



SABANA INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

ANNOUNCEMENT

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

Sabana Real Estate Investment Management Pte. Ltd., as the Manager of Sabana Industrial Real Estate Investment Trust (“**Sabana Industrial REIT**”, and the manager of Sabana Industrial REIT, the “**Manager**”), would like to thank Unitholders of Sabana Industrial REIT (“**Unitholders**”) for submitting their questions by the announced deadline of 9 April 2024, 10.30 a.m. in advance of the Annual General Meeting (“**AGM**”) to be held by way of a physical format at Hope@New Tech Park, 151 Lorong Chuan, #02-06 (Lobby F) Singapore 556741 on Tuesday, 23 April 2024 at 10.30 a.m. The Manager’s and Trustee’s responses to the questions can be found in **Appendices A** and **B** to this announcement.

For Unitholders who were unable to meet the question submission deadline or have additional questions, you are invited to pose your questions at the AGM.

By Order of the Board
Sabana Real Estate Investment Management Pte. Ltd.
(Company Registration No: 201005493K, Capital Markets Services Licence No: CMS100169)
As Manager of Sabana Industrial Real Estate Investment Trust

Han Yong Lee (Donald)
Chief Executive Officer
17 April 2024

For enquiries, please contact:

Low Hooi Hoon
Investor Relations and Corporate Communications
Sabana Real Estate Investment Management Pte. Ltd.
DID: +65 6580 7857
Email: hooihoon.low@sabana.com.sg

Sabana Industrial REIT

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2023, Sabana Industrial REIT has a diversified portfolio of 18 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. The total assets of the Group amount to more than S\$1.0 billion as at 31 December 2023. Sabana Industrial REIT is a constituent of the SGX S-REIT Index and MSCI Singapore Micro Cap Index.

Sabana Industrial REIT is managed by Sabana Real Estate Investment Management Pte. Ltd. (in its capacity as the Manager of Sabana Industrial REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended, varied or supplemented from time to time). Sabana Industrial REIT is a real estate investment trust constituted on 29 October 2010 under the laws of Singapore.

For further information on Sabana Industrial REIT, please visit www.sabana-reit.com.sg.

Important Notice

The value of units in Sabana Industrial REIT (“**Units**”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana Industrial REIT, or any of their respective affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

For further information on Sabana Industrial REIT, please visit www.sabana-reit.com.sg.

Appendix A
Questions by Unitholders with Responses by Manager

1. I note that 1 Tuas Ave 4 is undergoing AEI and is 76% completed as at 31 Dec 2023. What is the latest progress? When will the AEI be completed? And what is the cost of the AEI? Please detail.

- The estimated development cost is \$18.0 million, lower than the initially projected cost of \$20.0 million, due to disciplined project execution and amid a challenging and escalating cost environment
- The project is approximately 96% completed as at early-April 2024 and is on track to obtain TOP around June 2024

2. I note that some of the REIT properties suffer from low occupancy. For example, the occupancy rate of BTC Centre is only 66.4%. Toh Tuck Logispark occupancy rate is only 75.9%. Can you please explain why is the occupancy rates of these properties so low? Why are they under-rented? Is there a structural issue with these properties? What efforts were expended over the past year to ensure these properties are well-tenanted? Please detail and elaborate.

- The lower occupancies coincided with relocation of the buildings' larger tenants, upon lease expiry
- For 23 Serangoon North Avenue 5 (BTC Centre), one anchor tenant had relocated some operations outside Singapore
- For 2 Toh Tuck Link, one anchor tenant had relocated to a B1 production facility, as this use was not allowed under current warehouse use/zoning for the property
- We are committed to proactive leasing efforts and asset management strategies to improve on the occupancy of each property. These include implementing asset enhancement initiatives and asset rejuvenation exercises for majority of our properties (since 2020). We have upgraded the main lobbies, restrooms, and building equipment across selected properties, with the objectives of retaining existing tenants and attracting prospective ones

3. Sabana REIT NAV is 52 cents, but the share price is only 36 cents. This represents a discount of more than 30% off the NAV. I note there is no resolution to do unit buyback. Instead, there is a resolution to issue shares. Please explain why there is no resolution proposed to buy back our heavily discounted shares? Please also explain why there is, counterintuitively, a resolution to issue shares when the company is trading at such cheap valuation relative to NAV?

