Scaling New Heights

Lendlease Global Commercial REIT
Annual Report FY2022

lendlease
GLOBAL COMMERCIAL REIT

Contents

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**”). Its principal investment strategy is to invest directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally that are used primarily for retail or office purposes.

As at 30 June 2022, LREIT's portfolio has a total net lettable area (“**NLA**”) of approximately 2.2 million square feet ("**sq ft**"), with an appraised value of S$3.6 billion. It comprises two leasehold properties in Singapore, Jem (office and retail property) and 313@somerset (retail property), and three Grade A freehold office buildings, Sky Complex, in Milan. In addition, LREIT is developing 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. Lendlease Corporation is 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 global operations in Australia, Asia, Europe and the Americas.

Our customers love the places we create. When we collaborate effectively and innovate, we can respond to a changing world.

Milestones at a Glance

2021

JULY

99.91%
Of unitholders voted in favour at the Extraordinary General Meeting to increase LREIT's interest in Jem from 3.75% to 31.8%

SEPTEMBER

FTSE EPRA Nareit Global Developed Index
Enhanced visibility to index funds, and support liquidity and capital raising

OCTOBER

Awarded Regional Sector Leader in the Asia Retail (Overall) and Asia Retail (Listed) categories for two consecutive years since listing in 2019

Highest
GRESB 5-star rating

Scored "A"
for Public Disclosure

2022

FEBRUARY

S$860 million
Sustainability-linked loan established, the largest[1] amongst S-REITs

MARCH – APRIL

99%
Of unitholders voted in favour at the Extraordinary General Meeting to acquire 100% interest in Jem

S$849 million
Successful equity fund raising exercise to finance the acquisition

PRIVATE PLACEMENT
3.3 times
subscribed

PREFERENTIAL OFFERING
1.4 times
subscribed

PERPETUAL SECURITIES
5.3 times
subscribed

JUNE

S$3.7 billion
Total deposited property, up 2.1 times over the year

S$1.8 billion
Market capitalisation post the acquisition of Jem

62%
Of total debt are in sustainable financing

[1] As at 23 February 2022.

Key Highlights

GROSS REVENUE (S$m)

101.7

NET PROPERTY INCOME (S$m)

75.5

DISTRIBUTABLE INCOME (S$m)

71.5

DISTRIBUTION PER UNIT (S¢)

4.85

DISTRIBUTION YIELD (%)[1]

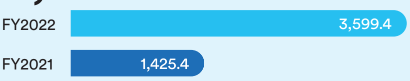
6.1

NET ASSET VALUE PER UNIT (S$)

0.78

APPRAISED VALUE (S$m)[2]

3,599.4



COMMITTED PORTFOLIO OCCUPANCY (%)

99.8

WEIGHTED AVERAGE LEASE EXPIRY (BY NLA)

8.7 years

Key Global Benchmark Indices

1. FTSE EPRA Nareit Global Developed Index
2. FTSE ST Small Cap Index
3. GPR/APREA Investable REIT 100 Index
4. iEdge ESG Leader Index
5. iEdge S-REIT Index
6. iEdge S-REIT Leader Index
7. MSCI Singapore Small Cap Index

Capital Management

GEARING RATIO[3]

40.0%

WEIGHTED AVERAGE DEBT MATURITY

2.8 years

WEIGHTED AVERAGE COST OF DEBT[4]

1.69% per annum

INTEREST COVERAGE RATIO[5]

9.2 times

Sustainability Achievement

First[6] S-REIT to attain

Net Zero Carbon

1 Distribution yield for FY2022 and FY2021 were based on LREIT's unit price of S$0.795 as at 30 June 2022 and S$0.820 as at 30 June 2021, respectively.
2 Includes investment properties and investment property under development (including the recognition of right-of-use-asset on initial application of IFRS16).
3 Total assets include non-controlling interests share of total assets.
4 Excludes amortisation of debt-related transaction costs.
5 The interest coverage ratio (ICR) as at 30 June 2022 of 9.2 times is in accordance with requirements in its debt agreements, and 4.2 times (2.5 times for adjusted ICR) in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.
6 As at 29 August 2022.

Raising the bar

Our people are the greatest contributors to our success and enable us to fulfil our purpose: Creating places where communities thrive.

Mission and Strategy

Our purpose and guiding principles towards growth and achieving success.

Our Mission is to provide unitholders ("Unitholders") with regular, stable distributions while achieving long-term growth in distribution per unit ("DPU") and net asset value ("NAV") per unit, as well as maintaining a prudent capital structure.

3 Our Strategy is executed through three areas of focus.

1 **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.

2 **INVESTMENTS AND ACQUISITION GROWTH**

We pursue opportunities that we believe will boost LREIT's portfolio, improve risk-adjusted 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. We identify investment opportunities by leveraging Lendlease Group's experience and track record in real estate investment.

3 **CAPITAL MANAGEMENT**

We maintain a prudent 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.

Our mission and strategy underpin our ability to create safe, resilient, economic and sustainable outcomes. Our success is measured by the value we create in these areas.

At the Helm

FY2022 was a sterling year for LREIT, marked by its exceptional performance and significant new milestones, from its acquisition of Jem to its inclusion in the FTSE EPRA Nareit Global Developed Index, numerous accolades from the GRESB Real Estate Assessment and its first sustainability-linked loan ("SLL") – one of the largest obtained in the S-REIT industry. In addition, LREIT also scored on the sustainability front where it became the first S-REIT to attain net zero carbon in August 2022 and entered the iEdge ESG Leader Index subsequently.

At the helm, Ms Ng Hsueh Ling (Chairperson), Dr Tsui Kai Chong (Lead Independent Director) and Mr Kelvin Chow (CEO), share their reflections on the year and their thoughts for the future.

Q.

Acquiring full ownership in Jem was LREIT's crowning achievement in FY2022. How has this move transformed the portfolio?

Kai Chong

It was definitely a significant milestone for LREIT. Jem is home to many high-quality tenants, including the Ministry of National Development, IKEA and Fairprice Xtra, and we are heartened that our investors see value in its potential. At the Extraordinary General Meeting, 99% of Unitholders approved the proposal, in a vote of confidence in not only Jem, but also the team's ability to drive value.

With Jem under our belt, LREIT's total deposited property has grown to S$3.7 billion.

Kelvin

To finance the acquisition, we embarked on a series of fund raising exercises and successfully raised a total of S$1.7 billion. Our private placement and preferential offering brought in S$400 million and S$249 million, and were 3.3 times and 1.4 times subscribed respectively.

Another S$200 million came from the issuance of perpetual securities, which was subscribed by 5.3 times. Finally, our first SLL delivered the remaining S$860 million. The unsecured SLL is one of the largest among S-REITs. Beyond funding our acquisition of Jem, the SLL reflects the value we place in advancing sustainability and our steadfast commitment to safeguard the planet for future generations.

Q.

Another milestone was LREIT entering the FTSE EPRA Nareit Global Developed Index in September 2021. How will this boost investor interest?

Kai Chong

We are proud of this achievement. The index tracks the performance of listed real estate companies worldwide. Joining their ranks is an affirmation of LREIT's strong liquidity and ability to create value. Not only does the inclusion raise our visibility among investors on the global stage but it also boosts our trading liquidity, as we deepen our Unitholder base and grow our portfolio of income-producing real estate assets.

Kelvin

Already, we have experienced a 1.9 times spike in trading volume against the previous year. This, together with the increase in market capitalisation to S$1.8 billion, has further boosted trading liquidity.

Q.

How would you describe LREIT's performance in FY2022?

Kelvin

I am pleased to report that we delivered an excellent set of results during the year. Not only did we succeed in generating sustainable value for Unitholders, we also built up our financial strength and resilience. Distributable income increased by 29.7% year-on-year to reach S$71.5 million, while gross revenue and net property income grew 29.3% and 32.7% to S$101.7 million and S$75.5 million respectively. DPU rose to 4.85 cents in FY2022, a 3.7% increase over 4.68 cents in the last financial year. Over the year, portfolio valuation grew to S$3.6 billion.

Our assets continued to perform well, enjoying a high portfolio occupancy of 99.8% with a long weighted average lease expiry ("**WALE**") of 8.7 years by NLA and 5.5 years by gross rental income ("**GRI**"), which will ensure long-term cash flow stability.

Around 59% of borrowings are pegged to fixed rates to guard against interest rate hikes, while our undrawn debt facilities of S$257.7 million offers greater financial flexibility. Our gearing ratio stood at 40.0% with a low weighted average cost of debt of 1.69% per annum.

In a testament to our financial credibility, our interest coverage ratio stayed high with sufficient liquidity to meet all maturing debt obligations in the coming financial year.

Q.
What contributed to the strong performance?

Kelvin
There was a combination of factors that boosted our results. In Singapore, the reopening of borders, easing of COVID-19 restrictions and returning office crowd have increased footfall into the malls.

The acquisition of Jem played a pivotal role. Its office spaces are fully leased to the Ministry of National Development till 2044 and are generating stable income, while its retail mall has consistently high occupancy rates. Tenant sales have since rebounded to pre-COVID-19 levels.

