all the Unitholders as a whole.

Corporate Governance

Annual Review of Directors' Time Commitments

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

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

Key Information Regarding Directors

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

Pages 13 and 14: Academic and professional qualifications, Board Committees served on (as a member or Chairperson), date of first appointment as a Director, listed company and other principal commitments and directorships both present and past held over the preceding five years and other major appointments, whether appointment is executive or non-executive, and whether considered by the NRC to be independent; and

Page 196: Unitholdings in LREIT as at 21 July 2021.

Board Performance

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

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

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

The Board plans to appoint an external facilitator to facilitate the evaluation process for the Board, the Board Committees and individual Directors once every three years. The Board believes that the use of an external facilitator would enhance the quality and objectivity of the evaluation. For FY2021, no external facilitator was appointed.

Remuneration Matters

Principle 6:
The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No directors is involved in deciding his or her own remuneration.

Principle 7:
The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Principle 8:
The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The composition of the NRC has been set out under Principle 4 on page 97 of this Annual Report. The NRC comprises four non-executive Directors, a majority of whom, including the chairperson of the NRC, are independent Directors.

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

The NRC has access to expert advice from external consultants where required. It will ensure that in the event of such advice being sought, existing relationships, if any, between the Manager and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

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

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

Annual Remuneration Report

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

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

Policy in Respect of Non-Executive Directors' Remuneration

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

In FY2021, each of the Directors (including the Chairperson) will receive 100% of his/her total Directors' fees in cash. The remuneration of the non-executive Directors is benchmarked against market and appropriate to the level of contribution, taking into account the effort, time spent and demanding responsibilities on the part of the Directors in light of the scale, complexity and scope of LREIT's business.

Remuneration Policy in Respect of Key Management Personnel

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

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

Corporate Governance

The NRC has approved a total remuneration structure reflecting four key objectives:

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

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

There are two types of unit incentive plans: the executive short-term incentive plan ("**ExSTI Plan**") and the Management short-term incentive plan ("**MSTI Plan**"). The ExSTI Plan and MSTI Plan (collectively, the "**Unit Plans**") have 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. The Unit Plans also aim to strengthen the Manager's competitiveness in attracting and retaining talented key management personnel and employees. The MSTI Plan applies to a broader base of key position holders while the ExSTI Plan applies to the top Management personnel who are of Executive levels.

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

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

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

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

(1) by placing a significant portion of executive's remuneration at risk ("**at-risk component**") and subject to a vesting schedule and vesting conditions;
(2) by incorporating appropriate key performance indicators ("**KPIs**") for awarding annual incentives:
   a. there are four scorecard areas that the Manager has identified as key to measuring its performance:
      i. financial;
      ii. process;
      iii. customers & stakeholders; and
      iv. people;

      Some of the key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and controls measures, corporate social responsibility activities, employee engagement, talent development and succession planning;
   b. the four scorecard areas have been chosen because they support how the Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Manager's overall strategic goals. The NRC reviews and approves the scorecard annually;
(3) by selecting performance conditions such as relative total Unitholder return for equity awards that are aligned with Unitholders' interests;
(4) by requiring those KPIs or conditions to be met in order for the at-risk component of remuneration to be awarded or to vest; and
(5) forfeiture of the at-risk component of remuneration when those KPIs or conditions are not met at a satisfactory level.

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

(i) prudent funding of annual performance bonus;
(ii) granting a portion of the annual performance bonus in the form of deferred Units, for the CEO, key management personnel and key position holders, to be awarded under the ExSTI Plan or the MSTI Plan;
(iii) vesting of deferred Units under the ExSTI Plan being subjected to performance conditions being met for the respective performance periods; and
(iv) potential forfeiture of variable incentives in any year due to misconduct.

The NRC is of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Manager's risk profile. In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions set forth above, have been met. The NRC is of the view that remuneration is aligned to performance during FY2021. The Directors, the CEO and the key management personnel (who are not Directors or the CEO) are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what have been disclosed.

The Non-Executive Directors, Mr. Anthony Peter Lombardo and Ms. Ng Hsueh Ling, are eligible to receive shares of the Sponsor under the Sponsor's employee incentive plans as part of their remuneration package as employees of the Lendlease Group in FY2021. Their holdings in shares of the Sponsor are not material. Accordingly, the award of the shares of the Sponsor to the Non-Executive Directors as part of their employee remuneration will not result in a misalignment of interests of these Directors with the long-term interests of the Unitholders given Mr Anthony Peter Lombardo and Ms Ng Hsueh Ling are employed by the Lendlease Group. Furthermore, there is unlikely to be any potential misalignment of interests given that Mr Anthony Peter Lombardo and Ms Ng Hsueh Ling act as non-independent non-executive Directors and do not hold executive positions in the Manager. As non-independent Directors, they would in any event have to abstain from approving and recommending any Related Party Transactions (as defined herein) with an entity within the Lendlease Group, mitigating any potential misalignment of interests with those of Unitholders.

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

In order not to adversely affect the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where there is considerable risk of poaching of senior Management, the Manager is disclosing the remuneration of the CEO in bands of S$250,000, and is not disclosing the aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO). The Manager is of the view that despite the deviation from Provision 8.1 and Provision 8.3 of the 2018 Code, and the Notice to All Holders of a CMS Licence for REIT Management (Notice No: SFA4-N14), such disclosure or non-disclosure (as the case may be) will not be prejudicial to the interests of Unitholders as detailed information is provided on the Manager's remuneration framework, including the remuneration structure, the operation of the Unit Plans and the KPIs taken into account, to disclose to Unitholders the link between the remuneration paid to the CEO and its key management personnel, and performance as set out on page 104 of this Annual Report. The Manager is accordingly of the view that its practice is consistent with the intent of Principle 8 of the 2018 Code as a whole.

Quantitative Remuneration Disclosure Under the AIFMD

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

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

The aggregate amount of remuneration awarded by the Manager to its staff in respect of FY2021 was S$1.6 million. This figure comprised fixed pay of S$1.2 million and variable pay of S$0.4 million (including any Units issuable under the Unit Plans, where applicable). There were a total of 9 beneficiaries of the remuneration described above.

In respect of FY2021, the aggregate amount of remuneration awarded by the Manager to its senior management (who are also members of staff whose actions have a material impact on the risk profile of LREIT) was S$1.0 million, comprising two individuals identified having considered, among others, their roles and decision-making powers.

Corporate Governance

Level and Mix of Remuneration of Directors and Key Management Personnel for FY2021

Name of Director	Directors' Fees[4] (S$)	Percentage
Ms Ng Hsueh Ling[5]	85,110	100%
Dr Tsui Kai Chong	123,334	100%
Mrs Lee Ai Ming	123,334	100%
Mr Simon John Perrott	108,834	100%
Mr Anthony Peter Lombardo[6]	142,891	100%

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

There are no employees of the Manager who are substantial shareholders of the Manager or substantial Unitholders of LREIT or immediate family members of a Director, the CEO, a substantial shareholder of the Manager or a substantial Unitholder of LREIT and whose remuneration exceeds S$100,000 during FY2021. "Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister and parent.

The level and mix of the remuneration of the CEO and each of the other key management personnel (who are not Directors of the Manager), in bands of S$250,000, are set out below:

Remuneration Band and Names of CEO and Key Management Personnel (who are not Directors of the Manager)[7]	Base/Fixed Salary[8]	Performance-related Cash Bonuses	Performance-related Unit-based Incentive Award[9]
S$500,000 to S$750,000			
Mr Kelvin Chow Chung Yip	62%	13%	25%
S$250,000 to S$500,000			
Mr Liaw Liang Huat Joshua	78%	7%	14%

Risk Management and Internal Controls

Principle 9:

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

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

4 This is a lump-sum amount including both annual fees and attendance fees. Each of the Directors will receive 100% of his or her total Director's fee in cash.
5 Ms Ng Hsueh Ling's fees will be paid to LLIM, of which she is an employee.
6 Mr Anthony Peter Lombardo's fees will be paid to Lendlease Group Services Pty Limited, of which he is an employee.
7 The Manager has less than five key management personnel other than the CEO.
8 The base/fixed salary was paid in cash.
9 Value of Deferred Unit Award is calculated based on face value.

The Board, with the concurrence of the ARC, is of the opinion that the risk management system and system of internal controls in place as at 30 June 2021 are adequate and effective to address in all material respects the financial, operational, compliance and information technology risks within the current scope of LREIT's business operations and that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of LREIT.

Risk Assessment and Management of Business Risk

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

The Board met at least once in FY2021. Management surfaces key risk issues for discussion and confers with the ARC and the Board regularly.

LREIT's Enterprise Risk Management framework ("**ERM Framework**") provides LREIT and the Manager with a holistic and systematic approach to managing risks. In assessing business risk, the Board takes into consideration the economic environment and the risks relevant to the property industry. The Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. As a result, the Board determines the nature and extent of such risks identified in achieving LREIT's strategic objectives and value creation. Details of the Manager's approach to risk management and internal control and the management of key business risks are set out in the "Risk Management" section in pages 120 to 123 of this Annual Report.

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

Independent Review of Internal Controls

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

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

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

Mr Liaw's roles and responsibilities as the Executive General Manager, Finance are akin to the roles and responsibilities of a Chief Financial Officer. As such, the assurance under Provision 9.2(a) of the 2018 Code given by the Executive General Manager, Finance in lieu of a Chief Financial Officer would adequately serve the intent of Provision 9.2(a) of the 2018 Code. The Manager is accordingly of the view that despite this partial deviation from Provision 9.2(a) of the 2018 Code, its practice is consistent with the intent of Principle 9 of the 2018 Code as a whole.

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

Corporate Governance

Accountability and Audit

Principle 10:

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

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

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

Audit and Risk Committee

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

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

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

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

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

The ARC has the authority to investigate any matter within its terms of reference, full access to and cooperation by Management and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

Role and Duties of Internal Auditors

For FY2021, the internal audit function of LREIT and the Manager was outsourced to Deloitte, a member firm of Deloitte Touche Tohmatsu Limited.

The Internal Auditors are independent of the Management and report directly to the ARC on audit matters and to Management on administrative matters. The ARC is satisfied that the Internal Auditors had met the standards set by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The ARC has assessed the adequacy of the Internal Auditors and is of the view that the Internal Auditors had the relevant qualifications, appropriate standing within the Manager and adequate resources to perform its functions effectively. The Internal Auditors have also maintained their independence from the activities that they audit and had unfettered access to LREIT's and the Manager's documents, records, properties and personnel, including the ARC.

The role of the internal auditors is to provide independent assurance to the ARC to ensure that LREIT and the Manager maintain a sound system of internal controls by performing risk-based reviews on the key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC, and conducting regular in-depth audits of high-risk areas.

During the year, the Internal Auditors adopted a risk-based approach to audit planning and execution that focuses on significant risks, including financial, operational, compliance and information technology risks. The primary reporting line of the Internal Auditors in respect of LREIT is to the ARC. An annual audit plan is developed using a structured risk and control assessment framework. The internal audit plan is submitted to the ARC for review and approval prior to the commencement of the internal audit of each year. A copy of the internal auditor's report (including a summary) is extended to the ARC, the CEO and Executive General Manager, Finance of the Manager. To ensure timely and proper closure of audit findings, the status of the implementation of the actions agreed by Management is tracked and discussed with the ARC.

The Internal Auditors had also maintained their independence from the activities that they audit and had unfettered access to all LREIT's documents, records, properties and personnel, including the ARC. The ARC approves the appointment, removal, evaluation and fees of the Internal Auditors, and conducts an assessment of the Internal Auditors' performance during re-appointments.

A total of four ARC meetings were held in FY2021. In addition, the ARC met with the External Auditors twice, without the presence of Management. The ARC also met with the Internal Auditors once without the presence of Management.

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

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

The ARC reviewed the valuation of investment properties, being the key audit matter as reported by the External Auditors for FY2021. The ARC reviewed the methodologies, assumptions and outcomes and discussed the detail analysis of asset valuation with Management. The ARC also considered the findings of the External Auditor, including their assessment of the appropriateness of the valuation methodologies and key assumptions applied in the valuation of the investment properties, including key valuation parameters to take into account the potential impact of COVID-19 on the investment properties.

The ARC was satisfied with the appropriateness of the valuation methodologies and assumptions applied across all investment properties as disclosed in the financial statements. In addition, the ARC undertook a review of the independence and objectivity of the External Auditors through discussions with the External Auditors as well as reviewing the non-audit services fees paid to them, and has confirmed that the non-audit services performed by the External Auditors would not affect their independence.

For FY2021, an aggregate amount of S$367,500, comprising non-audit service fees of S$109,100 and audit service fees of S$258,400, was paid/payable to the External Auditors of LREIT and its subsidiaries.

Cognisant that the External Auditors should be free from any business or other relationships with LREIT that could materially interfere with their ability to act with integrity and objectivity, the ARC undertook a review of the independence of the External Auditors and gave careful consideration to LREIT's relationships with them in FY2021. In determining the independence of the External Auditors, the ARC reviewed all aspects of LREIT's relationships with them including the processes, policies and safeguards adopted by LREIT and the External Auditors relating to auditor independence. The ARC also considered the nature of the provision of the non-audit services in FY2021 and the corresponding fees and ensured that the fees for such non-audit services did not impair or threaten auditor independence. Based on the review, the ARC is of the opinion that the External Auditors are, and are perceived to be, independent for the purpose of LREIT's statutory financial audit.

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

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

Overview
Performance Overview
Sustainability
Governance
Financials

Corporate Governance

In addition, the ARC will review the Whistle-Blower Policy annually to ensure that it remains current. The details of the Whistle-Blower Policy are set out in page 115 of this Annual Report.

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

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

Principle 11:

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

Principle 12:

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

Principle 13:

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

Investor Relations

In addition to the matters mentioned above in relation to "Accountability", the Manager maintains regular and two-way communication with Unitholders to share views and address any queries on LREIT's operating performance and business strategies. In FY2021, the Manager conducted teleconferences with over 200 institutional and retail investors including analysts through participation in one-on-one virtual conferences, post-results investor conferences and non-deal roadshows. More details of the Manager's investor relations activities and efforts are set out on pages 56 to 59 of this Annual Report.

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

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

General Meetings

In view of the COVID-19 pandemic, the previous general meeting held in FY2021 was, and the forthcoming AGM to be held on 25 October 2021 ("**AGM 2021**") will be, held 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 (the "**COVID-19 Temporary Measures Order**"). For LREIT's previous general meeting that was held in FY2021, including the AGM that was held via electronic means on 26 October 2020, Unitholders were encouraged to submit their questions and proxy votes ahead of the AGM, and register to view the live webcast of the meeting's proceedings to facilitate Unitholders' participation. All resolutions were polled in advance and an independent scrutineer was appointed to verify the votes, validate the voting procedures and oversee the process. The responses to relevant and substantial questions from Unitholders were subsequently published on SGXNet and made available on LREIT's Website prior to the relevant meeting and the minutes of the meeting was published on SGXNet and LREIT's Website within one month from the date of the meeting.