- Given the uncertainty surrounding the internalisation and the costs associated with this process, the Manager is of the view that channeling funds towards a share buyback scheme to take advantage of the discounted NAV is not a strategic use of the REIT's capital at this juncture. We want to prioritise our use of capital for working capital and/or asset enhancement initiatives
- With the tabling of Resolution 3, we are seeking to have a fundraising option through the issuance of new Units. This avenue is essential and remains a sustainable source of capital for the REIT

4. The NAV and DPU of the REIT dropped. In particular DPU dropped 10% from 3.05 cents to 2.76 cents. However, director fees (and possibly management remuneration) increased sharply. What is the remuneration policy of the REIT, is it performance based? Does key management and directors not think they should *lead by example* and cut their remuneration when the REIT DPU dropped sharply? And on what grounds/basis are the remuneration committee assenting to these pay increases when the company has reported significantly lower DPU and the NAV of the REIT dropped? Please explain and elaborate clearly. I would like to suggest to the Board (and in particular the remuneration committee) that going forward, management and directors are remunerated based on DPU performance. When the REIT reports an increase in DPU, an increase in the remuneration then becomes more justifiable. Otherwise, it does not reflect well in terms of shareholder alignment.

- The Manager notes your feedback and wishes to highlight the following:
 - It should be highlighted that Director fees and all staff compensation are paid by the Manager and not the REIT
 - NAV has remained fairly stable at \$0.52 per unit as at 31 December 2023 as compared to \$0.53 per unit as at 31 December 2022
 - As set out in the AR 2023 on page 110, the Manager's fee is aligned with the REIT's performance. Accordingly, no performance fees were payable to the Manager in FY 2023
 - During the year under review, despite significant macro-economic challenges and additional complexities stemming from the internalisation of the management function, the REIT turned in another year of commendable operational and financial performance. This was only made possible through the efforts and hard work of the management team and its Board of Directors
 - Key highlights for FY 2023 include record high gross revenue, third consecutive year of double-digit rental reversion and higher portfolio valuation
 - Total income available for distribution in FY 2023 - \$33.7 million - was in fact 1.9% higher compared to FY 2022. Total income available for distribution per unit remained stable at 3.05 cents, similar to FY2022
 - However, the total distribution amount declared in FY 2023 was 7.7% lower y-o-y to \$30.5 million (equivalent to DPU of 2.76 cents), after 10% of the total income available for distribution was retained for prudent capital management in view of the additional costs incurred and to be incurred in connection with the internalisation
- The Manager remains committed to the highest standards of corporate governance and delivering value for Unitholders

5. I note that in the Annual report, the director fees have increased tremendously. Mr Tan Cheong Hin director fees went up from 150k to 180k, Mr Wong Heng Tew director fees went up from 125k to 155k, Mrs Elaine Lim director fees went up from 51.5k to 135k. This is a very steep increase of more than 20%. I am very sure that the percentage increase in director fees is much higher than the inflation rate in Singapore and is exorbitant and seems out of proportion and unjustifiably high. Can you please justify and explain clearly the abnormally large increase in director fees granted?