Mirroring Jem's success is 313@somerset, where tenant sales have recovered to pre-COVID-19 levels. Its prime location in the Orchard Road shopping district at Somerset MRT station makes it a favourite among new-to-market brands with unique concepts and a popular choice for flagship stores. As borders continue to open, tourism is expected to bounce back. This, together with the resumption of social activities, bodes well for the mall.

Over in Milan, our office asset, Sky Complex, continues to deliver steady returns with annual rental escalations pegged to the consumer price index. The collection of three office buildings operates on a triple-net lease structure, minimises operational costs for LREIT and provides a safe buffer against the external environment and economic fluctuations.

Distributable income increased by

29.7% year-on-year
to reach S$71.5 million.

Committed portfolio occupancy

99.8%
with a WALE of 8.7 years by NLA and 5.5 years by GRI to ensure long-term cash flow stability.

From left to right:

Dr Tsui Kai Chong
Lead Independent Director

Ms Ng Hsueh Ling
Chairperson

At the Helm

Q.
What was done to enhance LREIT's assets and drive shopper experience at its malls?

Hsueh Ling
Visitor experience is always a priority at our malls. As consumer trends and preferences change, we evolve in tandem. Adopting a range of measures and asset enhancement initiatives, we work closely with our tenants to refresh our offerings and create enriching experiences for everyone.

We deployed 660 sq ft of additional plot ratio allowed for 313@somerset for the expansion of two units at level one – PUMA and Ohayo Mama San. With a remaining gross floor area of approximately 10,200 sq ft still untapped, we are ready to realise the mall's full potential, increase cash flow and create further value for our Unitholders.

With the government's plans to rejuvenate the Orchard Road shopping belt, we are pressing ahead with our redevelopment of the Grange Road carpark next to 313@somerset. This upcoming multifunctional event space will showcase innovative lifestyle and entertainment experiences in partnership with Live Nation, a leading global live entertainment company.

Meanwhile, with Jem currently at near maximum occupancy, we are exploring new ways to drive returns. For example, we have converted the seating area outside the basement food hall into additional units to generate additional rental revenue.

Kelvin
Across our malls, we regularly review and refresh our tenant mix to ensure they remain attractive to today's consumers. Additionally, we partner existing tenants and harness data analytics to curate more engaging experiences for shoppers that cater to their preferences.

We operate in an increasingly digital world, where online experiences are becoming an integral part of the customer journey. Lendlease Plus is therefore crucial to our business strategy and is the main digital channel through which we promote our tenants' retail offerings and elevate the visitor experience at our malls.

Over the year, our efforts to drive user experience saw membership increased by 20% year-on-year. Today, Lendlease Plus not only helps shoppers stay on top of promotions and events, it also allows loyalty points to be converted into e-vouchers and carpark redemptions. Together with our tenants, we forged tie ups with digital platforms such as ShopBack and Lazada to improve sales and awareness of their offerings.

Q.
How did LREIT advance sustainability during the year?

Hsueh Ling
At LREIT, we recognise the impact our industry has on the environment and make it our responsibility to be part of the solution. All our assets in Singapore have attained the Building and Construction Authority's Green Mark Platinum award and Jem was awarded the Universal Design Mark Gold Plus certification. One of our commercial buildings in Milan also received the LEED Gold Certification from the United States Green Building Council. These speak volumes of our assets' environmental performance and sustainable design.

We have adopted the Task Force for Climate-related Financial Disclosures recommendations and disclose our environmental risks and opportunities in line with this framework. In addition, we engage in scenario planning to test our resilience in various sustainability outcomes, guided by Lendlease's Sustainability Framework. Our 2050 Future Scenarios are anchored in diverse environmental, social, technological, economic and policy indicators.

We are pleased to have achieved our net zero carbon target three years ahead of our original target by 2025. With the goal of achieving absolute zero for Scope 1, 2 and 3 emissions by 2040, we are poised to make strides in our decarbonisation journey.

Kelvin
That is why, to fulfil these goals, we infuse sustainability considerations into our assets, operations and decision-making. One example is the SLL we obtained to fund the Jem acquisition. Structured to deliver savings in borrowing costs as LREIT achieves sustainability performance targets via our Singapore portfolio, the loan reinforces our efforts to reduce greenhouse gas emissions across our assets, in line with our objectives to achieve absolute zero carbon for Scope 1, 2 and 3 emissions by 2040.

Beyond the environment, we sought to uplift the underprivileged within our community. In reaching out to the differently-abled, we sponsored Project Dignity's Train-and-Place programme, equipping the trainees with the vocational skills needed to support themselves. FY2022 also saw us contribute to various social causes and charitable activities. For more information, please refer to pages 90 and 91 of the Sustainability Report ("**SR**").

Our efforts in championing environmental, social and governance ("**ESG**") matters continued to win accolades during the financial year. In October 2021, LREIT clinched the top spot at the GRESB 2021 in two categories – Asia Retail (Overall) and Asia Retail (Listed). It marked the

We are pleased to have achieved our net zero carbon target ahead of our original target by 2025.

Mr Kelvin Chow
Chief Executive Officer

second consecutive year that we received the highest tier five-star rating for ESG performance. At the same time, we were awarded an 'A' rating for public disclosure.

Q.
Any comment on the outlook of Scaling New Heights?

Hsueh Ling

Our results and achievements in the last year have been very encouraging. We are grateful to the Board of Directors ("**Board**") for their valuable insights, as well as our Unitholders and employees for their fervent support and dedication as we navigated the financial year.

Moving forward, we will continue to collaborate with tenants and stakeholders to capitalise on the improving COVID-19 situation and emerge stronger. At the same time, we will continue to exercise active capital management and bolster our fundamentals, as we optimise our portfolio and explore new avenues to scale new heights and deliver sustainable returns to Unitholders.

Ms Ng Hsueh Ling
Chairperson

Dr Tsui Kai Chong
Lead Independent Director

Mr Kelvin Chow
Chief Executive Officer

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. **MRS LEE AI MING**
   Independent Non-Executive Director
4. **MR SIMON JOHN PERROTT**
   Independent Non-Executive Director
5. **MR JUSTIN MARCO GABBANI**
   Non-Independent Non-Executive Director


3


5


4

Board of Directors

MS NG HSUEH LING

Chairperson and Non-Independent Non-Executive Director

Age: 55
Date of appointment as a director:
21 January 2019
Date of last re-endorsement as a director:
25 October 2021
Length of service as a director (as at 30 June 2022):
3 years 5 months

Academic & professional qualifications

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

Present Directorships in Other Listed Companies

-

Present Principal Commitments

Managing Director & Country Head, Singapore, Lendlease Group

Director, Lendlease Investment Management Pte. Ltd.

Director, Lendlease Retail Pte. Ltd.

Director, Lendlease Singapore Pte. Ltd.

Chairperson of Property Committee, Singapore Hokkien Huay Kuan 44th Executive Council

Member, The Hokkien Foundation Management Committee

Member, Singapore Hokkien Huay Kuan Affiliated Schools Management Committee

Director, Singapore Hokkien Huay Kuan Cultural Academy

Director, Yunnan Realty Pte. Ltd.

Past Directorships in Other Listed Companies held over the preceding three years:

-

Background and working experience

Chief Executive Officer, Keppel REIT Management Limited (as manager of Keppel REIT) (from 2009 to 2017)

Chief Executive Officer, Korea & Japan and Senior Vice President of Fund Business Development and Real Estate Fund Management, Ascendas Pte. Ltd. (from 2005 to 2009)

Vice President, Real Estate Capital Management, CapitaLand Financial Ltd. (from 2002 to 2005)

Vice President, Investment & Investment Sales, CapitaLand Commercial Ltd. (from 2000 to 2001)

DR TSUI KAI CHONG

Lead Independent Non-Executive Director

Age: 66
Date of appointment as a director:
29 August 2019
Date of last re-endorsement as a director:
25 October 2021
Length of service as a director (as at 30 June 2022):
2 years and 10 months

Academic & professional qualifications

BA(Hons) Business Studies, first class honours, Polytechnic of Central London

MPhil and PhD (Finance), New York University

Chartered Financial Analyst, CFA Institute, USA

Present Directorships in Other Listed Companies

Director, Digital Core REIT Management Pte. Ltd. (as manager of Digital Core REIT)

Present Principal Commitments

-

Past Directorships in Other Listed Companies held over the preceding three years:

-

Background and working experience

Emeritus Professor, Singapore University of Social Sciences (from 2021 to present)

Provost, Singapore University of Social Sciences (from 2005 to 2021)

Nomination and Remuneration Committee
C Chairperson
M Member

Audit and Risk Committee
C Chairperson
M Member

MRS LEE AI MING

C M

Independent Non-Executive Director

Age: 67
Date of appointment as a director:
29 August 2019
Date of last re-endorsement as a director:
26 October 2020
Length of service as a director (as at 30 June 2022):
2 years and 10 months

Academic & professional qualifications
Bachelor of Laws (Honours), National University of Singapore

Present Directorships in Other Listed Companies
-

Present Principal Commitments
Director, Temasek Life Sciences Laboratory Limited

Senior Consultant, Dentons Rodyk & Davidson LLP

Past Directorships in Other Listed Companies held over the preceding three years
-