Alternative arrangements relating to attendance at the AGM 2021 (including arrangements by which the AGM 2021 can be electronically accessed via live audio-visual webcast or live audio-only stream, submission of questions in advance of the AGM 2021, addressing of substantial and relevant questions prior to or at the AGM 2021 and voting by appointing the chairperson of the meeting as proxy at the AGM 2021) are set out in the Manager's notice of AGM dated 1 October 2021. The description below sets out LREIT's usual practice for Unitholders' meetings when there are no pandemic risks and the COVID-19 Temporary Measures Order is not in operation.

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

At Unitholders' meetings, each distinct issue is proposed as a separate resolution, unless the resolutions are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Manager will explain the reasons and material implications in the notice of meeting. Each resolution at the AGM will be voted on by way of electronic poll voting for Unitholders/ proxies present at the Unitholders' meetings for all the resolutions proposed at the Unitholders' meetings. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be made after each poll is conducted. The total number of votes cast for or against each resolution and the respective percentages are also announced in a timely manner after the Unitholders' meetings through the SGX-ST via SGXNet.

Where possible, all the Directors will attend Unitholders' meetings. In particular, the Chairperson and the respective chairperson of the ARC and the NRC are required to be present to address questions at general meetings. The External Auditors will also be present at such meetings to assist the Directors with Unitholders' queries, where necessary. In FY2020, all Directors attended the AGM of LREIT.

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

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

Distribution Policy

LREIT's current distribution policy is to distribute 100.0% of LREIT's adjusted net cash flow from operations for the period from 2 October 2019 (listing date) to the end of FY2021, and at least 90.0% of its adjusted net cashflow from operations thereafter on a semi-annual basis.

Managing Stakeholder Relationships

The Board's role includes considering sustainability as part of its strategic formulation. The Manager adopts an inclusive approach for LREIT by considering and balancing the needs and interests of material stakeholders, as part of the overall strategy to ensure that the best interests of LREIT are served. The Manager is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in LREIT's business strategies and operations. The Manager has arrangements in place to identify and engage with material stakeholder groups from time to time to gather feedback on the sustainability issues most important to them. Such arrangements include maintaining LREIT's Website, which is kept updated with current information, to facilitate communication and engagement with LREIT's stakeholders. More details of LREIT's sustainability strategy and stakeholder engagement can be found on pages 65 to 67 of this Annual Report.

Corporate Governance

Securities Transactions

Dealings in Units

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

Conflicts of Interests

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

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

(1) the Manager will not manage any other REIT which invests in the same types of properties as LREIT;
(2) all executive officers will be working exclusively for the Manager and will not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager or LREIT;
(3) all resolutions in writing of the Directors in relation to matters concerning LREIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one independent Director;
(4) at least one third of the Board shall comprise independent Directors if Unitholders have the right to vote on the endorsement of Directors to the Board and at least half of the Board shall comprise independent Directors if Unitholders do not have the right to vote on the endorsement of Directors to the Board, provided that where (i) the Chairperson and the CEO is the same person, (ii) the Chairperson and the CEO are immediate family members, (iii) the Chairperson is part of Management or (iv) the Chairperson is not an independent Director, majority of the board shall comprise independent Directors;
(5) in respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;
(6) in respect of matters in which the Lendlease Group has an interest, direct or indirect, any nominees appointed by the Lendlease Group to the Board to represent its interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise a majority of the independent Directors and must exclude nominee directors of the Lendlease Group;
(7) save as to resolutions relating to the removal of the Manager, the Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the Manager and/or any of its associates has a material interest and for so long as the Manager is the manager of LREIT, the controlling shareholders of the Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Manager and/ or of any of its associates have a material interest; and
(8) it is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of LREIT with a Related Party (meaning any "interested person" as defined in the Listing Manual and/ or, as the case may be, an "interested party" as defined in the Property Funds Appendix) of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of LREIT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement[10]. The Directors (including the independent Directors) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of LREIT with a Related Party of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

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

Lendlease Group Employee Code of Conduct

The Manager follows the Lendlease Group's employee code of conduct (the "**Employee Code of Conduct**") which explains the standards the Lendlease Group expects in the conduct of its operations. The Employee Code of Conduct supports the Lendlease Group's core values of Respect, Integrity, Innovation, Collaboration, Excellence and Trust, especially Integrity (which "is not negotiable") and links these values to more specific global, regional and local business policies. The Employee Code of Conduct is supplemented by a Lendlease employee conduct guide (the "**Employee Conduct Guide**"), which aims to explain more clearly the standards and expectations required by all employees every day.

The Employee Code of Conduct sets out the standards of conduct and ethics expected of its business and people, regardless of location, addressing matters such as compliance with laws, operational safety, conflicts of interest, insider trading, corrupt conduct, fair and equal treatment of employees, sustainability practices and political donations. The Employee Code of Conduct is clear that the Lendlease Group prohibits all forms of bribery and corrupt conduct, including the offering of bribes or "facilitation payments" to anyone, and the Employee Conduct Guide sets out the basic rules to be followed. The Employee Conduct Guide also provides information on gifts and entertainment, government relations and money laundering as a complement to the bribery and corruption section. The Employee Conduct Guide further sets out that Lendlease Group is committed to maintaining high ethical standards, excellence, integrity and respect in all business relationships, and encourages employees to speak up if they are concerned whether an action is legal or ethical, or in line with Lendlease Group's core values and Employee Code of Conduct.

The Lendlease Group also has in place a Consequence Management Framework which establishes oversight on the conduct of all Lendlease employees. Where applicable, investigations into alleged misconducts are carried out by independent units/personnel with the relevant expertise or appointed external investigators. Proper frameworks also exist to determine the severity of each misconduct and the corresponding disciplinary actions or escalation to the relevant Business Integrity Committee, as appropriate.

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

Related Party Transactions

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

In general, transactions between:

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

  would constitute an Interested Person Transaction.

The Manager's Internal Control System

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

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

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

Corporate Governance

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

Further, the following procedures will be undertaken:

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

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

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

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

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

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

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

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

Role of the Audit and Risk Committee for Related Party Transactions

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

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

APPENDIX

Board Committees – Responsibilities

A. Audit and Risk Committee

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

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

Corporate Governance

B. Nomination and Remuneration Committee

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

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

Board and Board Committee Assessment Evaluation Processes

Board and Board Committees

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

Individual Directors

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

Performance Criteria

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

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

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

Nature of Current Directors' Appointments and Membership on Board Committees

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

Whistle-Blower Policy

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

To facilitate reporting with the assurance that reports made will be managed objectively, the Manager has engaged Deloitte to provide an independent online reporting channel, details of which are available on LREIT's Website. The online reporting channel facilitates the reporting of possible illegal, unethical, or improper conduct when the normal channels of communication have proven ineffective or difficult. They are available for use by all employees and outside parties, such as suppliers, contractors, tenants and other stakeholders, to report any concern regarding irregularities or questionable behaviour of employees, service providers or associates.

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

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

Corporate Governance

The information required under Rule 720(6) read with Appendix 7.4.1 of the Listing Manual in respect of Directors whom the Manager is seeking endorsement or re-endorsement by Unitholders at the annual general meeting to be held in 2021 is set out below.

	Ms Ng Hsueh Ling	Dr Tsui Kai Chong
Date of Appointment	21 January 2019	29 August 2019
Date of last endorsement or re-endorsement of appointment (as the case may be)	Not Applicable	Not Applicable
Age	54	65
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Nomination and Remuneration Committee ("**NRC**") of the Manager has reviewed the qualification and experience of Ms Ng Hsueh Ling and recommended to the Board the re-endorsement of Ms Ng Hsueh Ling as the Chairperson and Non-Independent Non-Executive Director and a member of the NRC. The Board considered the recommendation of the NRC and approved the re-endorsement of Ms Ng as the Chairperson and Non-Independent Non-Executive Director and member of the NRC of the Manager. The seeking of endorsement or re-endorsement of Directors to the Board is further explained on page 98 of this Annual Report.	The NRC of the Manager has reviewed the qualification and experience of Dr Tsui Kai Chong and recommended to the Board the re-endorsement of Dr Tsui Kai Chong as the Lead Independent Non-Executive Director, Chairperson of the Audit and Risk Committee ("**ARC**") and a member of the NRC. The Board considered the recommendation of the NRC and approved the re-endorsement of Dr Tsui Kai Chong as the Lead Independent Non-Executive Director, Chairperson of the ARC and member of the NRC of the Manager. The seeking of endorsement or re-endorsement of Directors to the Board is further explained on page 98 of this Annual Report.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title	Chairperson, Non-Independent Non-Executive Director and member of the NRC.	Lead Independent Non-Executive Director, Chairperson of the ARC and member of the NRC.
Professional qualifications	Bachelor of Science (Estate Management) from the National University of Singapore Fellow of the Singapore Institute of Surveyors and Valuers Licensed appraiser for Lands and Buildings with the Inland Revenue Authority of Singapore	Bachelor of Arts (First Class Honours) Business Studies from The Polytechnic of Central London. Master of Philosophy from the Graduate School of Business Administration of New York University. Doctor of Philosophy from the Graduate School of Business Administration of New York University. Chartered Financial Analyst with The Institute of Chartered Financial Analysts, USA
Working experience and occupation(s) during the past 10 years	**2017 to Present** Managing Director, Singapore **2009 to 2017** Chief Executive Officer of Keppel REIT Management Limited, the manager of Keppel REIT	**2015 to present** Member of the Board of the Intellectual Property Office of Singapore **2005 to Present** Provost of the Singapore University of Social Sciences **2012 to 2019** Member of the Board of Governors of IP Academy **2012 to 2018** Member of the Board of National Council of Social Service **2005 to 2012** Chairperson of the Manager of Keppel REIT **2001 to 2014** Member of the board of Keppel Land Limited
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 1,945,000 Units	Direct Interest – 500,000 Units

	Ms Ng Hsueh Ling	Dr Tsui Kai Chong
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Ms Ng is the Managing Director, Singapore, the Key Executive Officer of Lendlease Retail Pte. Ltd. and a director of Lendlease Retail Pte. Ltd., Lendlease Investment Management Pte. Ltd. and Lendlease Singapore Pte. Ltd., each of which are related corporations of Lendlease Corporation Limited, the sponsor of Lendlease Global Commercial REIT.	No
Conflict of interest (including any competing business)	As above	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Other Principal Commitments Including Directorships

Past (for the last 5 years)	BFC Development Limited Liability Partnership Bergen Residential Development Pte. Ltd. Bergen Residential Holdings Pte. Ltd. Bergen Residential Investment Pte. Ltd. Central Boulevard Development Pte. Ltd. Keppel REIT (Australia) Pte. Ltd. Keppel REIT (Bermuda) Ltd Keppel REIT Fin. Company Pte. Ltd. Keppel REIT MTN Pte. Ltd. Keppel REIT Management Limited LL Investment Holdings Ltd LL JV Ltd Lendlease Asian Retail Investment Fund 3 Limited Lendlease Asian Retail Investment Fund 4 Limited Lendlease Asian Retail Investment Fund 5 Limited Lendlease Global Commercial (AU) Pte. Ltd. Lendlease Global Commercial (SG) Pte. Ltd. Lendlease Windmill Commercial Pte. Ltd. Lendlease Windmill Residential Pte. Ltd. Mirvac (Old Treasury) Pty Limited Mirvac 8 Chifley Pty Limited Ocean Properties LLP (Representative of Management Committee and Manager) One Raffles Quay Pte. Ltd. Schagen Commercial Development Pte. Ltd. Schagen Commercial Holdings Pte. Ltd. Schagen Commercial Investment Pte. Ltd. Singapore Dance Theatre Limited Triple Eight Investment Holdings Limited Triple Eight JV Limited	IP Academy National Council of Social Services

Corporate Governance

	Ms Ng Hsueh Ling	Dr Tsui Kai Chong
Present (directorships)	Lendlease Asian Retail Investment Fund 1 Limited Lendlease Asian Retail Investment Fund 2 Limited Lendlease DC Holdings Trustee Pte. Ltd. Lendlease Global Commercial (IT) Pte. Ltd. Lendlease Global Commercial (SGP) Pte. Ltd. Lendlease Global Commercial Trust Management Pte. Ltd. Lendlease Investment Management Pte. Ltd. Lendlease PP Office Pte. Ltd. Lendlease PP Retail Pte. Ltd. Lendlease Retail Pte. Ltd. Lendlease Singapore Holdings Pty Limited Lendlease Singapore Pte. Ltd. Lendlease Vault Holdings Pte. Ltd. Milano Central Holdings Ltd Milano Central Pte. Ltd. Milano Holdings JV Ltd Parkway Parade Partnership Limited Parkway Parade Partnership Pte. Ltd. Prime Asset Holdings Limited Quintique Investment Pte. Ltd. Roma Central Holdings Ltd Roma Central Pte. Ltd. Roma Holdings JV Ltd Singapore Hokkien Huay Kuan Singapore Hokkien Huay Kuan Cultural Academy Space Lab Holding Pte. Ltd. Space Lab One Pte. Ltd. Verona Central Holdings Ltd Verona Central Pte. Ltd. Verona Holdings JV Ltd Yunnan Realty Pte. Ltd.	Intellectual Property Office of Singapore Lendlease Global Commercial Trust Management Pte. Ltd.
Present (major appointments (other than directorships))	Managing Director, Singapore Chairperson of Property Committee, Singapore Hokkien Huay Kuan 44th Executive Council (with effect from 27 July 2021)	Nil

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

Risk Management

Building a robust organisational risk culture gives us prudence to proactively enhance and protect our assets even in challenging times.