- It should be highlighted that Director fees and all staff compensation are paid by the Manager and not the REIT
- The last fee increase for Directors was in 2021
- Directors' base fees had remained the same
- In consideration of the Directors' significantly higher time commitments, responsibilities and meeting frequencies to attend to various unprecedented corporate developments in FY 2023 that

were over and beyond business as usual – nine formal board meetings, five formal board committee meetings, one AGM and one EGM as well as 33 informal ad-hoc meetings often at short notice and outside working hours, with 53 SGXNet announcements in the two-month run-up to the 7 August 2023 EGM and two circulars to Unitholders – the Board approved, on the recommendation of the Nominating and Remuneration Committee, a “one-off” payment of \$30,000 for FY 2023 to each of the Directors

- The Director’s fee of \$51,500 paid to Mrs Elaine Lim in FY 2022 was a prorated sum as she joined the Board on 6 July 2022. In FY2023, Mrs Lim received a full year’s Director’s fee

6. Given the steep increase in director fees of more than 20%, I am very concerned about management remuneration. I note that the REIT does not provide the exact remuneration for the CEO, CFO and Head of Real Estate, but only disclose them in bands. Would the REIT disclose the percentage increase in management remuneration from FY2022 to FY2023? If the percentage increase in management remuneration from FY2022 to FY2023 is above the inflation rate, would the remuneration committee please justify and explain clearly the large increase in management remuneration granted? Please detail and elaborate.

- It should be highlighted that all staff compensation, together with Directors’ fees, are paid by the Manager and not the REIT
- It should also be noted that due to the various unprecedented corporate developments in FY 2023, the Key Management Personnel also had to devote significantly higher time commitments, responsibilities to attend to various unprecedented corporate developments in FY 2023 that were over and beyond business as usual
- Please refer to our response in Q5 for the elaboration of the impact of these various corporate developments
- The Manager discloses the remuneration of Key Management Personnel in bands of \$250,000 as the team comprises only three persons; and to provide further disclosure on the specific quantum of remuneration paid will be highly commercially sensitive and may subject the Manager to risk of staff turnover, which is not in the best interests of Unitholders

Appendix B

Questions by Unitholders with Responses by Trustee

The Manager assumes no responsibility for any of the contents of Appendix B, including the accuracy, completeness or correctness of any of the information, statements or opinions contained in Appendix B.

1. Please provide the latest updates on the internalisation process. What is the current progress of internalisation? What percentage of the internalisation process have been completed? What steps have been completed? What steps remain to be fulfilled? Please detail and elaborate.

- Please refer to the Trustee's various announcements and statements issued since the extraordinary general meeting held on 7 August 2023 which provide updates on the internalisation process¹
- In particular, please refer to the Trustee's Statement dated 9 April 2024 for details on the current progress of internalisation, completed steps and outstanding steps, as well as any further statements issued by the Trustee in this regard. As explained by the Trustee at the extraordinary general meeting held on 8 March 2024, the Trustee is unable to provide a precise percentage of the progress at the moment due to dependencies from other parties, such as the regulators and the High Court under the ongoing application under Order 32 of the Rules of Court 2021 of Singapore
- The Trustee has also stated that it will provide further updates, including via SGXNet, and engage with Unitholders as and when there are material developments

2. In the EGM held recently, HSBC Trustee refused to provide:

- 1. an itemised list of costs spent on the internalisation scheme and**
- 2. work done by various service providers**

HSBC Trustee said it was not "customary" for the Trustee to provide such information to unitholders but they would consider this request. Till now, HSBC provides no information.

As such information is not price sensitive nor confidential in nature, we insist HSBC Trustee provides the above information to unitholders. If HSBC Trustee insists on NOT revealing these details, we request the Manager demand explanations/reasons from the trustee for this non-compliance.

- Please refer to the Trustee's Statement dated 9 April 2024 for the requested information in respect of costs incurred between 1 January 2024 and 31 March 2024 in connection with the implementation of the internalisation process, as well as any further statements issued by the Trustee in this regard

- Ends -

¹ Please refer to the statements and announcements dated 8 August 2023, 29 August 2023, 4 October 2023, 7 November 2023, 6 December 2023, 15 December 2023, 9 January 2024, 23 January 2024, 30 January 2024, 20 February 2024, 29 February 2024, 8 March 2024, 22 March 2024, 26 March 2024 and 9 April 2024 available on SGXNet.