Background and working experience
Deputy Managing Partner, Dentons Rodyk & Davidson LLP (1982 to 2014)

MR SIMON JOHN PERROTT

M M

Independent Non-Executive Director

Age: 64
Date of appointment as a director:
29 August 2019
Length of service as a director (as at 30 June 2022):
2 years and 10 months

Academic & professional qualifications
Bachelor of Science, University of Melbourne

Master of Business Administration, University of New South Wales

Present Directorships in Other Listed Companies
-

Present Principal Commitments
Non-Executive Director, The Wayside Chapel

Past Directorships in Other Listed Companies held over the preceding three years
-

Background and working experience
Chairperson, CIMB Bank Australia (from 2012 to 2014)

Chairperson, RBS Australia (from 2009 to 2012)

Various roles and last held role was Co-Head of Banking, ABN AMRO Bank N.V. (from 2002 to 2009)

MR JUSTIN MARCO GABBANI

M

Non-Independent Non-Executive Director

Age: 40
Date of appointment as a director:
26 October 2021
Length of service as a director (as at 30 June 2022):
8 months

Academic & professional qualifications
Bachelor of Finance and Bachelor of Commerce, Bond University, Queensland

Chartered Accountant, Australia

Present Directorships in Other Listed Companies
-

Present Principal Commitments
Chief Executive Officer, Asia, Lendlease Group

Director, Lendlease Investment Management Pte. Ltd.

Director, Lendlease Asia Holdings Pte. Ltd.

Director, Lendlease Digital Asia Pte. Ltd.

Past Directorships in Other Listed Companies held over the preceding three years
-

Background and working experience
Chief Financial Officer, Asia, Lendlease Group (from 2016 to 2021)

Head of Investment & Capital Markets, Asia and Europe, Lendlease Group (2015 to 2016)

Head of Investment & Capital Markets, Asia, Lendlease Group (2011 to 2015)

Head of Product Development, Investment Management, Lendlease Group (2009 to 2011)

The Manager

From left to right:

MR VICTOR SHEN
Senior Finance Manager

MS LING BEE LIN
Senior Manager Investor Relations

MR JOSHUA LIAW
Executive General Manager, Finance

MR KELVIN CHOW
Chief Executive Officer

MS LOH KAR YEN
Head of Asset Management

MR MARK YONG
Investment and Investor Relations Manager

MR KELVIN CHOW
Chief Executive Officer

Mr Chow has approximately 30 years of experience in finance and accounting matters, tax and treasury and capital management, of which 20 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.

MR JOSHUA LIAW
Executive General Manager, Finance

Mr Liaw has over 15 years of experience in real estate finance and banking. He was previously General Manager, Finance of Lendlease 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 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.

MS LOH KAR YEN
Head of Asset Management

Ms Loh has more than 20 years of experience in real estate portfolio and asset management, valuation and lease management for private and public landlords, including close to 16 years in the S-REIT industry.

Before joining LREIT, she was in the portfolio and asset management role with various entities in the CapitaLand Group including CapitaLand Commercial Trust. Prior to CapitaLand, she also held positions in Keppel REIT and Ascendas REIT.

Ms Loh holds a Bachelor of Science Degree (Honours) in Estate Management from the National University of Singapore.

MR VICTOR SHEN
Senior Finance Manager

Mr Shen 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.

MS LING BEE LIN
Senior Manager Investor Relations

Ms Ling has approximately 10 years of experience in investor relations and corporate communications. She is responsible for cultivating relationships and facilitating clear, timely communications and engagements with Unitholders and stakeholders, including analysts and investors. Prior to joining the Manager, she was handling investor relations at a business trust listed on the SGX-ST and also held position in Group Corporate Communications for six years at a listed fund on the London Stock Exchange.

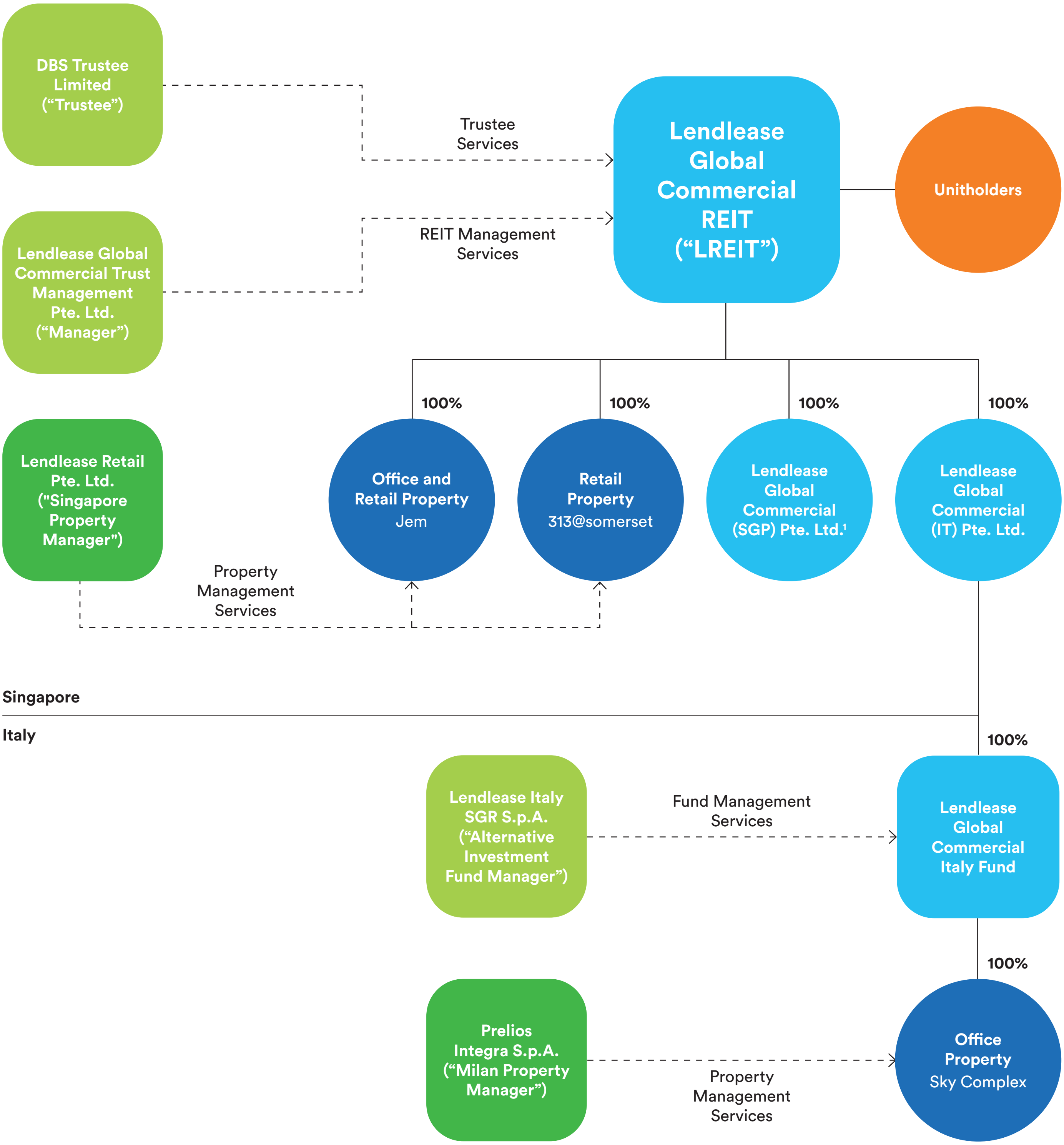
Ms Ling holds a Bachelor of Commerce Degree in Management and Hospitality & Tourism Management from Murdoch University.

MR MARK YONG
Investment and Investor Relations Manager

Mr Yong is responsible for formulating and executing LREIT's overall investment strategy globally. He leads the investment team to identify, evaluate and negotiate potential investment opportunities that are suitable and beneficial for the REIT. In addition, Mr Yong is involved in the capital market strategy of LREIT for each acquisition milestone. Prior to joining the Manager, Mr Yong was involved in managing 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.

Trust Structure



[1] Lendlease Global Commercial (SGP) Pte. Ltd. holds a total of 37.8% of the total issued share capital in Lendlease Asian Retail Investment Fund 3 Limited and 53% of the total issued share capital in Lendlease Jem Partners Fund Limited.

Corporate Information

STOCK EXCHANGE QUOTATION

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

MANAGER

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TRUSTEE

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Singapore 018982

BOARD OF DIRECTORS

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

Dr Tsui Kai Chong
Lead Independent Non-Executive Director

Mrs Lee Ai Ming
Independent Non-Executive Director

Mr Simon John Perrott
Independent Non-Executive Director

Mr Justin Marco Gabbani
Non-Independent Non-Executive Director

AUDIT AND RISK COMMITTEE

Dr Tsui Kai Chong
Chairperson

Mrs Lee Ai Ming
Member

Mr Simon John Perrott
Member

Mr Justin Marco Gabbani
Member

NOMINATION AND REMUNERATION COMMITTEE

Mrs Lee Ai Ming
Chairperson

Dr Tsui Kai Chong
Member

Mr Simon John Perrott
Member

Ms Ng Hsueh Ling
Member

COMPANY SECRETARIES

Ms Amy Chiang Shu Zhen
Ms Jill Chay Suet Yee

AUDITORS

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f +65 6225 0984

Partner-In-Charge:
Mr Lee Chin Siang Barry
(Appointment date: 8 January 2020)

UNIT REGISTRAR

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w www2.sgx.com/securities/retail-investor

Heightening performance

Our strategy is underpinned by an ethos that long term value creation is maximised by achieving social, environmental and economic outcomes.