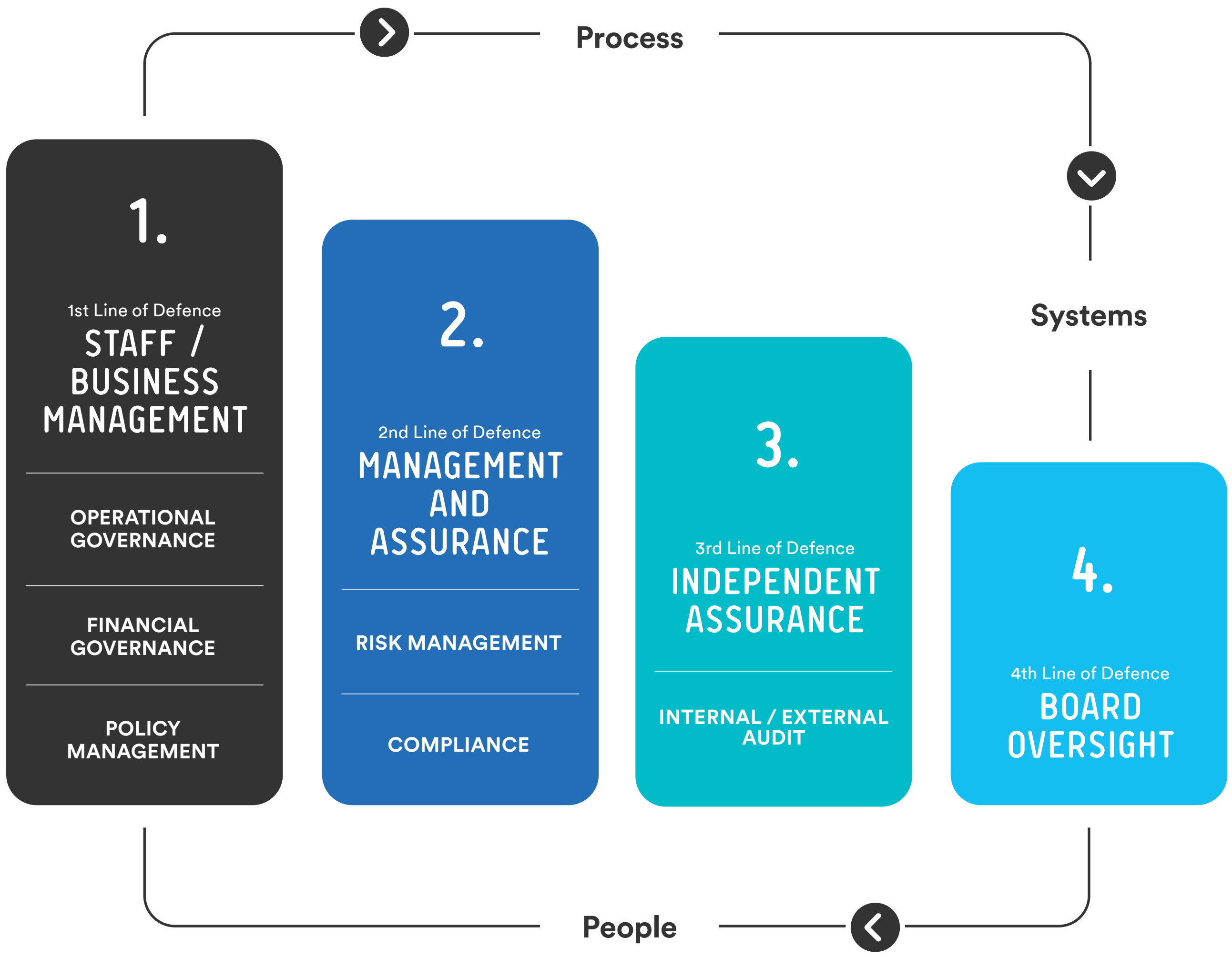
LREIT continues to recognise risk management as an integral part of operating its business in accordance with best practice principles in a manner that protects its stakeholders, employees and corporate reputation. The Board is the principal governor of the risk management framework and establishes the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

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

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

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

Risk Management



1. Staff/Business Management

The first line of defence refers to LREIT's policies and procedures and operational staff that help to manage, monitor and detect key risks in the organisation's risk profile.

2. Management and Assurance

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

3. Independent Assurance

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

4. Board Oversight

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

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

Strategic Risks

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

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

Financial Risks

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

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

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

Operational Risks

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

To maintain LREIT's competitive advantage, the Manager taps the Lendlease Group's in-house capabilities, which include property and retail development, leasing, marketing and property management, to differentiate itself against its peers through ongoing brand building. On 1 September 2020, Lendlease Italy SGR S.p.A. ("**Lendlease SGR**") was appointed as the alternative investment fund manager for Lendlease Global Commercial Italy Fund, which holds LREIT's office buildings in Milan, Italy. Lendlease SGR is a member of the Lendlease Group[1]. Regular reports / updates are received from, and meetings are scheduled with, the property manager in Singapore and fund manager in Milan for purposes of reviewing performance and agreeing on actions for further improvement.

[1] Lendlease Group refers to Lendlease Corporation Limited, Lendlease Trust and their subsidiaries and controlled entities.

Health and Safety

The Manager is committed to the health, safety and wellbeing of its people as failure to provide an environment which promotes health, safety and wellbeing impacts its ability to achieve its corporate and social responsibilities. Through Lendlease Group's Global Minimum Requirements ("**GMRs**"), which include both physical safety and health and wellbeing, it empowers its people to operate in a consistent standard across all its operations. This year, Lendlease Group released the fourth edition of its GMRs which incorporates updated work practices, lessons learned over the last five years, and a specific focus on the mental health and wellbeing of its people. The Manager undertook mandatory training to understand how the updated GMRs support the continual improvement of the safety environment at its workplaces.

Compliance Risks

Incurrence of liability or additional costs from non-compliance with key laws or regulations and / or the inability to respond to changing laws and regulations may lead to financial and reputational losses incurred by the company. The Manager takes a proactive stance to observe all laws and regulations on an ongoing basis, including the requirements of the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("**MAS**") and the provisions in the trust deed constituting LREIT dated 28 January 2019 (as amended). Written corporate policies facilitate staff awareness and minimises unintentional breach of applicable legislations and obligations.

Compliance with policies and procedures is required at all times. The policies will be reviewed by the Manager on an annual or biennial basis and are submitted to the ARC for review and approval.

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

Technology and Cyber Risks

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

Financials

Financials

Other Information

Report of the Trustee

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the year covered by these financial statements, set out on pages 132 to 192, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Hoi Sau Kheng
Director

Farrah Begum Binte Abdul Salam
Associate Director

Singapore
10 September 2021

Statement by the Manager

In the opinion of the directors of Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**"), the accompanying financial statements of Lendlease Global Commercial REIT ("**LREIT**") and its subsidiaries (the "**Group**") set out on pages 132 to 192, comprising the statements of financial position and portfolio statements of the Group and LREIT as at 30 June 2021, the consolidated statements of profit or loss and other comprehensive income and the distribution statements of the Group, the statements of movements in Unitholders' funds of the Group and LREIT, and the consolidated statements of cash flows of the Group for the year ended 30 June 2021, and the notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio statements of the Group and LREIT as at 30 June 2021, and the profit or loss and other comprehensive income and distributable income of the Group, movements in Unitholders' funds of the Group and LREIT, and cash flows of the Group for the year ended in accordance with International Financial Reporting Standards and the provisions of the Trust Deed dated 28 January 2019 (as amended) and the relevant requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and LREIT will be able to meet their respective financial obligations as and when they materialise.

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

Ng Hsueh Ling
Chairperson and Non-Independent
Non-Executive Director

Tsui Kai Chong
Lead Independent Non-Executive Director

Singapore
10 September 2021

Independent Auditors' Report

Unitholders of Lendlease Global Commercial REIT

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

We have audited the consolidated financial statements of Lendlease Global Commercial REIT ("**LREIT**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group and the statement of financial position and portfolio statement of LREIT as at 30 June 2021, the consolidated statements of profit or loss and other comprehensive income, consolidated distribution statement, consolidated statement of movements in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of movements in Unitholders' funds of LREIT for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 132 to 192.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of movements in Unitholders' funds of LREIT present fairly, in all material respects, the consolidated financial position and consolidated portfolio statement of the Group and the financial position and portfolio statement of LREIT as at 30 June 2021, and the consolidated statements of profit or loss and other comprehensive income, consolidated distribution statement, consolidated statement of movements in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of movements in Unitholders' funds of LREIT for the year ended 30 June 2021 in accordance with International Financial Reporting Standards ("**IFRS**").

Basis for opinion

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

Key audit matters

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

Valuation of investment properties

(Refer to Note 4 to the financial statements)

Risk:

As at 30 June 2021, the Group owns a portfolio of investment properties comprising a leasehold interest in one retail mall located in Singapore (the "**Singapore Property**") and a freehold interest in Sky Complex, comprising three office buildings located in Milan, Italy (the "**Milan Property**").

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

Certain valuation report obtained from the external valuers also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuation than would normally be the case. Due to the unknown future impact that the 2019 Novel Coronavirus ("**COVID-19**") pandemic might have on the real estate market, the external valuers have also recommended to keep the valuation of the property under frequent review.

Our response:

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

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

Our findings:

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

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

The key assumptions applied were generally within the range of market data available as at 30 June 2021. Where the assumptions were outside the expected range, the additional factors considered by the external valuers were consistent with other corroborative evidence.

Other information

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

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

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

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

Independent Auditors' Report continued

Unitholders of Lendlease Global Commercial REIT

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

Responsibilities of the Manager for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
10 September 2021

Statements of Financial Position

As at 30 June 2021

		Group		LREIT	
	Note	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Non-current assets					
Investment properties	4	**1,419,857**	1,442,598	**983,000**	1,008,000
Investment property under development	5	**5,521**	–	**5,521**	–
Investment in subsidiaries	6	**–**	–	**435,245**	435,245
Equity instrument at fair value	7	**44,591**	–	**44,591**	–
Trade and other receivables	8	**7,311**	12,845	**–**	–
Other non-current assets	9	**869**	1,012	**869**	1,012
Derivative financial instruments	10	**128**	149	**128**	149
		1,478,277	1,456,604	**1,469,354**	1,444,406
Current assets					
Cash and cash equivalents	11	**249,264**	83,678	**232,768**	60,664
Trade and other receivables	8	**6,664**	10,553	**833**	4,942
Other current assets	12	**2,910**	4,663	**2,582**	4,359
		258,838	98,894	**236,183**	69,965
Total assets		**1,737,115**	1,555,498	**1,705,537**	1,514,371
Current liabilities					
Trade and other payables	13	**27,393**	21,827	**22,997**	17,555
Lease liability	15	**416**	–	**416**	–
Derivative financial instruments	10	**207**	320	**207**	320
		28,016	22,147	**23,620**	17,875
Non-current liabilities					
Trade and other payables	13	**5,300**	7,999	**5,300**	7,999
Loans and borrowings	14	**542,573**	528,999	**542,573**	528,999
Lease liability	15	**2,105**	–	**2,105**	–
Derivative financial instruments	10	**2,322**	4,103	**2,322**	4,103
		552,300	541,101	**552,300**	541,101
Total liabilities		**580,316**	563,248	**575,920**	558,976
Net assets		**1,156,799**	992,250	**1,129,617**	955,395
Represented by:					
Unitholders' funds		**957,902**	992,250	**930,720**	955,395
Perpetual securities holders	16	**198,897**	–	**198,897**	–
		1,156,799	992,250	**1,129,617**	955,395
Units issued at end of financial year/period ('000)	16	**1,180,996**	1,171,795	**1,180,996**	1,171,795
Net asset value per Unit attributable to Unitholders (S$)		**0.81**	0.85	**0.79**	0.82

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

Statements of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2021

	Note	Group	
		Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Gross revenue	17	78,651	55,536
Property operating expenses	18	(21,733)	(15,247)
Net property income		56,918	40,289
Manager's base fee	19	(3,933)	(2,850)
Manager's performance fee	20	(2,923)	(2,015)
Other management fee		(801)	(580)
Trustee's fee		(209)	(148)
Other trust expenses	21	(2,561)	(1,228)
Dividend income		1,731	–
Net foreign exchange loss	22	(9,219)	(10,999)
Net finance costs	23	(9,989)	(6,709)
Profit before tax and change in fair value		29,014	15,760
Net change in fair value of investment properties and investment property under development		(31,284)	(20,102)
Net change in fair value of equity instrument		(942)	–
Net change in fair value of derivative financial instruments		1,873	(4,274)
Loss before tax		(1,339)	(8,616)
Tax expense	24	–	–
Loss after tax		(1,339)	(8,616)
Attributable to:			
Unitholders		(1,937)	(8,616)
Perpetual securities holders		598	–
		(1,339)	(8,616)
Other comprehensive income			
Items that is or may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiary		9,005	11,218
Total comprehensive income for the year/period		7,666	2,602
Earnings per unit (cents)			
Basic and diluted	25	(0.16)	(0.74)

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

Distribution Statements

Year ended 30 June 2021

	Note	Group	
		Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Amount available for distribution to Unitholders at beginning of the year/period		**20,605**	–
Loss after tax		**(1,937)**	(8,616)
Net tax and other adjustments	A	**57,060**	44,288
Amount available for distribution to Unitholders from taxable income		**75,728**	35,672
Distribution to Unitholders during the year/period			
1.29 Singapore cents per unit for the period from 2 October 2019 – 31 December 2019		**–**	(15,067)
1.74 Singapore cents per unit for the period from 1 January 2020 – 30 June 2020		**(20,600)**	–
2.34 Singapore cents per unit for the period from 1 July 2020 – 31 December 2020		**(27,545)**	–
		(48,145)	(15,067)
Amount available for distribution to Unitholders at end of the year/period		**27,583**	20,605

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

Note A – Net tax and other adjustments

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Manager's base fees in units	**3,933**	2,850
Manager's performance fees in units	**2,923**	2,015
Property manager's fees in units	**1,671**	1,374
Net change in fair value of investment properties and investment property under development	**31,284**	20,102
Net change in fair value of derivative financial instruments	**(1,873)**	4,274
Net change in fair value of equity instrument	**942**	–
Amortisation of debt-related transaction costs	**5,201**	3,867
Temporary differences and other adjustments	**4,555**	(1,272)
Unrealised foreign exchange loss	**8,424**	11,078
	57,060	44,288

Statements of Movements in Unitholders' Funds

Year ended 30 June 2021

	Group		LREIT	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Unitholders' Funds				
Balance at beginning of the year/period	**992,250**	–	**955,395**	–
Operations				
(Loss)/Profit after tax	**(1,937)**	(8,616)	**16,741**	(34,253)
Foreign currency translation reserve				
Translation differences relating to financial statements of foreign subsidiary	**9,005**	11,218	**–**	–
Unitholders' transactions				
As at 28 January 2019 (date of constitution)	**–**	*	**–**	*
Issuance of new units on Listing Date	**–**	1,027,792	**–**	1,027,792
Issue expenses on Listing Date	**–**	(25,858)	**–**	(25,858)
Manager's base fee paid in units	**2,937**	1,883	**2,937**	1,883
Manager's performance fee paid in units	**2,015**	–	**2,015**	–
Manager's acquisition fee paid in units	**455**	–	**455**	–
Property Manager's fee paid in units	**1,322**	898	**1,322**	898
Distributions to Unitholders	**(48,145)**	(15,067)	**(48,145)**	(15,067)
Change in Unitholders' funds resulting from Unitholders' transactions	**(41,416)**	989,648	**(41,416)**	989,648
Total (decrease)/increase in Unitholders' funds	**(34,348)**	992,250	**(24,675)**	955,395
Balance at end of the year/period	**957,902**	992,250	**930,720**	955,395

* less than S$1,000.

	Group		LREIT	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Perpetual securities holders				
Balance at beginning of the year/period	**–**	–	**–**	–
Issuance of perpetual securities	**200,000**	–	**200,000**	–
Issuance costs	**(1,701)**	–	**(1,701)**	–
Profit attributable to perpetual securities holders	**598**	–	**598**	–
Balance at end of the year/period	**198,897**	–	**198,897**	–

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

Portfolio Statements

As at 30 June 2021

Description of property	Location	Term of land lease	Remaining term of land lease (years)	Existing use	Occupancy rate[1] 2021 %	Occupancy rate[1] 2020 %
Group and LREIT						
Investment property in Singapore						
313@somerset	313 Orchard Road, Singapore 238895	99 years	84.4	Retail	**99.2**	97.8
Group						
Investment property in Italy						
Sky Complex[3]	Via Monte Penice 7 and Via Luigi Russolo 9, Postal Code 20138, Milan, Italy	Freehold	N.A.	Commercial	**100**	100
Investment properties, at valuation (note 4)						
Group and LREIT						
Investment property under development in Singapore						
Development site adjacent to 313@somerset	State Land Lots 544N (PT), 789W (PT) and 1313M (PT) of Town Subdivision 21, Singapore	9 years 364 days[4]	9.4	Retail	**N.A.**	–
Investment property under development, at valuation						
Investment properties and investment property under development, at valuation						

[1] The occupancy rates shown are on committed basis.
[2] The carrying value of investment properties and investment property under development are stated at valuation.
[3] As at 30 June 2021, the property was valued at EUR 274.0 million (equivalent to approximately S$436.9 million) (2020: EUR 277.7 million (equivalent to approximately S$434.6 million)).
[4] The remaining term of lease includes options to renew land leases.