Operations Review

Additional NLA created at Jem's basement food hall to drive revenue.

S$3.7 billion
Total Deposited Property

S$1.8 billion
Market Capitalisation

2.2 million sq ft
Net Lettable Area

Value creation through three-prong strategy

1 **Investments and Acquisition Strategy:** Strengthened portfolio through the acquisition of Jem

2 **Asset Management and Enhancement:** Expanded leasable unit space and unlock value

3 **Capital Management:** Embarked on sustainable financing journey to bring interest savings for Unitholders

Operations Review

VALUE CREATION THROUGH THREE-PRONG STRATEGY

1 Strengthened portfolio through the acquisition of Jem

LREIT remains committed to delivering sustainable returns to its Unitholders in line with its three-prong strategy to create value and enhance diversification of the portfolio.

FY2022 was a significant year where LREIT obtained full direct ownership in Jem. Further details of the acquisition can be found in the Circular dated 14 February 2022 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$2,063 million and Jones Lang LaSalle Property Consultants Pte. Ltd., appointed by the Trustee, valued Jem at S$2,086 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$2,079 million was negotiated on a willing-buyer and willing-seller basis.

With the acquisition, LREIT was able to optimise and enhance its portfolio resilience and diversification. It also increases LREIT's exposure to the long-term growth potential of the Jurong Lake District, slated to be Singapore's second Central Business District ("**CBD**").

To partially finance the acquisition, LREIT launched an equity fund raising exercise of approximately S$849 million, the largest fund raising exercise during the period[1]. The fund raising activities garnered immense support from both new and existing institutional and retail investors.

2 Expanded leasable unit space and unlocked value

In line with its Sponsor's vision to create places where communities thrive, LREIT remains focused to bring greater attractions and diversity to transform its retail properties into dynamic shopping and lifestyle destinations.

The Somerset Belt is earmarked to be a vibrant youth precinct as part of the Singapore Tourism Board's wider plan to rejuvenate Orchard Road into a must-visit lifestyle and leisure destination. In February 2022, LREIT deployed 660 sq ft of additional gross floor area ("**GFA**") from the Urban Redevelopment Authority ("**URA**") Master Plan 2019 to two prime units at the ground floor of 313@somerset to expand leasable unit space and unlock value for Unitholders. The remaining untapped GFA of approximately 10,200 sq ft will maximise the full potential of 313@somerset and bring value to LREIT's Unitholders.

Over at Jem, approximately 472 sq ft of underutilised space at Basement 1 was converted into leasable unit space to generate additional revenue for Unitholders.

During the year, the Manager continued to introduce new in-app offerings through Lendlease Plus and expanded cross-collaborative partnerships with food delivery and e-payment brands to offer lifestyle rewards and experiences to its shoppers. The in-app offerings and campaigns were well-received by shoppers as well as LREIT's tenants, resulting in a 20% year-on-year ("**YoY**") increase in Lendlease Plus memberships in FY2022.

3 Embarked on sustainable financing journey to bring interest savings for Unitholders

Being vigilant to maintain a strong balance sheet and prudent cash flow management is a key focus for the Manager. LREIT's capital structure is optimised through a combination of debt and equity to finance its growth plans.

In February 2022, LREIT obtained a S$860 million SLL – one of the largest in the S-REIT market – to fund the acquisition of Jem. Subsequently in July 2022, the Manager refinanced LREIT's existing loan facility with a second SLL. Through the SLLs, LREIT will enjoy savings in borrowing costs as it achieves its sustainability target through its portfolio in Singapore, resulting in higher distributable income whilst achieving sustainable outcomes for all stakeholders.

By August 2022, SLLs accounts for approximately 62% of total debt, generating a strong contribution to LREIT's ESG credentials. This is in addition to approximately S$215 million of sustainability-linked interest rate swaps.

[1] Period refers to 1 July 2021 to 30 June 2022.

Strong portfolio occupancy rate

LREIT's committed portfolio occupancy rate remained high at 99.8% as at 30 June 2022. Approximately 80% of its committed leases (by NLA) has rental step-up embedded in their lease structures which provide avenues for income growth.

Committed occupancy for its retail portfolio stood at 99.6% whilst its office portfolio in Milan and Singapore remain fully leased to Sky Italia till 2032 and the Singapore's Ministry of National Development till 2044 respectively. These leases will continue to provide long-term cash flow stability for Unitholders.

Tenant retention rate for 313@somerset stood at 59%[2] as at 30 June 2022 as the Manager continues its proactive effort to rejuvenate the mall's offerings. As at 30 June 2022, rental reversion for 313@somerset was 3.6%[2].

Well-spread lease expiry profile

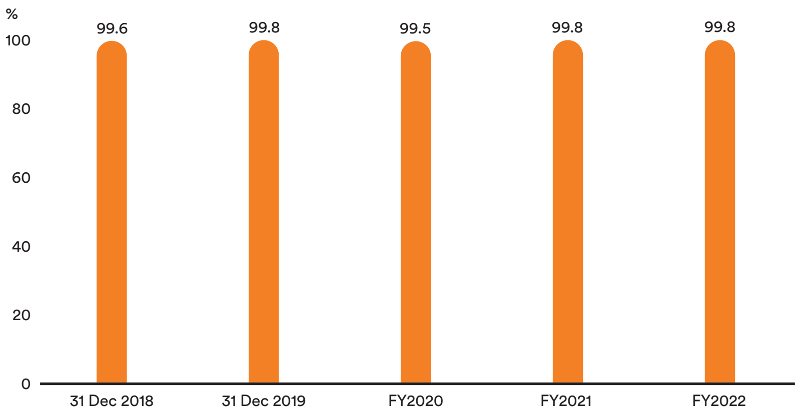
LREIT ended the financial year with a long portfolio WALE of 8.7 years by NLA and 5.5 years by GRI.

For its retail portfolio, 31.5% and 21.9% of the leases by GRI will expire in FY2023 and FY2024 respectively. As the rental rates will be marked-to-market upon lease expiry, it provides an opportunity to increase earnings in an upward market.

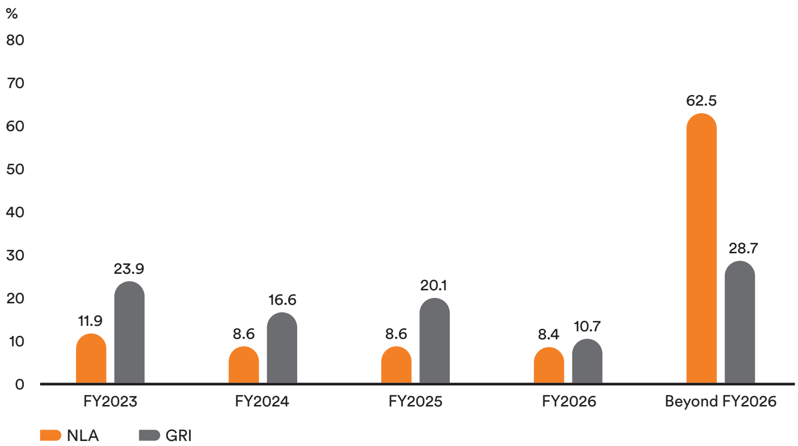
The WALE for LREIT's office portfolio remained stable at 12.9 years by NLA and 15.5 years by GRI.

For new leases entered into during the year, the WALE by GRI is approximately 3.0 years based on the date of commencement of the leases, and these leases account for 11.2% of the GRI for June 2022.

Portfolio Occupancy %



Lease Expiry Profile by NLA and GRI



[2] Excludes Jem as LREIT completed the acquisition of 100% interest in the property only on 22 April 2022, and most of the lease renewals have been completed.

Operations Review

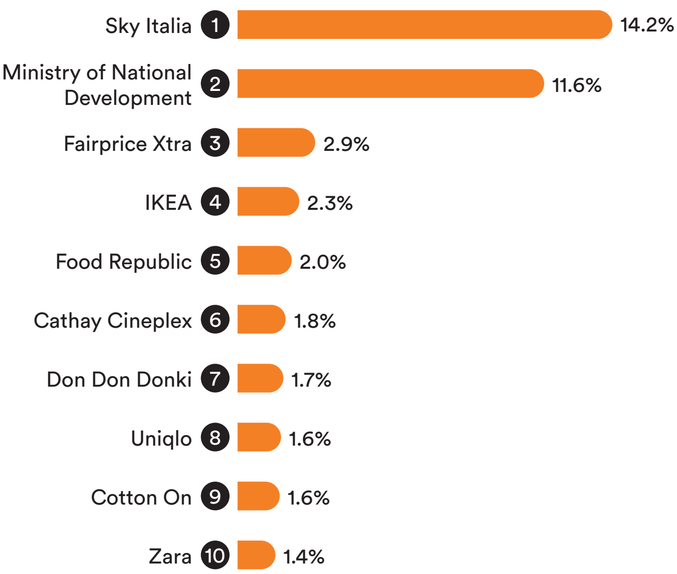
Well-diversified tenant mix

As at the end of FY2022, LREIT had 398 tenants across 21 trade sectors in two cities. After the acquisition of Jem, LREIT's portfolio was strengthened with an increase in exposure to the suburban retail segment and a high concentration in the essential services trades, which account for approximately 57% of GRI.