Group				LREIT			
Carrying value[2]		Percentage of total Unitholders' funds		Carrying value[2]		Percentage of total Unitholders' funds	
2021 S$'000	2020 S$'000	2021 %	2020 %	2021 S$'000	2020 S$'000	2021 %	2020 %
983,000	1,008,000	**102.6**	101.6	**983,000**	1,008,000	**105.6**	105.5
436,857	434,598	**45.6**	43.8	**–**	–	**–**	–
1,419,857	1,442,598	**148.2**	145.4	**983,000**	1,008,000	**105.6**	105.5
3,000	–	**0.3**	–	**3,000**	–	**0.3**	–
3,000	–	**0.3**	–	**3,000**	–	**0.3**	–
1,422,857	1,442,598	**148.5**	145.4	**986,000**	1,008,000	**105.9**	105.5

Portfolio Statements continued

As at 30 June 2021

Investment properties and investment property under development, at valuation
Investment property under development – right-of-use assets (note 5)
Investment properties and investment property under development
Other assets and liabilities of LREIT (net)
Net assets of LREIT
Perpetual securities holders
Net assets attributable to Unitholders
Other assets and liabilities of the Group (net)
Net assets of the Group
Perpetual securities holders
Net assets attributable to Unitholders

As at 30 June 2021, the investment property and investment property under development in Singapore was valued by CBRE Pte. Ltd. (2020: the investment property in Singapore was valued by CBRE Pte. Ltd.) and the investment property in Milan was valued by Savills Advisory Services Limited (2020: Savills Advisory Services Limited).

The Manager believes that the independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuation of the Singapore investment property was based on capitalisation method and discounted cash flow analysis. The valuation of the Milan investment property was based on discounted cash flow analysis. The valuation of the Singapore investment property under development was based on the residual land method. Refer to note 4 and 5 of the financial statements for details of the valuation techniques.

Group				LREIT			
Carrying value		Percentage of total Unitholders' funds		Carrying value		Percentage of total Unitholders' funds	
2021 S$'000	2020 S$'000	2021 %	2020 %	2021 S$'000	2020 S$'000	2021 %	2020 %
1,422,857	1,442,598	**148.5**	145.4	**986,000**	1,008,000	**105.9**	105.5
2,521	–	**0.3**	–	**2,521**	–	**0.3**	–
1,425,378	1,442,598	**148.8**	145.4	**988,521**	1,008,000	**106.2**	105.5
				141,096	(52,605)	**(6.0)**	(5.5)
				1,129,617	955,395	**100.2**	100.0
				(198,897)	–	**(0.2)**	–
				930,720	955,395	**100.0**	100.0
(268,579)	(450,348)	**(48.6)**	(45.4)				
1,156,799	992,250	**100.2**	100.0				
(198,897)	–	**(0.2)**	–				
957,902	992,250	**100.0**	100.0				

Consolidated Statement of Cash Flows

Year ended 30 June 2021

	Note	Group Year ended 30 June 2021 S$'000	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Cash flows from operating activities			
Loss after tax		**(1,339)**	(8,616)
Adjustments for:			
Manager's fees paid/payable in units		**6,856**	4,865
Property manager's fees paid/payable in units		**1,671**	1,374
Transaction costs related to purchase of equity instrument		**908**	–
Finance income	23	**(51)**	(531)
Interest expense	23	**4,764**	3,373
Amortisation of debt-related transaction costs		**5,201**	3,867
Net unrealised foreign exchange loss		**8,424**	11,078
Net change in the fair value of investment properties and investment property under development		**31,284**	20,102
Net change in fair value of equity instrument		**942**	–
Net change in the fair value of derivatives financial instruments		**(1,873)**	4,274
Operating income before working capital changes		**56,787**	39,786
Changes in:			
Trade and other receivables		**9,678**	(22,942)
Trade and other payables		**(1,855)**	25,197
Other current assets		**1,753**	(4,663)
Other non-current assets		**143**	(1,012)
Net cash generated from operating activities		**66,506**	36,366
Cash flows from investing activities			
Interest received		**51**	531
Acquisition of investment properties[1]	4	**–**	(1,451,542)
Capital expenditure on investment properties		**(1,149)**	(233)
Capital expenditure on investment property under development		**(313)**	–
Purchase of equity instrument at fair value		**(45,533)**	–
Transaction costs related to purchase of equity instrument		**(345)**	–
Net cash used in investing activities		**(47,289)**	(1,451,244)

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

Consolidated Statement of Cash Flows continued

Year ended 30 June 2021

	Note	Group Year ended 30 June 2021 S$'000	Group Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Cash flows from financing activities			
Proceeds from issuance of new units		–	1,027,792
Payment of issue costs for new units		–	(25,858)
Proceeds from issue of perpetual securities		**200,000**	–
Payment of issue costs for perpetual securities		**(1,624)**	–
Payment of financing expenses		–	(20,187)
Payment of lease liability	15	–	–
Proceeds from loans and borrowings		–	534,237
Distribution to Unitholders		**(48,145)**	(15,067)
Interest paid		**(4,403)**	(2,593)
Net cash generated from financing activities		**145,828**	1,498,324
Net increase in cash and cash equivalents		**165,045**	83,446
Cash and cash equivalents at 1 July 2020/28 January 2019 (date of constitution)		**83,678**	–
Effect of exchange rate changes on balances held in foreign currency		**541**	232
Cash and cash equivalents at end of the year/period	11	**249,264**	83,678

Significant non-cash transactions

There were the following significant non-cash transactions:

(i) During the financial year ended 30 June 2021, LREIT issued an aggregate of 4,071,635 (2020: 2,742,736) new units amounting to S$2.9 million (2020: S$1.9 million) as payment for the base fee element of the Manager's management fees.

(ii) During the financial year ended 30 June 2021, LREIT issued an aggregate of 2,749,738 new units amounting to S$2.0 million as payment for the performance fee element of the Manager's management fees.

(iii) During the financial year ended 30 June 2021, LREIT issued an aggregate of 631,431 (2020: 8,548,000) new units amounting to S$0.5 million (2020: S$7.5 million) as payment for the acquisition fee element of the Manager's management fees.

(iv) During the financial year ended 30 June 2021, LREIT issued an aggregate of 1,748,012 (2020: 1,106,488) new units amounting to S$1.3 million (2020: S$0.9 million) as payment for the property manager's management fee.

Refer to note 16 of the financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 10 September 2021.

1 General

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

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

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

The principal activity of LREIT relates to investment strategy of investing, directly or indirectly, in a portfolio of stabilised income-producing real estate assets located globally that are used primarily for retail and/or office purposes as well as real estate-related assets in connection with the foregoing. The principal activities of the subsidiaries are set out in note 6.

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

1.1 Trustee's fees

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

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

1.2 Manager's fees

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

Base fee

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

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

Performance fee

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

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

1 General continued

1.2 Manager's fees continued

Acquisition and divestment fee

The Manager is entitled to receive following fees:

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

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

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

Development management fee

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

1.3 Property management fee

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

Singapore

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

F = F1 + F2, where

F1 = 1.85% of GR; and

F2 = 1.85% of (GR – OE – F1)

and:

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

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

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

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

Notes to the Financial Statements continued

1 General continued

1.3 Property management fee continued

Italy

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

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

(ii) a project management fee of:

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

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

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

(iii) a construction supervision fee of:

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

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

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

With effect from 22 February 2021, the fees for the Milan Property comprise property management fee of 0.28% per annum of the annual collected rent of the Milan Property, subject to a minimum sum of €20,000. Such minimum annual fee shall be adjusted annually by 100% of the last variation of the ISTAT[1] index applicable to the workers' and employers' families, only where such variation is positive.

1.4 Other management fee

Italy management fee

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

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

[1] The Italian National Institute of Statistics.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Information about critical judgements and estimates made in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4: Investment properties;
- Note 5: Investment property under development; and
- Note 7: Equity instrument at fair value.

Measurement of fair values

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

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

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

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

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

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

Notes to the Financial Statements continued

2 Basis of preparation continued

2.4 Use of estimates and judgements continued

Measurement of fair values continued

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

- Note 4: Investment properties;
- Note 5: Investment property under development;
- Note 7: Equity instrument at fair value;
- Note 10: Derivatives financial instruments; and
- Note 29: Fair value of assets and liabilities.

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following IFRSs, amendments to and interpretations of IFRS for the first time for the annual period beginning on 1 July 2020:

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of Business* (Amendments to IFRS 3)
- *Definition of Material* (Amendments to IAS 1 and IAS 8)
- *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7)

The application of the amendments to standards and interpretations does not have a material effect on the Group's financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

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

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

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

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

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

3 Significant accounting policies continued

3.1 Basis of consolidation continued

Business combinations and property acquisitions

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

Where significant processes are acquired, the acquisition is considered an acquisition of business and accounted for as stated above. Where the acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by LREIT

Investment in subsidiaries in LREIT's statement of financial position are stated at cost less accumulated impairment losses.

3.2 Foreign currencies

Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "**functional currency**").

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rate at the date of the transactions. The functional currencies of the Group's entities are Singapore dollars ("**S$**") and Euro ("**€**"). Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the 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 year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currencies at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from translation are recognised in profit or loss.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.2 Foreign currencies continued

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates prevailing at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at average exchange rates for the reporting period.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve. However, if the foreign operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests ("**NCI**"). When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI.

3.3 Investment properties

Investment properties and investment property under development

Investment properties are properties held either to earn rental income or capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property under development is a property being constructed or developed for future use as investment properties. Investment properties and investment property under development are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties or investment property under development. Transaction costs shall be included in the initial measurement. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Fair value is determined in accordance with the Trust Deed, which requires investment properties and investment property under development to be valued by independent registered valuers in the following events:

(i) in such manner and frequency as required under the CIS Code issued by MAS; and

(ii) at least once in each period of twelve months following the acquisition of each real estate property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

3 Significant accounting policies continued

3.4 Financial instruments

(a) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, the Group classifies its non-derivative financial assets as measured at: amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income ("**FVOCI**") as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Non-derivative financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Manager. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Manager; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.4 Financial instruments continued

(b) Classification and subsequent measurement continued

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

3 Significant accounting policies continued

3.4 Financial instruments continued

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

(f) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group has not designated its derivative financial instruments as hedging instruments in qualifying hedging relationships.

3.5 Impairment

(a) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") on financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.5 Impairment continued

(a) Non-derivative financial assets continued

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates or credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or being more than 90 days past due; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

3 Significant accounting policies continued

3.5 Impairment continued

(a) Non-derivative financial assets continued

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("**CGU**") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflow of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

For right-of-use assets that meet the definition of investment property, the Group applies the fair value model in IAS 40 *Investment Property* to these assets with any change therein being recognised in the statement of total return and adjusted for certain remeasurements of the lease liability.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.6 Leases continued

As a lessee continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group leases out its investment properties. The Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

3.7 Unitholders' funds

Unitholders' funds represent mainly the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental cost, directly attributable to the issuance, offering and placement of units in LREIT are deducted directly against Unitholders' funds.

3.8 Dividend and distribution income

Dividend and distribution income are recognised in profit or loss on the date that the Group's or LREIT's right to receive payment is established.

3 Significant accounting policies continued

3.9 Finance income and cost

Finance income comprises interest income which is recognised using the effective interest method.

Finance costs comprise interest expense on borrowings, including amortisation of transaction costs which are recognised in profit or loss using the effective interest method over the period for which the borrowings are granted.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

3.10 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grants. Grants that compensate the Group for expenses incurred are recognised in profit or loss as a deduction to the related expenses on a systematic basis in the same periods in which the expenses are recognised. Grants that are related to revenue and for LREIT are recognised within ‘gross revenue’ on a systematic basis.

3.11 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in Unitholders’ funds.

Current tax is the expected tax payable on the taxable income for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.11 Income tax expense continued

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience with tax authorities. The assessment of these factors relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Group has obtained tax rulings from the Inland Revenue Authority of Singapore ("**IRAS**") in relation to Singapore income tax treatment of certain income from properties located overseas.

Tax Transparency Treatment

The IRAS has granted tax transparency treatment to LREIT in respect of certain taxable income ("**Specified Taxable Income**"). Broadly, subject to meeting the terms and conditions that the Trustee and the Manager have undertaken to comply with for purposes of the application for the tax transparency treatment, which includes a distribution of at least 90% of the Specified Taxable Income of LREIT, LREIT is not subject to tax on the Specified Taxable Income distributed to the Unitholders in the same period in which the Specified Taxable Income was derived. In this regard, for Specified Taxable Income of LREIT relating to the financial period ended 30 June 2020 and the financial year ended 30 June 2021, the period for making distributions to meet the 90% requirement has been extended to 31 December 2021. Instead, the Trustee and the Manager would deduct income tax at the prevailing corporate tax rate (currently at 17%) from distributions made to Unitholders out of such Specified Taxable Income, except:

(i) where the beneficial owners are Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax;

(ii) where the beneficial owners are Qualifying Foreign Non-Individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made on or before 31 December 2025; or

(iii) where the beneficial owners are Qualifying Non-Resident Funds, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions during the period 1 July 2019 to 31 December 2025.

A "Qualifying Unitholder" is a Unitholder who is:

- an individual;
- a company incorporated and tax resident in Singapore;
- a Singapore branch of a company incorporated outside Singapore;
- a body of persons other than a company or a partnership, registered or constituted in Singapore (e.g. a town council, a statutory board, a registered charity, a registered cooperative society, a registered trade union, a management corporation, a club or a trade industry association);
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145); or
- a real estate investment trust exchange-traded fund which has been accorded the tax transparency treatment (but only in respect of Specified Taxable Income distributions made on or before 31 December 2025).

A Qualifying Foreign Non-Individual Unitholder is a person other than an individual who is not resident in Singapore for Singapore income tax purposes and who:

- does not have a permanent establishment in Singapore; or
- carries on an operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire units of LREIT are not obtained from that operation.

3 Significant accounting policies continued

3.11 Income tax expense continued

Tax Transparency Treatment continued

A Qualifying Non-resident Fund is a non-resident fund that qualifies for tax exemption under Section 13CA, 13X or 13Y of the Income Tax Act (Cap.134) and who:

- does not have a permanent establishment in Singapore (other than a fund manager in Singapore); or
- carries on an operation through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used by that qualifying fund to acquire units of LREIT are not obtained from that operation.

The tax transparency treatment does not apply to gains or profits from the disposal of any properties such as immovable properties and shares that are determined by the IRAS to be revenue gains chargeable to tax and income derived by LREIT but not distributed to the Unitholders in the same period in which the income is derived.