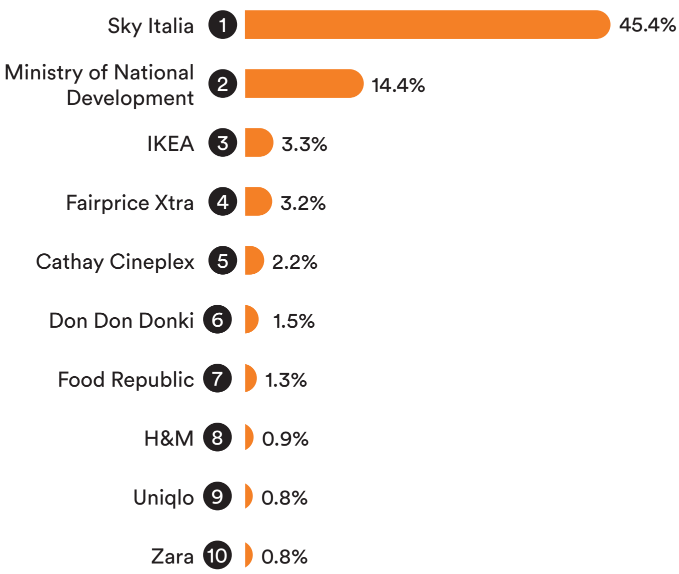
Top ten tenants contributed approximately 41% of the total GRI for the month of June 2022.

The top 3 trade sectors, namely Food & Beverages, Broadcasting and Fashion & Accessories accounted for 26.5%, 14.2% and 12.6%, respectively, of the GRI for the month of June 2022.

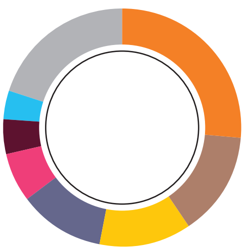
Top 10 Tenants by GRI



Top 10 Tenants by NLA

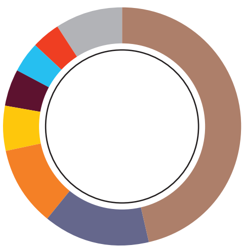


Trade Sector Breakdown by GRI



Food & Beverages	26.5%
Broadcasting	14.2%
Fashion & Accessories	12.6%
Government	11.6%
Beauty & Health	6.7%
Supermarket	4.7%
Lifestyle	3.9%
Others	19.8%

Trade Sector Breakdown by NLA



Broadcasting	46.4%
Government	14.7%
Food & Beverages	10.7%
Fashion & Accessories	6.2%
Supermarket	4.8%
Lifestyle	4.4%
Entertainment	3.8%
Others	9.0%

Tenant sales and shopper traffic

Tenant sales for both 313@somerset and Jem surpassed pre-COVID-19 average numbers in the fourth quarter of FY2022 and continued to recover faster than footfall. With the inclusion of Jem into the portfolio, the quarterly tenant sales increased from S$43.1 million (average of the first three quarters of FY2022 for 313@somerset) to S$192.2 million in the fourth quarter of FY2022. Similarly for footfall, it grew from 5.9 million shoppers (average of the first three quarters of FY2022 for 313@somerset) to 14.5 million in the fourth quarter of FY2022.

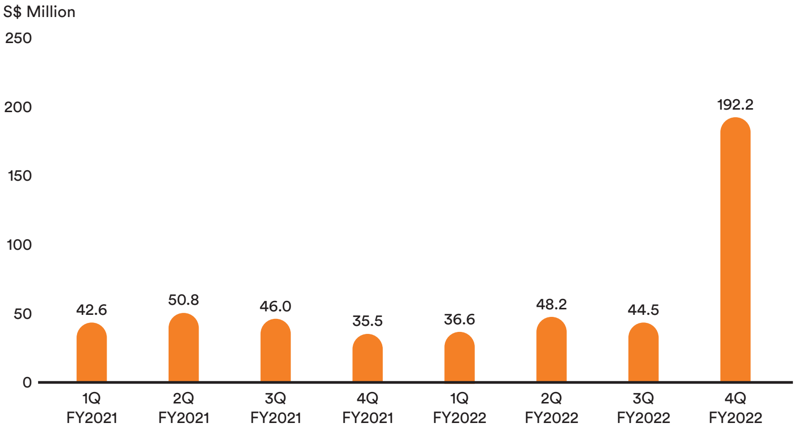
Gross turnover rent, which is pegged to tenant sales, accounts for less than 3% of LREIT's gross revenue. It will improve income contribution as tenant sales increase.

Portfolio valuation

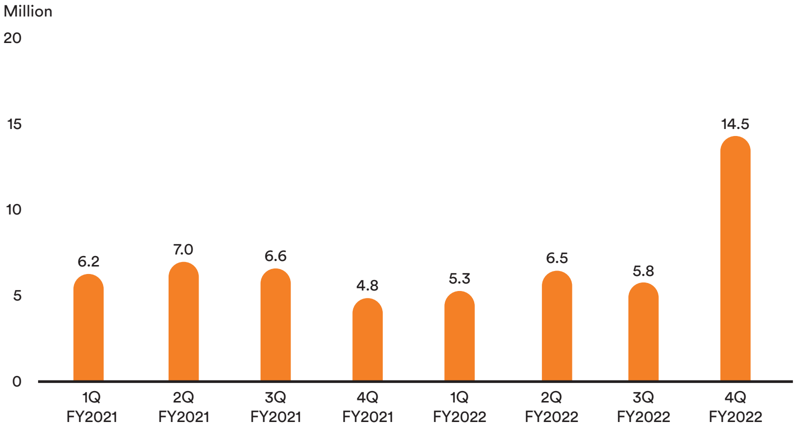
LREIT conducted independent valuation of its portfolio in June 2022 and the methodologies applied included the capitalisation approach and discounted cash flow method.

Overall valuation of its properties recorded a gain of 2.5% YoY largely due to uplift in market rents and improved market sentiments.

Tenants' Sales



Shopper Traffic



	Valuation FY2022	Valuation FY2021	Variance (%)	Cap rate FY2022 (%)	Cap rate FY2021 (%)
Jem	S$2,134.0 million	S$2,086.0 million[3]	+2.3	Retail: 4.50 Office: 3.50	Retail: 4.50[3] Office: 3.50[3]
313@somerset	S$993.1 million[4]	S$988.5 million[4]	+0.5	4.25[5]	4.25[5]
Sky Complex[6]	€324.5 million (S$472.3 million)	€274.0 million (S$436.9 million)	+18.4(€) +8.1(S$)	5.00	5.25
Total	**S$3,599.4 million**	**S$3,511.4 million**	**+2.5**	**N.A.**	**N.A.**

3 As at 31 December 2021 by independent valuer, Jones Lang LaSalle Property Consultants Pte Ltd.

4 Includes the development of the multifunctional event space, adjacent to 313@somerset, which will be connected seamlessly to the Discovery Walk that links to 313@somerset. Value reflected is the total of the market value and right-of-use-asset.

5 Refers to operating asset only.

6 Conversion of € to S$ for FY2022 and FY2021 were based on the FX rate of 1.456 and 1.594 as at 30 June 2022 and 30 June 2021, respectively.

Property Summary

Jem
SINGAPORE

BCA GREEN MARK BCA UD MARK

> With over 250 retail units and 12 office floors, Jem continues to excite shoppers and tenants alike as a top performing office and retail property in Jurong.

KEY STATISTICS
(as at 30 June 2022)

Location:
50 and 52 Jurong Gateway Road, Singapore 608549 and 608550

Title/Tenure:
Leasehold 99 years from 2010

Ownership:
100%

Number of tenants:
250

Car park lots:
674

Purchase price:
S$2,079 million[1]

Valuation:
S$2,134 million

Net lettable area:
893,000 sq ft

Gross revenue for FY2022:
S$22.3 million[2]

Net property income for FY2022:
S$16.1 million[2]

Committed Occupancy:
99.7%

Jem is the first lifestyle hub in Singapore's west where mid to mid-plus shopping meets entertainment; functionality meets experience and where community culture meets city inspiration.

[1] Based on LREIT's acquisition of 100% interest in Jem in April 2022.

[2] From 22 April 2022 to 30 June 2022 based on the completion of the acquisition on 22 April 2022.

With over 250 retail units and 12 office floors, Jem continues to excite shoppers and tenants alike as a top performing retail and commercial development at Jurong Gateway.