Where tax transparency treatment does not apply to any gains, profits or income, such gains, profits or income will be subject to tax at the level of the Trustee. Distribution made out of the after-tax amount will not be subject to any deduction of tax at source nor further tax in the hands of Unitholders. Where the disposal gains are regarded as capital in nature, they will not be subject to tax at the level of the Trustee and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

Foreign-sourced Income Tax Exemption

Pursuant to the Foreign-sourced Income Tax Exemption granted by the IRAS and subject to the meeting of certain conditions, the distributions received from Lendlease Global Commercial Italy Fund by LREIT's wholly-owned subsidiary, Lendlease Global Commercial (IT) Pte. Ltd., will be exempt from Singapore income tax. The dividends paid out by Lendlease Global Commercial (IT) Pte. Ltd. are exempt from Singapore income tax in the hands of LREIT.

Any distributions made by LREIT to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders.

3.12 Distribution policy

LREIT's distribution policy is to distribute at least 90% of its adjusted net cashflow from operations for each financial year. The actual level of distribution will be determined at the Manager's discretion.

LREIT makes distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Under the Trust Deed, the Manager shall pay distributions no later than 90 days after the end of each distribution period.

3.13 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers ("**CODMs**") which comprise mainly the Board of Directors including the Chief Executive Officer ("**CEO**") of the Manager to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise fees, other trust expenses, foreign exchange gain/loss, finance cost, interest and other income, fair value of derivative financial instruments and income tax expense as these are centrally manage by the Group.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, investment properties and investment property under development.

Notes to the Financial Statements continued

3 Significant accounting policies continued

3.14 Perpetual securities

Proceeds from the issuance of perpetual securities in LREIT are recognised as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or exchange financial assets or liabilities with another person or entities that are potentially unfavourable to the issuer. Expenses relating to the issuance of the perpetual securities are deducted from the net assets attributable to the perpetual securities balance.

3.15 New accounting standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 July 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new IFRSs, interpretations and amendments to IFRSs are not expected to have a significant impact on the Group's consolidated financial statements and the LREIT's statement of financial position.

- IFRS 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendment to IFRS 16)
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)
- *Reference to the Conceptual Framework* (Amendment to IFRS 3)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to IAS 16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to IAS 37)
- *Annual Improvements to IFRSs 2018 – 2020*

4 Investment properties

	Group		LREIT	
	2021 S$'000	**2020** S$'000	**2021** S$'000	**2020** S$'000
At 1 July 2020/28 January 2019	**1,442,598**	–	**1,008,000**	–
Acquisitions (including acquisition costs)[1]	**–**	1,451,542	**–**	1,037,695
Capital expenditure	**2,525**	624	**2,525**	624
Currency translation differences	**8,159**	10,534	**–**	–
Net change in fair value of investment properties	**(33,425)**	(20,102)	**(27,525)**	(30,319)
At 30 June	**1,419,857**	1,442,598	**983,000**	1,008,000

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

For the Singapore Property, there was a revision of permissible plot ratio from 4.9+ to 5.6 under the 2019 Urban Redevelopment Authority Master Plan, resulting in a potential increase of up to 1,008 (2020: 1,008) square metres of gross floor area based on the current gross floor area. The Manager is planning for asset enhancement initiatives to deploy the additional area.

4 Investment properties continued

Measurement of fair value

(i) Fair value hierarchy

Investment properties are stated at fair value as at 30 June 2021 and are based on the valuations performed by independent professional valuers, CBRE Pte Ltd. and Savills Advisory Services Limited (2020: CBRE Pte Ltd. and Savills Advisory Services Limited).

The fair value measurement for investment properties has been categorised as Level 3 fair values based on inputs to the valuation techniques used (see note 2.4).

(ii) Valuation techniques

The fair values take into consideration the market values of the properties, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. The specific condition and characteristics inherent in each of the properties are taken into consideration in arriving at the property valuation.

In determining the fair value, the external valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market rental growth rates, market-corroborated discount rate, terminal capitalisation rate and capitalisation rate. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions and the valuation reports are prepared in accordance with recognised appraisal and valuation standards.

The external valuers have considered valuation techniques including the income capitalisation method and discounted cash flow analysis in arriving at the open market value as at the reporting date. The external valuers have considered all available information as at the reporting date relating to COVID-19 and have made necessary adjustments to the valuation. Certain valuation report also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the external valuers have also recommended to keep the valuation of the property under frequent review.

The discounted cash flow analysis involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value. The discounted cash flow analysis requires the external valuers to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. The capitalisation method is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) has been adjusted against anticipated operating costs to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised at an appropriate investment yield. Thereafter, various adjustments including assumed vacancy allowance are made, where appropriate, for the capitalisation method.

Notes to the Financial Statements continued

4 Investment properties continued

Measurement of fair value continued

(iii) Key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows analysis	• Discount rate of 6.15% to 6.75% (2020: 6.00% to 6.75%)	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Terminal capitalisation rate of 4.40% to 5.25% (2020: 4.40% to 5.25%)	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
	• 10-year average market rental growth rate of 2.85% (2020: 2.80%)	The estimated fair value would increase (decrease) if 10-year average market rental growth rate was higher (lower).
Capitalisation method	• Capitalisation rate of 4.25% (2020: 4.25%)	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).

5 Investment property under development

	Group		LREIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
At 1 July 2020/28 January 2019	–	–	–	–
Recognition of right-of-use asset	2,521	–	2,521	–
Development expenditure capitalised	859	–	859	–
Net change in fair value of investment property under development recognised in profit or loss	2,141	–	2,141	–
At 30 June	5,521	–	5,521	–

Measurement of fair value

(i) Fair value hierarchy

Investment property under development is stated at fair value as at 30 June 2021 and is based on the valuation performed by independent professional valuer, CBRE Pte Ltd., who has the appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value measurement for investment property under development has been categorised as Level 3 fair value based on inputs to the valuation techniques used (see note 2.4).

5 Investment property under development continued

Measurement of fair value continued

(ii) Valuation techniques

In determining the fair value of investment property under development, the valuer has adopted the residual land method whereby the estimated development costs to be incurred and developer's profit are deducted from the gross development value to arrive at the residual value. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of valuation and is determined using the income capitalisation method and discounted cash flow analysis (see note 4).

The external valuer has considered all available information as at reporting date relating to COVID-19 and has made necessary adjustments to the valuation. The valuation report also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the external valuer has also recommended to keep the valuation of the investment property under development under frequent review.

The key assumptions include the estimation of net income based on rental assumptions which are considered in line with prevailing market conditions and general market practice within Singapore, a market-corroborated discount rate, terminal capitalisation rate, capitalisation rate and estimated development costs to be incurred.

(iii) Key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Residual land method	Discounted cash flow analysis • Discount rate of 8.50%	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Terminal capitalisation rate of 8.50%	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
	Capitalisation method • Capitalisation rate of 8.50%	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).
	Estimated development costs to be incurred (including land costs)	The estimated fair value would increase (decrease) if the estimated development costs to be incurred (including land costs) were lower (higher).

6 Investment in subsidiaries

	LREIT	
	2021 S$'000	**2020** S$'000
Unquoted equity, at cost	**435,245**	435,245

Notes to the Financial Statements continued

6 Investment in subsidiaries continued

Details of the subsidiaries directly or indirectly held by LREIT is as follow:

Name of subsidiaries	Principal place of business/ country of incorporation	Ownership interest held by LREIT 2021 %	Ownership interest held by LREIT 2020 %
Lendlease Global Commercial (IT) Pte. Ltd.[1]	Singapore	**100**	100
Lendlease Global Commercial (SGP) Pte. Ltd.[2]	Singapore	**100**	–
Lendlease Global Commercial Italy Fund[3]	Italy	**100**	100

[1] Audited by KPMG LLP Singapore.
[2] Appointed KPMG LLP Singapore as auditor since 30 July 2021.
[3] Audited by KPMG S.p.A. (2020: Deloitte & Touche S.p.A).

Lendlease Global Commercial (IT) Pte. Ltd.

Lendlease Global Commercial (IT) Pte. Ltd., a wholly-owned subsidiary, was incorporated on 15 February 2019. Its principal activity is that of an investment holding company.

Lendlease Global Commercial (SGP) Pte. Ltd.

Lendlease Global Commercial (SGP) Pte. Ltd., a wholly-owned subsidiary, was incorporated on 25 May 2021. Its principal activity is that of an investment holding company.

Lendlease Global Commercial Italy Fund

Lendlease Global Commercial Italy Fund, a wholly-owned fund, was incorporated on 2 July 2019. Its principal activity is to acquire and hold Italian property-related investments.

7 Equity instrument at fair value

	Group 2021 S$'000	Group 2020 S$'000	LREIT 2021 S$'000	LREIT 2020 S$'000
At 1 July 2020/28 January 2019	**–**	–	**–**	–
Acquisition of equity instrument	**45,533**	–	**45,533**	–
Net change in fair value	**(942)**	–	**(942)**	–
Equity instrument – at FVTPL	**44,591**	–	**44,591**	–

The equity instrument at fair value relates to a 5.0% interest in Lendlease Asian Retail Investment Fund 3 Limited ("**ARIF3**"), which holds a 75.0% indirect interest in the property known as Jem, located at 50 and 52 Jurong Gateway Road, Singapore. The fair value of the equity instrument represents approximately 2.6% of the Group's total assets as at 30 June 2021.

Information about the equity instrument's fair value measurement is included in note 29.

8 Trade and other receivables

	Note	Group 2021 S$'000	Group 2020 S$'000	LREIT 2021 S$'000	LREIT 2020 S$'000
Current					
Trade receivables		**3,114**	1,772	**3,114**	1,772
Impairment losses		**(2,375)**	(116)	**(2,375)**	(116)
Net trade receivables		**739**	1,656	**739**	1,656
Non-trade receivables due from related party	(a)	**72**	117	**72**	117
Grant receivables	(b)	**22**	1,302	**22**	1,302
Net VAT/GST receivables	(c)	**5,781**	6,461	**–**	850
Other receivables		**50**	1,017	**–**	1,017
		6,664	10,553	**833**	4,942
Non-current					
Net VAT/GST receivables	(c)	**7,311**	12,845	**–**	–

(a) The non-trade receivables due from related party are recharges which are unsecured, interest-free and repayable on demand.

(b) Grant receivables relate to the Singapore government cash grant.

(c) Net VAT/GST receivables relate to value-added tax ("**VAT**") and goods and services tax ("**GST**") to be claimed from the relevant tax authorities.

The Group's and LREIT's exposures to credit and currency risks for trade and other receivables, are disclosed in note 28.

Impairment losses

The movements in impairment losses recognised in respect of trade receivables during the year/period are as follows:

	Group 2021 S$'000	Group 2020 S$'000	LREIT 2021 S$'000	LREIT 2020 S$'000
At 1 July 2020/28 January 2019	**116**	–	**116**	–
Impairment losses during the year/period	**2,259**	116	**2,259**	116
As at 30 June	**2,375**	116	**2,375**	116

The Manager believes that no allowance for impairment losses is necessary in respect of the remaining trade receivables as majority of the balances are not past due and the rest of these balances mainly arise from tenants who have good payment records and have placed sufficient security with the Group in the form of bankers' guarantees or cash security deposits.

Notes to the Financial Statements continued

9 Other non-current assets

	Group		LREIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Prepaid lease incentives	**869**	1,012	**869**	1,012

10 Derivative financial instruments

	Group		LREIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Non-current asset				
Foreign currency forward contracts	**128**	149	**128**	149
Current liability				
Foreign currency forward contracts	**207**	320	**207**	320
Non-current liabilities				
Foreign currency forward contract	**–**	61	**–**	61
Interest rate derivatives[1]	**2,322**	4,042	**2,322**	4,042
	2,322	4,103	**2,322**	4,103

[1] Includes interest rate swap and options.

(i) Foreign currency forward contracts

The Group uses foreign currency forward contracts to manage its exposure to foreign currency fluctuation arising from contracts entered into with banks dominated in foreign currency by contracting the currency rate forward for expected foreign currency payment or receipt in future.

As at 30 June 2021, the Group had foreign currency forward contracts with tenors from less than one year to two years with total notional amount of €27,700,000 (equivalent to approximately S$44,164,000) (2020: €27,535,000 (equivalent to approximately S$43,092,000)). Under the contracts, the Group contracted to pay fixed rate for Euro to receive Singapore Dollar. The contracted exchange rates ranging from 1.57 to 1.64 (2020: 1.54 to 1.61).

(ii) Interest rate derivatives

The Group uses interest rate derivatives to manage the exposure to interest rate movements on floating rate interest-bearing term loans by hedging the interest expense on a portion of interest-bearing borrowings from floating rates to fixed rates.

As at 30 June 2021, the Group had interest rate swap and options with tenors of three to four years with total notional amount of S$198,594,000 and €285,000,000 (equivalent to approximately S$454,395,000 (2020: S$198,594,000 and €285,000,000 (equivalent to approximately S$466,022,000)). Under the interest rate swap and options contract, the Group contracted to pay fixed interest rates of 0.06% to 1.64% and €30,500 quarterly (2020: 0.06% to 1.64% and €30,500 quarterly) and receives interest at three-month Singapore Dollar swap offer rate ("**SOR**") or Euro Interbank Offer Rate ("**EURIBOR**").

11 Cash and cash equivalents

	Group		LREIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Cash at banks and on hand	**49,264**	46,678	**32,768**	23,664
Fixed deposit with financial institution	**200,000**	37,000	**200,000**	37,000
	249,264	83,678	**232,768**	60,664

The weighted average effective interest rate relating to fixed deposit for the year ended 30 June 2021 for the Group and LREIT is 0.25% (2020: 1.26%) per annum, respectively.

12 Other current assets

	Group		LREIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Deposits	**566**	528	**566**	528
Prepayments	**578**	2,913	**250**	2,609
Prepaid lease incentives	**1,479**	957	**1,479**	957
Others	**287**	265	**287**	265
	2,910	4,663	**2,582**	4,359

As at 30 June 2020, prepayments mainly relate to grant receivable for the property tax rebate which has been passed down to tenants during the financial period from 28 January 2019 (date of incorporation) to 30 June 2020.

13 Trade and other payables

		Group		LREIT	
	Note	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Current					
Trade payables		**428**	1,117	**406**	904
Trade amount due to related parties		**7,306**	4,789	**7,306**	4,789
Non-trade payables due to related parties	(a)	**226**	99	**226**	99
Accrued expenses		**5,009**	3,310	**5,000**	3,301
Rental received in advance		**5,209**	4,758	**1,961**	1,459
Deposits		**6,227**	4,320	**6,227**	4,320
Interest payable		**1,141**	780	**1,141**	780
Grant payables	(b)	**–**	1,302	**–**	1,302
Other payables		**1,847**	1,352	**730**	601
		27,393	21,827	**22,997**	17,555
Non-current					
Deposits		**5,300**	7,999	**5,300**	7,999

Notes to the Financial Statements continued

13 Trade and other payables continued

(a) The non-trade payables due to related parties are recharges and expenses incurred for services which are unsecured, interest-free and repayable on demand.

(b) Grant payables relate to the Singapore government cash grant to be transferred to tenants as related rental rebates.

The Group's and LREIT's exposures to liquidity and currency risks related to trade and other payables are disclosed in note 28.