Comprising a NLA of approximately 311,000 sq ft and 580,000 sq ft of office space and retail space respectively, Jem occupies a prominent spot in one of Singapore's regional centres and commercial hubs.

Jem enjoys close proximity to public facilities such as Jurong East MRT Station and Bus Interchange, Ng Teng Fong General Hospital and Jurong Regional Library. The integrated office and retail property is well-placed to tap the upcoming transformation of Jurong and the surrounding manufacturing and industrial landscape as part of the government's decentralisation efforts.

Currently, Jem's office space is leased entirely by Singapore's Ministry of National Development. Meanwhile, its six-storey retail mall features well-loved anchor tenants, such as FairPrice Xtra, Cathay Cineplexes and Don Don Donki, and is home to IKEA's first small concept store in Southeast Asia.

Jem marked a sustainability milestone in Singapore as the first office and retail property to receive the Green Mark Platinum version 4 and the Universal Design Mark Gold Plus Design Award from the Building and Construction Authority ("**BCA**"). The 2021 GRESB real estate rankings saw Jem achieved second position in the Asia Retail (Unlisted) category.

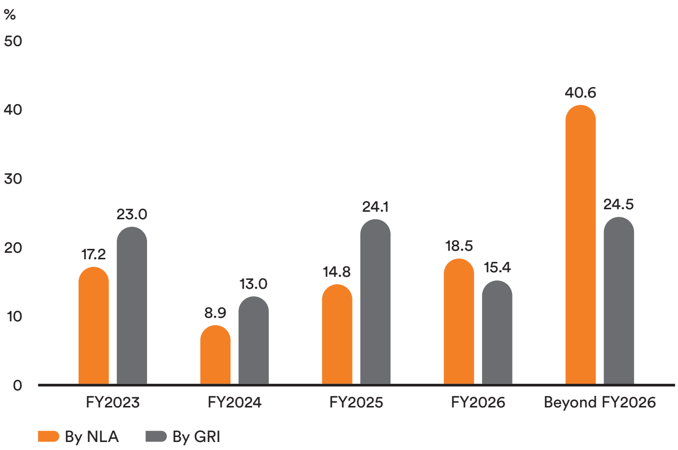
Lease Expiry Profile

Jem has a high WALE of 9.5 years by NLA and 6.2 years by GRI. Around 23% of the leases by GRI are up for renewal in FY2023, while 13% are due in FY2024.

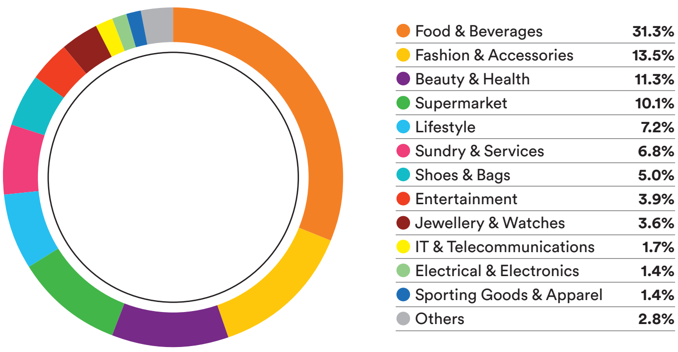
Trade Sector Analysis

Jem's retail tenancy mix comprised 249 tenants from 16 trade sectors as at 30 June 2022. Essential services accounted for approximately 60% of GRI. Its office component accounted for approximately 20% of the GRI.

Lease Expiry Profile by NLA and GRI



Trade Sector Breakdown by GRI



Property Summary

313@somerset

SINGAPORE

KEY STATISTICS
(as at 30 June 2022)

Location:
313 Orchard Road,
Singapore 238895

Title/Tenure:
Leasehold 99 years from 2006

Ownership:
100%

Number of tenants:
147

Car park lots:
220

Purchase price:
S$1,003 million

Valuation:
S$987 million

Net lettable area:
288,979 sq ft

Gross revenue for FY2022:
S$54.0 million

Net property income for FY2022:
S$36.6 million

Committed occupancy:
99.9%

313@somerset continued to enjoy a high occupancy rate of 99.9% and is well-placed to tap on rising tourist arrivals.

Nestled in the heart of Orchard Road, Singapore's premier shopping belt and tourist destination, 313@somerset ranks among the city's top lifestyle malls.

Property Summary

Nestled in the heart of Orchard Road, Singapore's premier shopping belt and tourist destination, 313@somerset ranks among the country's top lifestyle malls. Having opened its doors in 2009, the prime retail development continues to delight shoppers with a thoughtfully curated tenancy mix comprising more than 140 top-tier retailers across its eight floors and over 288,000 sq ft in NLA.

Conveniently situated near various transport nodes with direct access to Somerset MRT Station, the mall enjoys prominent street frontage along both Orchard Road and Somerset Road. One critical entry point is "Discovery Walk". This ground-level walkway guides shoppers from one of Orchard Road's busiest pedestrian traffic intersections to the mall, leading them past an eclectic collection of restaurants, cafes and bars en route.

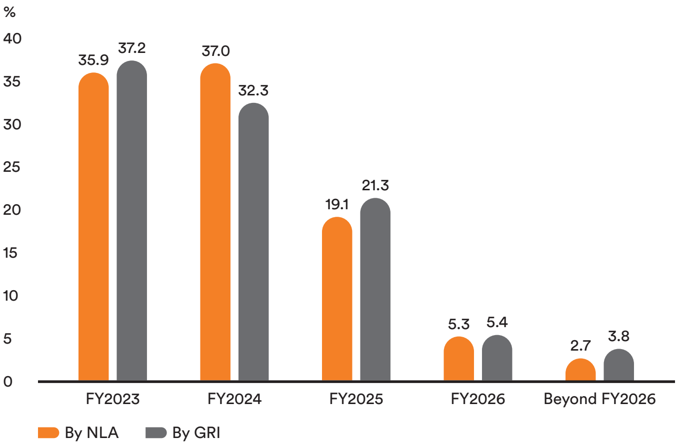
Lease Expiry Profile

313@somerset retains a WALE of 1.5 years by both NLA and GRI. Around 37% of the leases by GRI are up for renewal in FY2023, while 32% are due in FY2024.

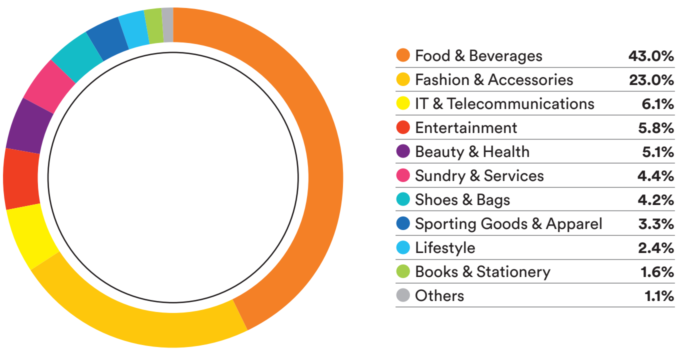
Trade Sector Analysis

The Manager continues to capitalise on new customer demands and the trend of lifestyle experiences. As at 30 June 2022, 313@somerset's vibrant tenancy mix comprised 147 tenants from 12 trade sectors. Its top two contributors to GRI were Food & Beverages and Fashion & Accessories at 43% and 23% respectively.

Lease Expiry Profile by NLA and GRI



Trade Sector Breakdown by GRI



Discovery Walk

The event space, when completed, will inject vibrancy to the Somerset area, in line with the government's plan to strengthen Orchard Road's position as a must-visit lifestyle destination.

Multifunctional Event Space at 313@somerset

Vibrant, inspiring and cutting edge - 313@somerset's future event arena will infuse the Orchard Road shopping belt with original lifestyle and entertainment experiences, complete with live performances and specially curated events. Growing LREIT’s footprint in Somerset to some 330,000 sq ft, the space will feature distinctive multiple event venues. These, together with its seamless connection to 313@somerset’s Discovery Walk, promise to inject vibrancy to the area, in line with the government's plan to strengthen Orchard Road's position as a must-visit lifestyle destination. Construction of the event space is expected to take approximately 12 to 18 months.

Helming the space as its anchor tenant is Live Nation, a leading global live entertainment company, which has leased a significant portion of the venue. In addition, a collaboration with the Singapore Tourism Board will see experiential events run throughout the year, with the resulting crowds expected to drive tenant sales at the mall.