14 Loans and borrowings

	Group		LREIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Non-current				
Unsecured interest-bearing term loans	**553,692**	545,319	**553,692**	545,319
Less: Unamortised transaction costs	**(11,119)**	(16,320)	**(11,119)**	(16,320)
	542,573	528,999	**542,573**	528,999

The contractual terms of the Group's and LREIT's borrowings, which are measured at amortised cost are disclosed below. The Group's and LREIT's exposures to interest rate, currency and liquidity risks are disclosed in note 28.

Terms and debt repayment schedule

Terms and conditions of the interest-bearing borrowings are as follows:

			Group and LREIT	
	Nominal interest rate %	Date of maturity	Face value S$'000	Carrying amount S$'000
2021				
SGD floating rate term loan	**3 months SOR + margin**	**2 October 2022**	**99,297**	**98,178**
EUR floating rate term loan	**3 months EURIBOR + margin**	**2 October 2023**	**454,395**	**444,395**
			553,692	**542,573**
2020				
SGD floating rate term loan	3 months SOR + margin	2 October 2022	99,297	97,348
EUR floating rate term loan	3 months EURIBOR + margin	2 October 2023	446,022	431,651
			545,319	528,999

14 Loans and borrowings continued

Reconciliation of changes in liabilities arising from financing activities

	At 1 July 2020 S$'000	Financing cash flows: Payment of interest S$'000	Non-cash changes: Borrowing costs expensed S$'000	Non-cash changes: Foreign exchange movement S$'000	Non-cash changes: Other changes S$'000	At 30 June 2021 S$'000
Unsecured interest-bearing term loans	**528,999**	**–**	**5,201**	**8,373**	**–**	**542,573**
Lease liability	**–**	**–**	**–**	**–**	**2,521**	**2,521**
Interest payable	**780**	**(4,403)**	**4,764**	**–**	**–**	**1,141**
	529,779	**(4,403)**	**9,965**	**8,373**	**2,521**	**546,235**

	At 28 January 2019 (date of constitution) S$'000	Financing cash flows: Proceeds from loans and borrowings S$'000	Financing cash flows: Payment of interest and financing expenses S$'000	Non-cash changes: Borrowing costs expensed S$'000	Non-cash changes: Foreign exchange movement S$'000	At 30 June 2020 S$'000
Unsecured interest-bearing term loans	–	534,237	(20,187)	3,867	11,082	528,999
Interest payable	–	–	(2,593)	3,373	–	780
	–	534,237	(22,780)	7,240	11,082	529,779

15 Leases

Leases as lessee

Information about leases for which the Group is a lessee is presented below

(i) Amounts recognised in the statements of financial position

	Note	Group and LREIT 2021 S$'000	Group and LREIT 2020 S$'000
Right-of-use asset			
– Included within investment property under development	5	**2,521**	–
Lease liability			
– Non-current		**2,105**	–
– Current		**416**	–
		2,521	–

Notes to the Financial Statements continued

15 Leases continued

Leases as lessee continued

(ii) Amounts recognised in the statements of profit or loss and other comprehensive income

	Group	
	2021 S$'000	**2020** S$'000
Net change in fair value of right-of-use assets (included within net change in fair value of investment property under development)	–	–

(iii) Amounts recognised in the consolidated statements of cash flows

	Group	
	2021 S$'000	**2020** S$'000
Payment on lease liability	–	–

The Group leases land in respect of the investment property under development from Singapore Land Authority. The lease has an initial tenancy term of 3 years, which may be renewed for a further two tenancy terms of 3 years each, and a final tenancy term not exceeding 364 days.

The renewable options are exercisable only by the Group and up to one year before the end of the non-cancellable contract period. The Group has included all renewable options in the lease liability as it assessed at lease commencement date that it is reasonably certain to exercise all renewable options.

The lease provides for variable rent payments which are linked to profit generated from the site.

Leases as lessor

The Group leases out its investment properties (see note 4). The Group has classified these leases as operating leases.

The Group leases out its investment properties to tenants with lease tenures of 1 to 12 years, with certain leases with options to renew at negotiated terms. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income from investment properties recognised by the Group for the year ended 30 June 2021 was S$73,998,000 (2020: S$52,600,000) respectively.

15 **Leases** continued

Leases as lessor continued

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group	
	2021 S$'000	2020 S$'000
Operating leases under IFRS 16		
Less than one year	**70,270**	74,358
One to two years	**51,689**	61,980
Two to three years	**36,411**	43,702
Three to four years	**27,498**	30,377
Four to five years	**26,218**	26,710
More than five years	**150,752**	178,535
	362,838	415,662

16 **Units in issue and perpetual securities**

(i) Units in issue

		Group and LREIT	
	Note	2021 No. of units '000	2020 No. of units '000
Units issued:			
Units issued at 1 July 2020/28 January 2019		**1,171,795**	*
Issue of new units:			
Units issued at listing date	(a)	**–**	1,167,946
Units issued as payment of Manager's base fees	(b)	**4,072**	2,743
Units issued as payment of Manager's performance fees	(b)	**2,750**	–
Units issued as payment of Manager's acquisition fees	(b)	**631**	–
Units issued as payment of property management fees	(c)	**1,748**	1,106
At the end of the financial year/period		**1,180,996**	1,171,795
Units to be issued:			
Manager's base fees		**2,439**	1,320
Manager's performance fees		**3,611**	2,750
Property management fees[1]		**1,019**	649
Issued and issuable units at end of the financial year/period		**1,188,065**	1,176,514

[1] Estimated based on the 10-day volume weighted average price as at 30 June 2021.
* less than 1,000.

Notes to the Financial Statements continued

16 Units in issue and perpetual securities continued

(i) Units in issue continued

(a) On listing date, LREIT issued 1,167,945,997 new units at an issue price of S$0.88. These units include 8,548,000 new units amounting to S$7.5 million as payment of the acquisition fee of the Manager's fees in respect of the acquisition of the Singapore Property.

(b) During the financial year ended 30 June 2021, there were the following issuances of units to the Manager:

(i) 1,320,113 new units on 17 November 2020 at an issue price of S$0.7326 per unit as payment of the base fee of the Manager's fees incurred for the period from April 2020 to June 2020;

(ii) 1,408,660 new units on 5 March 2021 at an issue price of S$0.6912 per unit as payment of the base fee of the Manager's fees incurred for the period from July 2020 to September 2020;

(iii) 1,342,862 new units on 5 March 2021 at an issue price of S$0.7423 per unit as payment of the base fee of the Manager's fees incurred for the period from October 2020 to December 2020;

(iv) 2,749,738 new units on 17 November 2020 at an issue price of S$0.7326 per unit as payment of the performance fee of the Manager's fees incurred for the period from October 2019 to June 2020; and

(v) 631,431 new units on 16 December 2020 at an issue price of S$0.721 per unit as payment of the acquisition fee of the Manager's fees in respect of the acquisition of 5% interest in ARIF3.

During the financial period ended 30 June 2020, there were the following issuances of units to the Manager:

(i) 1,026,807 new units on 6 March 2020 at an issue price of S$0.9261 per unit as payment of the base fee of the Manager's fees incurred for the period from 2 October 2019 to 31 December 2019; and

(ii) 1,715,929 new units on 5 June 2020 at an issue price of S$0.5433 per unit as payment of the base fee of the Manager's fees incurred for the period from 1 January 2020 to 31 March 2020.

The issue price for Manager's base, performance and acquisition fees paid in units were determined based on the volume weighted average price for a unit for all trades on the SGX-ST in the ordinary course of trading for the last 10 business days immediately preceding (and, for the avoidance of doubt, including) the end date of the relevant period in which the fees accrued.

16 Units in issue and perpetual securities continued

(i) Units in issue continued

(c) During the financial year ended 30 June 2021, there were the following issuances of units to the Property Manager:

(i) 649,446 new units on 17 November 2020 at an issue price of S$0.7326 per unit as payment for property management service provided by the Property Manager in respect of the Singapore Property for the period from April 2020 to June 2020;

(ii) 576,395 new units on 5 March 2021 at an issue price of S$0.7700 per unit as payment for property management service provided by the Property Manager in respect of the Singapore Property for the period from July 2020 to September 2020; and

(iii) 522,171 new units on 5 March 2021 at an issue price of S$0.7700 per unit as payment for property management service provided by the Property Manager in respect of the Singapore Property for the period from October 2020 to December 2020.

During the financial period ended 30 June 2020, there were the following issuances of units to the Property Manager:

(i) 507,572 new units on 6 March 2020 at an issue price of S$0.9261 per unit as payment for property management service provided by the Property Manager in respect of the Singapore Property for the period from 2 October 2019 to 31 December 2019; and

(ii) 598,916 new units on 5 June 2020 at an issue price of S$0.7150 per unit as payment for property management service provided by the Property Manager in respect of the Singapore Property for the period from 1 January 2020 to 31 March 2020.

The issue price for property management fees paid in units was determined based on the higher of (i) the volume weighted average price for a unit for all trades on the SGX-ST in the ordinary course of trading for the last 10 business days immediately preceding (and, for the avoidance of doubt, including) the end date of the relevant period in which the fees accrued and (ii) the closing price on the date of issuance of the units in payment of such property management fee.

(ii) Perpetual securities

On 4 June 2021, LREIT issued S$200.0 million perpetual securities ("**Perpetual Securities**") under the S$1.0 billion Multicurrency Debt Issuance Programme. The key terms and conditions of the Perpetual Securities are as follows:

- the Perpetual Securities will confer a right to receive distribution payments at a rate of 4.20% per annum with the first distribution rate reset date falling on 4 June 2026 and resets occurring every five years thereafter;
- the Perpetual Securities may be redeemed at the option of LREIT after the first distribution rate reset date and on each distribution payment date thereafter;
- the distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative; and
- the Perpetual Securities will constitute direct, unconditional, subordinated and unsecured obligations of LREIT and rank pari passu and without any preference among themselves and with any Parity Obligations (as defined in the terms and conditions) of the S$1.0 billion Multicurrency Debt Issuance Programme.

Accordingly, the Perpetual Securities are classified as equity. The expenses relating to the issue of the Perpetual Securities are deducted against the proceeds from the issue.

As at 30 June 2021, the S$198.9 million presented in the statements of financial position of the Group and LREIT represent the carrying value of the S$200.0 million Perpetual Securities issued, net of issue costs and includes the profit attributable to the Perpetual Securities holders from the last distribution date.

Notes to the Financial Statements continued

17 Gross revenue

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Rental income	**73,998**	52,600
Turnover rent	**1,276**	905
Other property income[1]	**3,377**	2,031
	78,651	55,536

[1] For the year ended 30 June 2021, grant income of S$2,913,000 (2020: Nil) and grant expense of S$2,442,000 (2020: Nil) have been recognised in relation to the relief for eligible tenants from the Singapore government as part of the COVID-19 relief measures.

Turnover rent is contingent rent derived from operating leases.

18 Property operating expenses

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Property maintenance expenses	**3,981**	2,873
Property management fees	**1,826**	1,551
Property management reimbursements[1]	**1,525**	1,286
Property related tax	**7,478**	5,302
Marketing	**1,488**	1,775
Utilities	**1,411**	1,090
Others[2]	**4,024**	1,370
	21,733	15,247

[1] Relates to reimbursement of staff costs paid/payable to the Property Manager.

[2] Others comprise mainly S$2,259,000 expected credit loss for the financial year ended 30 June 2021, grant income of S$258,000 (2020: S$4,653,000) and grant expense of S$258,000 (2020: S$4,653,000) in relation to the relief for eligible tenants as part of the COVID-19 relief measures.

19 Manager's base fee

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Paid/payable in units	3,933	2,850

20 Manager's performance fee

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Paid/payable in units	2,923	2,015

21 Other trust expenses

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Auditor's remuneration		
– audit fees	258	214
– non-audit fees[1]	109	74
Valuation fees	79	103
Consultancy and other professional fees	218	11
Other expenses[2]	1,897	826
	2,561	1,228

[1] Non-audit fees include $89,000 audit-related fees for the financial year ended 30 June 2021.

[2] Other expenses for the financial year ended 30 June 2021 comprise mainly acquisition costs for equity instrument and setup costs of the multicurrency debt issuance programme.

Notes to the Financial Statements continued

22 Net foreign exchange loss

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Realised foreign exchange loss/(gain)	**795**	(79)
Unrealised foreign exchange loss	**8,424**	11,078
	9,219	10,999

23 Net finance costs

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Finance income		
Interest income	**51**	531
Finance expenses		
Interest expense on bank borrowings	**(4,764)**	(3,373)
Financing fees[1]	**(5,276)**	(3,867)
Total finance expenses	**(10,040)**	(7,240)
Net finance cost	**(9,989)**	(6,709)

[1] Includes amortisation of debt-related transaction costs and other finance costs.

24 Tax expense

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Current tax expense	–	–
Reconciliation of effective tax rate		
Loss before tax	(1,339)	(8,616)
Tax using Singapore tax rate of 17%	(228)	(1,465)
Income not subject to tax	(6,303)	(976)
Non-tax deductible items	11,741	5,866
Others	152	(13)
Tax transparency	(5,362)	(3,412)
	–	–

25 Earnings per unit

Basic earnings per unit is calculated by dividing the total loss for the financial period after tax, before distribution, by the weighted average number of units issued during the financial year.

	Group	
	2021 S$'000	2020 S$'000
Loss after tax attributable to Unitholders	(1,937)	(8,616)
Basic and diluted earnings per unit		
Weighted average number of units at end of the financial year/period ('000)	1,176,277	1,164,558
Basic earnings per unit (cents)	(0.16)	(0.74)

Diluted earnings per unit is the same as basic earnings per unit as there is no potential dilutive units during the financial year.

Notes to the Financial Statements continued

26 Capital commitments

As at the reporting date, the Group and LREIT had the following commitments:

	Group and LREIT	
	2021 S$'000	2020 S$'000
Capital expenditure contracted but not provided for in the financial statements	**2,333**	–

27 Related parties

In addition to the related party information disclosed elsewhere in the financial statements, significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the financial year were as follows:

	Group	
	Year ended 30 June 2021 S$'000	Period from 28 January 2019 (date of constitution) to 30 June 2020 S$'000
Trustee fees paid and payable to Trustee	**209**	148
Manager's fees paid and payable to the Manager	**6,856**	4,865
Property management fees paid and payable to the Property Manager	**1,671**	1,374
Other management fee paid and payable to the AIF manager	**662**	–
Property management reimbursements paid and payable to the Property Manager	**1,525**	1,286
Leasing commission paid and payable to the Property Manager	**736**	1,088
Tenancy design review fees paid and payable to the Property Manager	**91**	47

[1] As defined in Appendix 6 of the CIS Code ("**Property Funds Appendix**") (last revised on 16 April 2020).

28 Financial risk management

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager of LREIT continually monitors LREIT's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and LREIT's activities.

The Manager of LREIT continually monitors LREIT's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by LREIT.

On 16 April 2020, the MAS announced that the aggregate leverage limit for Singapore REITs ("**S-REIT**") will be raised from 45% to 50% with immediate effect. In its public consultation last year, the MAS had proposed for S-REITs to have a new minimum interest coverage ratio ("**ICR**") of 2.5 times before they are allowed to increase their leverage to beyond the prevailing 45% limit (up to 50%). However, the MAS has deferred the new ICR requirement to 1 January 2022 in light of the current COVID-19 pandemic situation. As at 30 June 2021, the Group's aggregate leverage was 32.0% (2020: 35.1%) with an ICR of 8.9 times (2020: 9.0 times) in accordance with the requirements in the interest-bearing term loan facilities and ICR of 4.7 times[1] (2020: 4.6 times) in accordance with the Appendix 6 of the CIS Code issued by MAS (the "**Property Funds Appendix**"). The Group had complied with the Aggregate Leverage limit during the financial year.

There were no changes in the Group's approach to capital management during the financial year.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Trade receivables

Credit evaluations are performed by the Manager before lease agreements are entered into with the lessees. Rental deposits as a multiple of monthly rent are received either in cash or bank guarantees to reduce credit risk. The Manager also monitors the amount owing by the lessees on an ongoing basis.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statements of financial position.

Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants and credit policy of obtaining security deposits, banker's guarantees or other forms of collateral from tenants. These tenants comprise retailers engaged in a wide variety of consumer trades. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. 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.

Notes to the Financial Statements continued

28 Financial risk management continued

Credit risk continued

Trade receivables continued

Expected credit loss assessment for individual tenants

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual tenants, which comprise a very large number of balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off based on actual credit loss experience.

The ageing of trade receivables at the reporting date was:

	Group		LREIT	
	Gross S$'000	Impairment loss S$'000	Gross S$'000	Impairment loss S$'000
2021				
Past due 1 – 30 days	**936**	**(593)**	**936**	**(593)**
Past due 31 – 90 days	**952**	**(861)**	**952**	**(861)**
Past due more than 90 days	**1,226**	**(921)**	**1,226**	**(921)**
	3,114	**(2,375)**	**3,114**	**(2,375)**
2020				
Past due 1 – 30 days	1,519	(38)	1,519	(38)
Past due 31 – 90 days	218	(70)	218	(70)
Past due more than 90 days	35	(8)	35	(8)
	1,772	(116)	1,772	(116)

28 Financial risk management continued

Cash and cash equivalents

Cash and cash equivalents are placed with financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of its counterparties. The ECL on cash and cash equivalents is negligible.

Derivative financial instruments

Transactions involving derivative financial instruments are entered only with counterparties that are regulated.

Other receivables

The Group assesses on a forward-looking basis the ECLs associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers that the credit risk of these counterparties has not increased, and determines that the 12-month ECL on outstanding balances is negligible as at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its debt maturity profile and operating cash flows to ensure that refinancing, repayment and funding needs are met. As part of liquidity management, the Group invests primarily in bank deposits and finances its operations through the use of mid to long term financing transactions.

The Group manages their operating cash flows and the availability of funding so as to ensure that all funding needs are met. Funds from capital calls are obtained when necessary to meet its working capital requirements.

Exposure to liquidity risk

The following are the expected contractual undiscounted cash inflows/(outflows) of financial liabilities, at amortised cost, including contractual interest payments and excluding the impact of netting agreements.

Notes to the Financial Statements continued

28 Financial risk management continued

Liquidity risk continued

Exposure to liquidity risk continued

	Carrying amount S$'000	Cash flows: Contractual cash flows S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000
Group					
30 June 2021					
Non-derivative financial liabilities					
Unsecured interest-bearing term loans	**542,573**	**(559,731)**	**(2,773)**	**(556,958)**	**–**
Trade and other payables[1]	**26,343**	**(26,343)**	**(21,043)**	**(5,299)**	**(1)**
Lease liability	**2,521**	**(2,731)**	**(459)**	**(1,057)**	**(1,215)**
Derivative financial (asset)/liabilities, at fair value					
Interest rate derivatives (net-settled)	**2,322**	**(2,948)**	**(1,751)**	**(1,197)**	**–**
Forward currency exchange contracts (gross-settled)	**207**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(22,002)**	**(22,002)**	**–**	**–**
– inflow	**–**	**21,940**	**21,940**	**–**	**–**
Forward currency exchange contract (gross-settled)	**(128)**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(22,162)**	**–**	**(22,162)**	**–**
– inflow	**–**	**22,649**	**–**	**22,649**	**–**
	573,838	**(591,328)**	**(26,088)**	**(564,024)**	**(1,216)**
30 June 2020					
Non-derivative financial liabilities					
Unsecured interest-bearing term loans	528,999	(554,690)	(3,250)	(551,440)	–
Trade and other payables[1]	22,986	(22,986)	(14,987)	(7,992)	(7)
Derivative financial (asset)/liabilities, at fair value					
Interest rate derivatives (net-settled)	4,042	(4,325)	(1,394)	(2,931)	–
Forward currency exchange contracts (gross-settled)	381	–	–	–	–
– (outflow)	–	(32,293)	(21,495)	(10,798)	–
– inflow	–	32,108	21,263	10,845	–
Forward currency exchange contract (gross-settled)	(149)	–	–	–	–
– (outflow)	–	(10,798)	–	(10,798)	–
– inflow	–	11,095	–	11,095	–
	556,259	(581,889)	(19,863)	(562,019)	(7)

[1] Excludes interest payable, rental received in advance and grant payables.

28 Financial risk management continued

Liquidity risk continued

Exposure to liquidity risk continued

	Carrying amount S$'000	Cash flows: Contractual cash flows S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000
LREIT					
30 June 2021					
Non-derivative financial liabilities					
Unsecured interest-bearing term loans	**542,573**	**(559,731)**	**(2,773)**	**(556,958)**	**–**
Trade and other payables[1]	**25,195**	**(25,195)**	**(19,895)**	**(5,299)**	**(1)**
Lease liability	**2,521**	**(2,731)**	**(459)**	**(1,057)**	**(1,215)**
Derivative financial (asset)/liabilities, at fair value					
Interest rate derivatives (net-settled)	**2,322**	**(2,948)**	**(1,751)**	**(1,197)**	**–**
Forward currency exchange contracts (gross-settled)	**207**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(22,002)**	**(22,002)**	**–**	**–**
– inflow	**–**	**21,940**	**21,940**	**–**	**–**
Forward currency exchange contract (gross-settled)	**(128)**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(22,162)**	**–**	**(22,162)**	**–**
– inflow	**–**	**22,649**	**–**	**22,649**	**–**
	572,690	**(590,180)**	**(24,940)**	**(564,024)**	**(1,216)**
30 June 2020					
Non-derivative financial liabilities					
Unsecured interest-bearing term loans	528,999	(554,690)	(3,250)	(551,440)	–
Trade and other payables[1]	22,013	(22,013)	(14,014)	(7,992)	(7)
Derivative financial (asset)/liabilities, at fair value					
Interest rate derivatives (net-settled)	4,042	(4,325)	(1,394)	(2,931)	–
Forward currency exchange contracts (gross-settled)	381	–	–	–	–
– (outflow)	–	(32,293)	(21,495)	(10,798)	–
– inflow	–	32,108	21,263	10,845	–
Forward currency exchange contract (gross-settled)	(149)	–	–	–	–
– (outflow)	–	(10,798)	–	(10,798)	–
– inflow	–	11,095	–	11,095	–
	555,286	(580,916)	(18,890)	(562,019)	(7)

[1] Excludes interest payable, rental received in advance and grant payables.

Notes to the Financial Statements continued

28 Financial risk management continued

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings, where feasible. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group also uses derivative financial instruments such as interest rate derivatives and forward currency exchange contracts to minimise its exposure to interest rate volatility, where feasible. These derivative financial instruments are classified as derivative asset or liability on the statements of financial position.

The Group's exposure to interest rate risk for changes in interest rates relates mainly to the interest-bearing financial assets and financial liabilities.

	Notional amount Group and LREIT	
	2021 S$'000	**2020** S$'000
Fixed rate instruments		
Interest rate derivatives	**(553,692)**	(545,319)
Variable rate instruments		
Unsecured interest-bearing term loans	**(553,692)**	(545,319)
Interest rate derivatives	**553,692**	545,319
	–	–

Sensitivity analysis

The Group does not account for any fixed rate instruments at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect the statements of profit or loss and other comprehensive income.

For the variable rate financial liabilities and the derivative financial instruments, there is no net exposure to interest rate risk. This analysis assumes that all other variables remain constant.

28 Financial risk management continued

Foreign currency risk

The Group's exposure to foreign currency risk relates to transactions that are denominated in currencies other than the respective functional currencies of the Group's entities.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country where its property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

In relation to its overseas investments in its foreign subsidiary whose net assets are exposed to currency translation risks and which is held for long term investment purposes, the differences arising from such translation are recorded under the foreign currency translation reserve, in net assets attributable to Unitholders. These translation differences are reviewed and monitored on a regular basis.

As at reporting date, the Group's and LREIT's exposure to foreign currencies in relation to financial assets and liabilities was as follows:

	Euro			
	Group		LREIT	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Cash and cash equivalents	17,377	23,055	959	56
Trade and other receivables[1]	50	–	–	–
Trade and other payables[2]	(1,140)	(959)	–	–
Derivative financial instruments	(534)	(932)	(534)	(932)
Loans and borrowings	(444,395)	(431,651)	(444,395)	(431,651)
Net exposure	(428,642)	(410,487)	(443,970)	(432,527)

[1] Excludes net VAT receivable.
[2] Excludes rental received in advance.

Notes to the Financial Statements continued

28 Financial risk management continued

Foreign currency risk continued

Sensitivity analysis

At the reporting date, a 5% strengthening/weakening of the Euro, as indicated below, against the Singapore dollar at the reporting date would have increased/(decreased) total profit or loss by the amounts shown below for the Group's and LREIT's financial assets and financial liabilities. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group S$'000	LREIT S$'000
2021		
5% strengthening	**(21,432)**	**(22,199)**
5% weakening	**21,432**	**22,199**
2020		
5% strengthening	(20,524)	(21,626)
5% weakening	20,524	21,626

29 Fair value of assets and liabilities

The following methods and assumptions are used to estimate fair values of the following significant classes of financial instruments:

(i) Derivative financial instruments

Interest rate derivatives are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present valuation calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate and forward rate curves.

The fair value of the foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date and present value calculation based on high credit quality yield curves in the respective currencies.

(ii) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted using the market rate of interest at the reporting date. The carrying amounts of loans and borrowings approximate their fair value as these loans and borrowings are interest-bearing at floating rates and reprice at an interval of one to twelve months.

29 Fair value of assets and liabilities continued

(iii) Financial instruments that are not measured at fair value

Other non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. Other non-derivative financial liabilities include loans and borrowings.

Interest rates used in determining fair values

The weighted average interest rates used to discount estimated cash flows, where applicable, are based on forward rates as at 30 June plus a credit spread, and are as follows:

	Group		LREIT	
	2021 %	2020 %	2021 %	2020 %
Unsecured interest-bearing term loans	**0.52**	0.52	**0.52**	0.52

(iv) Financial instruments for which fair value is equal to the carrying value

These financial instruments include cash and cash equivalents, trade and other receivables, other current assets, other non-current assets and trade and other payables. The carrying amounts of these financial instruments are approximations of their fair values because they are either short term in nature or effect of discounting is immaterial.

(v) Equity instrument at fair value

The fair value measurement for equity instrument at fair value has been categorised as Level 3 fair value based on inputs to the valuation techniques used.

The fair value of the equity instrument is calculated using the net asset value of the unquoted entity adjusted for the fair value of the underlying property. The estimated fair value would increase/(decrease) if the net asset value was higher/(lower).

Notes to the Financial Statements continued

29 Fair value of assets and liabilities continued

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows approximation of fair value.

	Note	Carrying amount: At amortised cost S$'000	Carrying amount: FVTPL S$'000
Group			
30 June 2021			
Financial assets not measured at fair value			
Trade and other receivables[1]	8	**861**	**–**
Other non-current assets	9	**869**	**–**
Cash and cash equivalents	11	**249,264**	**–**
Other current assets[2]	12	**1,766**	**–**
		252,760	**–**
Financial assets measured at fair value			
Equity instrument at fair value	7	**–**	**44,591**
Derivative financial asset	10	**–**	**128**
		–	**44,719**
Financial liabilities not measured at fair value			
Trade and other payables[3]		**–**	**–**
Loans and borrowings	14	**–**	**–**
Lease liability	15	**–**	**–**
		–	**–**
Financial liabilities measured at fair value			
Derivative financial liabilities	10	**–**	**(2,529)**
30 June 2020			
Financial assets not measured at fair value			
Trade and other receivables[1]	8	2,790	–
Other non-current assets	9	1,012	–
Cash and cash equivalents	11	83,678	–
Other current assets[2]	12	1,222	–
		88,702	–
Financial assets measured at fair value			
Derivative financial asset	10	–	149
Financial liabilities not measured at fair value			
Trade and other payables[3]	13	–	–
Loans and borrowings	14	–	–
		–	–
Financial liabilities measured at fair value			
Derivative financial liabilities	10	–	(4,423)

1 Excludes grant receivables and net VAT receivables (FY2020: Excludes grant receivables and net VAT/GST receivables.).
2 Excludes deposits and prepayments.
3 Excludes rental received in advance, grant payables and net GST payables (FY2020: Excludes rental received in advance and grant payables.).

s. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable

		Fair value			
Other financial liabilities S$'000	**Total carrying amount** S$'000	**Level 1** S$'000	**Level 2** S$'000	**Level 3** S$'000	**Total** S$'000
–	**861**				
–	**869**				
–	**249,264**				
–	**1,766**				
–	**252,760**				
–	**44,591**	**–**	**–**	**44,591**	**44,591**
–	**128**	**–**	**128**	**–**	**128**
–	**44,719**				
(26,844)	**(26,844)**				
(542,573)	**(542,573)**	**–**	**(555,926)**	**–**	**(555,926)**
(2,521)	**(2,521)**				
(571,938)	**(571,938)**				
–	**(2,529)**	**–**	**(2,529)**	**–**	**(2,529)**
–	2,790				
–	1,012				
–	83,678				
–	1,222				
–	88,702				
–	149	–	149	–	149
(23,766)	(23,766)				
(528,999)	(528,999)	–	(548,449)	–	(548,449)
(552,765)	(552,765)				
–	(4,423)	–	(4,423)	–	(4,423)

Notes to the Financial Statements continued

29 Fair value of assets and liabilities continued

Accounting classifications and fair values continued

	Note	Carrying amount At amortised cost S$'000	FVTPL S$'000
LREIT			
30 June 2021			
Financial assets not measured at fair value			
Trade and other receivables[1]	8	**811**	**–**
Other non-current assets	9	**869**	**–**
Cash and cash equivalents	11	**232,768**	**–**
Other current assets[2]	12	**1,766**	**–**
		236,214	**–**
Financial assets measured at fair value			
Equity instrument at fair value	7	**–**	**44,591**
Derivative financial asset	10	**–**	**128**
		–	**44,719**
Financial liabilities not measured at fair value			
Trade and other payables[3]		**–**	**–**
Loans and borrowings	14	**–**	**–**
Lease liability	15	**–**	**–**
		–	**–**
Financial liabilities measured at fair value			
Derivative financial liabilities	10	**–**	**(2,529)**
30 June 2020			
Financial assets not measured at fair value			
Trade and other receivables[1]	8	2,790	–
Other non-current assets	9	1,012	–
Cash and cash equivalents	11	60,664	–
Other current assets[2]	12	1,222	–
		65,688	–
Financial assets measured at fair value			
Derivative financial asset	10	–	149
Financial liabilities not measured at fair value			
Trade and other payables[3]	13	–	–
Loans and borrowings	14	–	–
		–	–
Financial liabilities measured at fair value			
Derivative financial liabilities	10	–	(4,423)

1 Excludes grant receivables (FY2020: Excludes grant receivables and net GST receivables.).
2 Excludes deposits and prepayments.
3 Excludes rental received in advance, grant payables and net GST payables (FY2020: Excludes rental received in advance and grant payables.).