KEY STATISTICS
(as at 30 June 2022)

Site area:
Approximately 48,200 sq ft

Gross floor area:
Approximately 66,800 sq ft
(Subject to final design and authorities' approval)

Percentage of interest:
100%

Property Summary

Sky Complex

MILAN, ITALY

KEY STATISTICS
(as at 30 June 2022)

Location:
Via Luigi Russolo 4 (Building 1 & 2)
Via Luigi Russolo 9 (Building 3),
20138 Milan, Italy

Title/Tenure:
Freehold

Ownership:
100%

Car park lots:
501

Purchase price:
€262.5 million

Valuation:
€324.5 million

Net lettable area:
980,139 sq ft

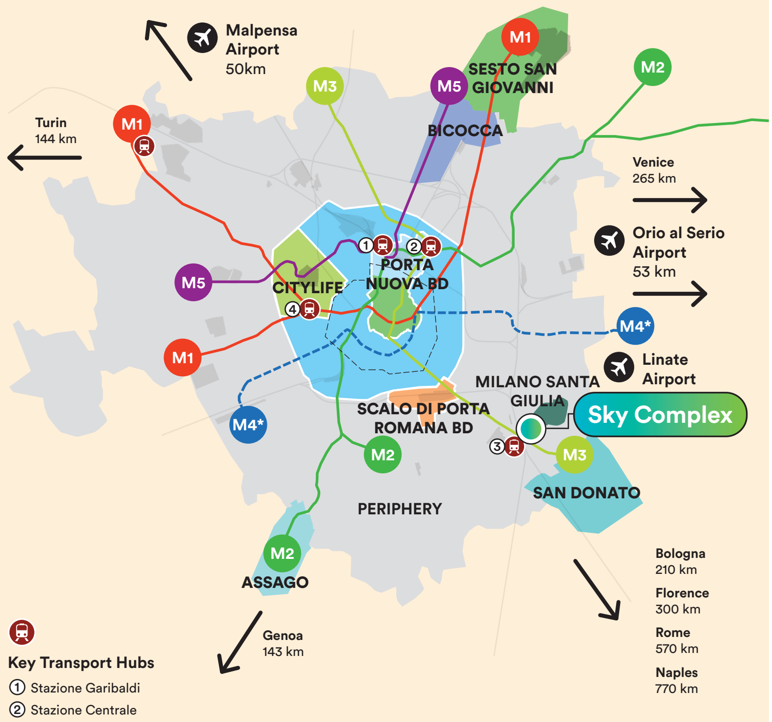
Gross revenue for FY2022:
S$25.4 million

Net property income for FY2022:
S$22.8 million

Committed occupancy:
100%

Sky Complex's triple net lease structure ensures minimal operational costs and risks while delivering maximum returns.

Location Map
Sky Complex



Key Transport Hubs
1. Stazione Garibaldi
2. Stazione Centrale
3. Rogoredo High-speed Railway Station
4. Stazione Cadorna

- Assago
- Bicocca
- CBD
- Centre
- CityLife
- Major urban regeneration areas
- Milano Santa Giulia
- Periphery
- Porta Nuova Business District ("**BD**")
- San Donato
- Scalo di Porta Romana BD
- Sesto San Giovanni

Sky Complex boasts an enviable location. Housed in one of Milan's upcoming business districts, Milano Santa Giulia, and adjacent to the Rogoredo high-speed rail station, the office development is just 7.5 kilometres from the Milano Linate Airport. The complex comprises three main buildings and a connection known as The Link, with a total NLA of 980,139 sq ft. Buildings 1 and 2 were completed in 2008 and Building 3 was completed in 2015. All three office buildings have Grade A office building specifications and are designed in accordance with energy saving criteria and high use flexibility. Building 3, the newest of the three buildings, has a LEED Gold Certification.

Sky Italia, a subsidiary of Comcast Corporation – one of the world's largest broadcasting and cable television companies by revenue, has fully leased Sky Complex for 12 + 12 years. The lease will expire in May 2032, with a break option in 2026. Its annual rental step-up is in line with 75% of The Italian National Institute of Statistics ("**ISTAT**") consumer price index variation.

LEED Gold Certification

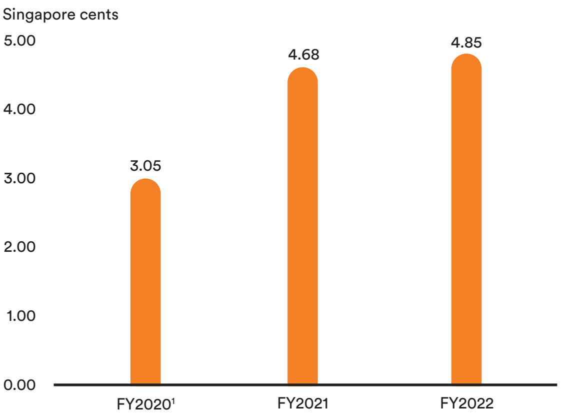
A collection of three Grade A office buildings. Building 3, the newest of the three buildings, has a LEED Gold Certification.

Financial Review

LREIT has achieved a 3-year track record of delivering strong financial performance and DPU growth. FY2022 was a milestone year with the acquisition of 100% interest in Jem, a resilient suburban office and retail property in the West of Singapore.

Market capitalisation and total deposited property increased 1.8 times to S$1.8 billion and 2.1 times to S$3.7 billion over the year.

DPU growth



Financial Performance

Gross revenue grew 29.3% YoY to S$101.7 million in FY2022 mainly attributed to the acquisition of Jem in FY2022. Correspondingly, property expenses increased 20.3% YoY to S$26.2 million.

As a result of a higher gross revenue contribution, LREIT's net property income ("**NPI**") grew 32.7% YoY to S$75.5 million.

S$101.7 million
Gross Revenue

Gross Revenue	FY2022 (S$ million)	FY2021 (S$ million)	Variance (%)
Jem[2]	22.3	-	N.M.
313@somerset	54.0	52.4	3.2
Sky Complex	25.4	26.3	(3.5)
Total	**101.7**	**78.7**	**29.3**

S$75.5 million
Net Property Income

Net Property Income	FY2022 (S$ million)	FY2021 (S$ million)	Variance (%)
Jem[2]	16.1	-	N.M.
313@somerset	36.6	33.2	10.3
Sky Complex	22.8	23.7	(3.8)
Total	**75.5**	**56.9**	**32.7**

N.M. refers to not meaningful.

> FY2022 was a milestone year with the acquisition of Jem, a dominant suburban office and retail property in the West of Singapore.

Note: Any discrepancies on figures in this section are due to rounding.

1 For the period 2 October 2019 to 30 June 2020. LREIT was listed on the SGX-ST through an initial public offering on 2 October 2019.

2 Jem was acquired on 22 April 2022.

Management Fees

The Manager's base fee and performance fee was 53.2% and 35.1% higher than the corresponding period last year, respectively, as a result of the increase in LREIT's deposited property and higher NPI.

Finance Expenses and Other Trust Expenses

Finance expenses increased 60.0% YoY to S$16.1 million mainly due to the drawdown of a S$860 million SLL to finance the acquisition of Jem. Other trust expenses of S$4.3 million were 69.4% higher than FY2021 largely due to professional fees related to the acquisition.

Profit After Tax and Distribution

Profit after tax for FY2022 was S$152.7 million compared to a loss after tax of S$1.3 million in FY2021.

LREIT's distributable income for FY2022 was S$71.5 million, 29.7% higher compared to FY2021. This translates to a DPU of 4.85 Singapore cents.

New units in LREIT were issued via a private placement exercise (551,723,000 new units) and preferential offering (345,577,449 new units) to partially finance the acquisition of Jem as well as for acquisition-related expenses. LREIT declared and paid an advanced distribution of 1.1371 Singapore cents for the period from 1 January 2022 to 30 March 2022, prior to the issuance of new units.

LREIT's distributable income for FY2022 was S$71.5 million, 29.7% higher compared to FY2021.

The breakdown of the Unitholders' DPU in Singapore cents for FY2022 as compared to FY2021 are as follows:

Period	1 July to 31 December	1 January to 30 March	31 March to 30 June
FY2022	2.40	1.14	1.31
	1 July to 31 December	1 January to 30 June	
FY2021	2.34	2.34	

Assets

As of 30 June 2022, the total assets for LREIT were approximately S$3.7 billion, compared with S$1.7 billion in the corresponding period last year.

LREIT's NAV per unit was S$0.78, compared with S$0.81 in FY2021, mainly due to the enlarged unit base attributed to the equity fund raising exercise for the acquisition of Jem.

Total Operating Expenses	FY2022	FY2021
Total operating expenses[3], including all fees, charges and reimbursable costs paid to the Manager and interested parties (S$'000)	42,026	32,160
Net Assets as at 30 June (S$'000)	2,178,693	1,156,799
Total operating expenses as percentage of Net Assets (%)	**1.9**	**2.8**

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

Financial Review

Prudent Capital Management

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

In February 2022, LREIT obtained an S$860 million 5-year unsecured SLL, the largest[4] SLL among S-REITs. Subsequently, a S$100 million SLL was obtained to refinance LREIT's existing loan due in FY2023. Approximately 62% of its borrowings are in the form of sustainable financing.