		Fair value			
Other financial liabilities S$'000	Total carrying amount S$'000	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
–	**811**				
–	**869**				
–	**232,768**				
–	**1,766**				
–	**236,214**				
–	**44,591**	**–**	**–**	**44,591**	**44,591**
–	**128**	**–**	**128**	**–**	**128**
–	**44,719**				
(25,695)	**(25,695)**				
(542,573)	**(542,573)**	**–**	**(555,926)**	**–**	**(555,926)**
(2,521)	**(2,521)**				
(570,789)	**(570,789)**				
–	**(2,529)**	**–**	**(2,529)**	**–**	**(2,529)**
–	2,790				
–	1,012				
–	60,664				
–	1,222				
–	65,688				
–	149	–	149	–	149
(22,793)	(22,793)				
(528,999)	(528,999)	–	(548,449)	–	(548,449)
(551,792)	(551,792)				
–	(4,423)	–	(4,423)	–	(4,423)

Notes to the Financial Statements continued

30 Operating segment

For segment reporting purpose, the primary segment is by geography and it comprises Singapore and Italy. The Group's reportable operating segments are as follow:

(i) Singapore – leasing of property retail mall in Singapore.

(ii) Italy – leasing of Sky Complex, comprising three office buildings in Milan, Italy.

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of different economic and regulatory environments in which they operate in. For the purpose of making resource allocation and the assessment of segment performance, the Group's CODMs have focused on its investment properties. For each of the reporting segments, the Manager reviews internal management reports on a monthly basis. This forms the basis of identifying the operating segments of the Group under IFRS 8 *Operating Segments*.

	Singapore S$'000	Italy S$'000	Total S$'000
For the year ended 30 June 2021			
Gross revenue	52,336	26,315	78,651
Property operating expenses	(19,127)	(2,606)	(21,733)
Total segment net property income	33,209	23,709	56,918
Dividend income	1,731	–	1,731
Unallocated items:			
Manager's base fees			(3,933)
Manager's performance fees			(2,923)
Other management fee			(801)
Trustee's fee			(209)
Other trust expenses			(2,561)
Net foreign exchange loss			(9,219)
Finance income			51
Finance cost			(10,040)
Profit before tax and change in fair value			29,014
Fair value losses of investment properties & investment property under development	(25,385)	(5,899)	(31,284)
Fair value losses of equity instrument	(942)	–	(942)
Unallocated item:			
Fair value gains of derivative financial instruments			1,873
Loss before tax			(1,339)
Segment assets	1,270,292	466,823	1,737,115
Segment liabilities	575,920	4,396	580,316

30 Operating segment continued

	Singapore S$'000	Italy S$'000	Total S$'000
For the period from 28 January 2019 to 30 June 2020			
Gross revenue	36,844	18,692	55,536
Property operating expenses	(13,434)	(1,813)	(15,247)
Total segment net property income	23,410	16,879	40,289
Unallocated items:			
Manager's base fees			(2,850)
Manager's performance fees			(2,015)
Other management fee			(580)
Trustee's fee			(148)
Other trust expenses			(1,228)
Net foreign exchange loss			(10,999)
Finance income			531
Finance cost			(7,240)
Profit before tax and change in fair value			15,760
Fair value gains/(losses) of investment properties	(30,319)	10,217	(20,102)
Unallocated item:			
Fair value losses of derivative financial instruments			(4,274)
Loss before tax			(8,616)
Segment assets	1,079,126	476,372	1,555,498
Segment liabilities	558,976	4,272	563,248

Notes to the Financial Statements continued

31 Financial ratios

	Group 2021 %	Group 2020 %
Expenses to weighted average net assets[1]		
– Expense ratio excluding performance-related fee	**1.01**	0.70
– Expense ratio including performance-related fee	**0.73**	0.50
Portfolio turnover rate[2]	**–**	–

[1] The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property related expenses, borrowing costs, changes in fair value of financial derivatives, investment properties and foreign exchange gains/(losses).

[2] The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

32 Subsequent events

In the extraordinary general meeting held on 26 July 2021, the Unitholders have voted with 99.91% in favour of the proposed acquisition of shares in Lendlease Jem Partners Fund Limited ("**LLJP**") and ARIF3 at a consideration[1] of S$204.1 million to S$337.3 million.

On 4 August 2021, the Manager announced that LREIT has completed the acquisition of 53.0% shares in LLJP through Lendlease Global Commercial (SGP) Pte. Ltd. for a consideration of S$159.1 million, subject to post-completion adjustments. Following the completion of the acquisition, LLJP has become a subsidiary of the Group.

On 4 August 2021, the Manager announced that LREIT has entered into a facility agreement for the grant of a term loan facility of up to S$90.0 million and a revolving credit loan facility of up to S$30.0 million, in each case, with a tenor of four years, upon the terms and subject to the conditions of the facility agreement.

On 10 August 2021, the Manager announced a distribution of 2.34 Singapore cents per Unit, amounting to approximately S$27.6 million in respect of the period from 1 January 2021 to 30 June 2021.

On 9 September 2021, the Manager announced that LREIT has completed the acquisition of 2.0% shares in ARIF3 through LREIT for a consideration of S$17.8 million, subject to post-completion adjustments. Following the completion of the acquisition, LREIT has 7.0% shares in ARIF3.

Given the unprecedented COVID-19 situation, the Manager will continue to monitor the situation and take the appropriate measures to deal with the implications of COVID-19 in accordance with guidelines, regulations and legislations provided by the authorities in the respective countries that the Group operates in and will take the necessary actions to ensure the long-term sustainability of the Group.

[1] Subject to relevant post-completion adjustments and based on the assumption that the consideration payable to the third party ARIF3 vendors will not be more than the net asset value per share of ARIF3.

Interested Person Transactions

The transactions entered into with interested persons during the financial year which fall under the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "**Property Funds Appendix**") are as follows:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) FY2021 S$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)[1] FY2021 S$'000
Lendlease Corporation Limited and its subsidiaries or associates	Lendlease Corporation Limited is a "controlling Unitholder" of LREIT and a "controlling shareholder" of the Manager under the Listing Manual and the Property Funds Appendix		
– Manager's management fees		6,856	N.A.
– Acquisition fee		455	N.A.
– Recharges due to billings/payments post completion of the acquisition of 313@somerset		135	N.A.
– Property management and leasing fees and reimbursable amounts		5,087	N.A.
– Management fees in respect of Lendlease Global Commercial Italy Fund		662	N.A.
– Portal licence fees for access to the Lendlease Plus rewards portal and related recharges		307[2]	N.A.
– Acquisition of 5% interest in Lendlease Asian Retail Investment Fund 3 Limited		45,533	N.A.
– Development management fees		177	N.A.
– Project and construction management fees		250	N.A.
– Acquisition of 53% interest in Lendlease Jem Partners Fund Limited[3]		159,067	N.A.
– Acquisition of between 5% to 19.8% interest in Lendlease Asian Retail Investment Fund 3 Limited[3]		44,538	N.A.
RBC Investor Services Trust Singapore Limited	Trustee of LREIT		
– Trustee's fees		209	N.A.
– Reimbursements under the Trust Deed[4]		243	N.A.

1 LREIT does not have a Unitholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.
2 This amount comprises approximately S$48,000, which was paid pursuant to the portal licence agreement that was renewed in FY2020 for the calendar year 2020.
3 Based on the agreed purchase price of the acquisition, for which Unitholder approval was sought and received on 26 July 2021.
4 Reimbursements relate to IPO-related costs and valuation for Sky Complex conducted as at 30 June 2021, trademark application for LREIT, legal costs and valuation for Jem in connection with the acquisition of the 5% interest in Lendlease Asian Retail Investment Fund 3 Limited.

Interested Person Transactions continued

The payments of the Manager's management fees and acquisition fees, recharges and payments post completion of the acquisition of 313@somerset, payments of property management fees, leasing fees and reimbursements to Lendlease Retail Pte. Ltd. (the "**Property Manager**") in respect of payroll and related expenses, payment of management fees to Lendlease Italy SGR S.p.A. as well as payments of the Trustee's fees and reimbursements pursuant to the Trust Deed are deemed to have been specifically approved by the Unitholders upon subscription for the units on the listing of LREIT on 2 October 2019, and are therefore not subject to Rules 905 and 906 of the Listing Manual. Such payments are not to be included in the aggregate value of total interested person transactions as governed by Rules 905 and 906 of the Listing Manual.

Save as disclosed above, there were no other interested person transactions (excluding transactions less than S$100,000 each) entered into during FY2021 nor any material contracts entered into by LREIT that involved the interests of the Chief Executive Officer, any Director or controlling Unitholder of LREIT. Please also see significant related party transactions in Note 27 to the financial statements.

Subscription of LREIT units

During FY2021, LREIT issued:

(i) an aggregate of 631,431 new units amounting to S$7.5 million as payment for the Manager's acquisition fees;

(ii) an aggregate of 4,071,635 new units ("**Management Base Fee Units**") amounting to S$2.9 million as payment for the base fee element of the Manager's management base fees;

(iii) an aggregate of 2,749,738 new units ("**Management Performance Fee Units**") amounting to S$2.0 million as payment for the performance fee element of the Manager's management performance fees; and

(iv) an aggregate of 1,748,012 new units ("**Property Management Fee Units**") amounting to S$1.3 million as payment for the Property Manager's management fees.

Lendlease GCR Investment Holding Pte. Ltd. has been nominated by each of the Manager and the Property Manager to receive the Management Base Fee Units, Management Performance Fee Units and the Property Management Fee Units in accordance with the Trust Deed and the master property management agreement entered into between the Manager, the Trustee and the Property Manager respectively.

Statistics of Unitholdings

As at 9 September 2021

Issued and Fully Paid Units

There were 1,180,996,040 Units issued in LREIT as at 9 September 2021. There is only one class of Units in LREIT.

There are no treasury units and no subsidiary holdings held.

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	2	0.02	3	0.00
100 – 1,000	1,822	15.56	1,707,030	0.14
1,001 – 10,000	7,427	63.41	33,705,852	2.85
10,001 – 1,000,000	2,433	20.77	96,802,550	8.20
1,000,001 and above	28	0.24	1,048,780,605	88.81
Total	**11,712**	**100.00**	**1,180,996,040**	**100.00**

Twenty Largest Unitholders

No.	Name	No. of Units	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	320,058,666	27.10
2	DBS NOMINEES (PRIVATE) LIMITED	239,738,669	20.30
3	CITIBANK NOMINEES SINGAPORE PTE LTD	108,774,157	9.21
4	HSBC (SINGAPORE) NOMINEES PTE LTD	99,619,946	8.44
5	DBSN SERVICES PTE. LTD.	94,078,700	7.97
6	RAFFLES NOMINEES (PTE.) LIMITED	58,843,736	4.98
7	HPL INVESTERS PTE LTD	28,165,700	2.38
8	DB NOMINEES (SINGAPORE) PTE LTD	13,697,100	1.16
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	10,507,600	0.89
10	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	9,666,201	0.82
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	8,238,900	0.70
12	MERRILL LYNCH (SINGAPORE) PTE. LTD.	7,361,732	0.62
13	PHILLIP SECURITIES PTE LTD	6,488,798	0.55
14	OCBC SECURITIES PRIVATE LIMITED	5,878,900	0.50
15	IFAST FINANCIAL PTE. LTD.	5,553,100	0.47
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,398,800	0.37
17	UOB KAY HIAN PRIVATE LIMITED	3,986,900	0.34
18	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	3,637,800	0.31
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,124,700	0.26
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,989,400	0.25
	Total	**1,034,809,505**	**87.62**

Statistics of Unitholdings continued

As at 9 September 2021

Substantial Unitholders' Unitholdings

(As recorded in the Register of Substantial Unitholdings as at 9 September 2021)

	Direct Interest		Deemed Interest		Total Interest	
Name of Substantial Unitholders	**No. of Units**	**%[1]**	**No. of Units**	**%[1]**	**No. of Units**	**%[1]**
Lendlease SREIT Pty Limited (as trustee of Lendlease SREIT Sub Trust)	284,041,000	24.05	–	–	284,041,000	24.05
Lendlease LLT Holdings Pty Limited (as trustee of Lendlease LLT Holdings Sub Trust)[2]	–	–	284,041,000	24.05	284,041,000	24.05
Lendlease Responsible Entity Limited (as trustee of Lendlease Trust)[3]	–	–	284,041,000	24.05	284,041,000	24.05
Lendlease Corporation Limited[4]	–	–	305,524,266	25.87	305,524,266	25.87

Unitholdings of the Directors of the Manager

(As recorded in the Register of Directors' Unitholdings as at 21 July 2021)

	Direct Interest		Deemed Interest	
Directors	**No. of Units**	**%[5]**	**No. of Units**	**%[5]**
Ng Hsueh Ling	1,945,000	0.16	–	–
Tsui Kai Chong	500,000	0.04	–	–
Simon John Perrott[6]	–	–	–	–
Lee Ai Ming	500,000	0.04	–	–
Anthony Peter Lombardo	2,000,000	0.17	–	–

Notes:

1 The percentage of unitholding is calculated based on the total number of 1,180,996,040 Units in issue as at 9 September 2021.

2 Lendlease LLT Holdings Pty Limited (as trustee of Lendlease LLT Holdings Sub Trust) holds all of the units of Lendlease SREIT Sub Trust ("**LLT Sub-Trust**"). Lendlease LLT Holdings Sub Trust is therefore deemed interested in LLT Sub-Trust's direct interest in 284,041,000 Units.

3 Lendlease Responsible Entity Limited (as trustee of Lendlease Trust) ("**LLT**") holds all of the units of Lendlease LLT Holdings Sub Trust. LLT is therefore deemed interested in Lendlease LLT Holdings Sub Trust's deemed interest in 284,041,000 Units.

4 Lendlease Responsible Entity Limited is a wholly-owned subsidiary of Lendlease Corporation Limited ("**LLC**"). LLC is therefore deemed interested in LLT's deemed interest in 284,041,000 Units. LLC is also deemed interested in 12,418,609 Units which are held directly by its indirect wholly owned subsidiary, Lendlease GCR Investment Holding Pte. Ltd., and 9,064,657 Units which are held directly by the Manager, which is also an indirect wholly owned subsidiary of LLC.

5 The percentage of unitholding is calculated based on the total number of 1,180,996,040 Units in issue as at 21 July 2021.

6 Mr Simon John Perrott acquired 65,000 Units on 30 August 2021, translating to a unitholding of 0.01% in LREIT.

Free Float

Based on information available to the Manager as at 9 September 2021, 73.7% of the Units in LREIT were held in the hands of public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

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