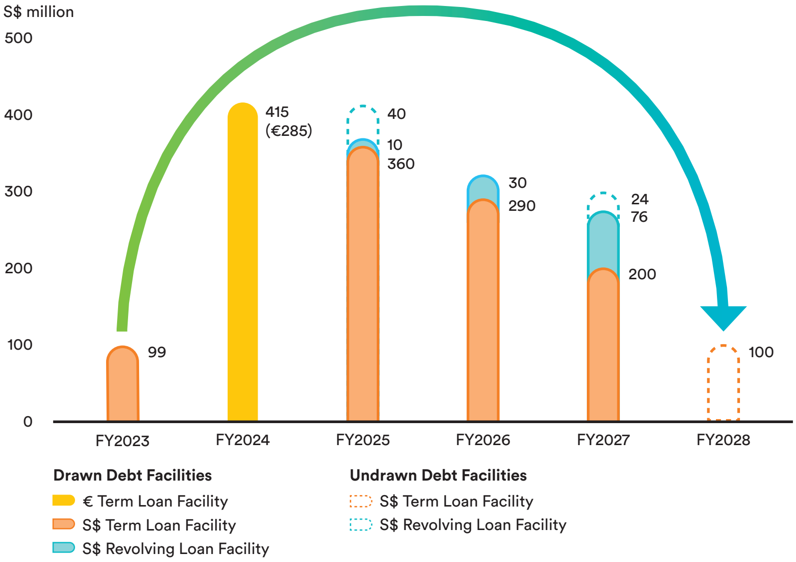
LREIT's gearing ratio was 40.0% as of 30 June 2022, well below the regulatory limit of 50.0% under the Code on Collective Investment Schemes. Its interest coverage ratio was 9.2 times in accordance with requirements in its debt agreements.

Approximately 59.0% of LREIT's borrowings were hedged to fixed rate to mitigate interest rate risks as at 30 June 2022. Projected Euro-denominated distributable income for FY2022 and FY2023 are substantially hedged. In addition, LREIT's Euro-denominated investment in Sky Complex benefits from a natural hedge via a Euro 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 was S$12.4 million.

The weighted average running cost of debt was 1.69% per annum with a weighted average debt maturity of 2.8 years as of 30 June 2022, with no refinancing requirements until FY2023. LREIT has sufficient banking facilities available to refinance borrowings maturing within the next 12 months.

Debt Maturity Profile



Capital Management	As at 30 June 2022	As at 30 June 2021
Gross borrowings	S$1,480.1 million	S$553.7 million
Gearing ratio	40.0%	32.0%
Weighted average debt maturity	2.8 years	2.2 years
Weighted average running cost of debt[5]	1.69% p.a.	0.88% p.a.
Interest coverage ratio	9.2 times[6]	8.9 times

4 As at 23 February 2022.

5 Excludes amortisation of debt-related transaction costs.

6 The interest coverage ratio of 9.2 times is in accordance with requirements in its debt agreements, and 4.2 times (2.5 times for adjusted ICR) in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.

Cash Flow and Liquidity

LREIT's healthy liquidity and financial position are expected to ensure its continued resilience.

As of 30 June 2022, LREIT's cash and cash equivalents were S$49.2 million. In aggregate, LREIT has approximately S$257.7 million of undrawn debt facilities as at 8 August 2022.

Net cash generated from operating activities for FY2022 was S$95.2 million mainly attributed to NPI. This was partially offset by net working capital requirements. Net cash used in investing activities was S$1,847.2 million, largely for the acquisition of Jem.

Net cash generated from financing activities was S$1,553.4 million. Proceeds of S$1,421.0 million raised from loans and the issuance of perpetual securities were utilised for the acquisition of Jem.

Use of Proceeds

LREIT launched its equity fund raising exercise in March and April 2022 to finance the acquisition of Jem. On 31 March 2022, an aggregate of 551,723,000 new units were issued at S$0.725 per unit via a private placement exercise amounting to S$400 million. On 11 April 2022, S$200 million of perpetual securities were issued. Subsequently on 21 April 2022, 345,577,449 new units were issued at S$0.720 per unit, amounting to S$249 million from the preferential offering. The use of proceeds raised is in accordance with the stated uses as disclosed in the circular dated 14 February 2022 as well as the completion of acquisition announcement dated 22 April 2022.

"All of LREIT's debt is unsecured, ensuring that it has balance sheet flexibility where all of its assets are unencumbered.

Independent Market Review

By CBRE

SINGAPORE

THE SINGAPORE ECONOMY

Economic growth

Singapore had mostly recovered from the pandemic-induced recession over the course of 2021. However, the recovery was uneven across sectors. According to the Ministry of Trade and Industry ("**MTI**"), Singapore's gross domestic product ("**GDP**") expanded by 7.6%[1] in 2021 to S$496.2 billion, a reversal from the 4.1% contraction in the preceding year. This movement was mainly supported by the manufacturing and construction sectors, which grew YoY by 13.2% and 20.1% respectively.

The influence of various external economic factors have had an impact on the rate of growth of Singapore economy in 2022. The onset of the Russia-Ukraine conflict in February 2022 has disrupted the global supply of energy, food and other commodities, which has in turn exacerbated global inflationary pressures and therefore, pressured the growth of many economies. The stringent COVID-19 measures in China have also weighed on the economy and contributed to supply-chain bottleneck.

Basement 1 of 313@somerset

In an attempt to combat inflationary pressure, the Federal Reserve raised interest rates by 0.25 percentage points in March 2022, and two more times subsequently, with the latest increase in June 2022 by 0.75 percentage points. In all, rates had increased by 1.5 percentage points since March 2022. Domestically, the Monetary Authority of Singapore ("**MAS**") had also tightened the monetary policy since October 2021, in view of inflationary pressures and Singapore's economic recovery.

The reopening of Singapore's borders, as well as the easing of Safe Management Measures ("**SMMs**"), have contributed to the growth of the Singapore economy in 1H 2022.

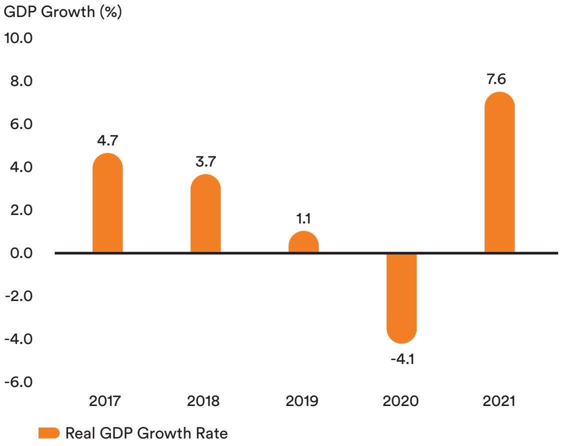
The manufacturing sector grew 8.0% YoY in 2Q 2022, a marginal increase from the previous quarter of 7.9% YoY. The accommodation & food services, real estate, administrative & support services and other services sectors were the best performing sector, expanding 8.2% YoY in 2Q 2022 and extending from the 3.5% growth in the previous quarter. In particular, the easing of domestic and border restrictions supported the growth of the food & services when dine-in size limits were removed in end-April.

With a confluence of global economic issues and its potential impact on Singapore, the economic recovery in 2022 is expected to soften compared to 2021. The MTI expects Singapore economy to grow by 3.0% to 4.0% in 2022, with growth leaning towards the lower spectrum of the forecast range amid weaker outlook for external demand and existing downside risks in the global economy.

> **The reopening of Singapore's borders, as well as the easing of Safe Management Measures have contributed to the growth of the Singapore economy in 1H 2022.**

[1] In chained (2015 dollars), By industry (SSIC 2020).

Singapore's Real GDP Growth Rate



Source: MTI

Transition towards living with COVID-19

The Government had progressively moved to ease SMMs measures, with the intention to transit towards an endemic phase. In addition, all employees were allowed to return to the workplace with effective from 26 April 2022. The capacity limits for large events and settings were also lifted from its previous limit of 75%. Furthermore, vaccination-differentiated SMMs were removed from all settings with the exception of large scale events with more than 500 participants at any one time, nightlife establishments where dancing is permitted and F&B outlets.

The use of the TraceTogether app or token, as well as SafeEntry, were also stepped down and most venues no longer required a mandatory check-in.

Going forward, the Government will continue to review the measures and adjust based on the evolving community situation as Singapore transits into a new phase of living with COVID-19.

SINGAPORE RETAIL MARKET

With the gradual reopening of borders and easing of restrictions, retail sales in 2021 rebounded strongly from a relatively quiet market in 2020. Consumer sentiments and economic activities started to pick up as the nation progressively transited to an endemic setting.

The total retail sales index[2] (excluding motor vehicles) for June 2022 posted a 19.8% YoY growth, mainly attributable to the low base in June 2021 when measures such as international travel restrictions were in place.

Since the onset of the pandemic, digital adoption has taken a huge leap at both organisational and industry levels. Consumer shopping habits have shifted as more consumers have pivoted toward online channels. This is evident from the higher proportion of online retail sales (excluding motor vehicles) throughout the pandemic, which grew to a peak level of 26.3% in May 2020 during the "Circuit Breaker", from between 5.7%[3] to 8.7%[3] pre-COVID. The proportion of online sales has since stabilised to around 14.6%[4] as of June 2022. With the new shift in consumer preferences, firms are quick to adopt omnichannel approaches to cater to consumers' needs. Likewise, F&B players have reconfigured their businesses to incorporate online deliveries as an essential part of their operations.

Overall, the retail and F&B outlook continued to show strong signs of recovery and is expected to improve further with the easing of social measures, the full return of employees to their workplace and increasing inbound tourism.

Retail supply

In 2Q 2022, total islandwide retail stock increased by 0.6% YoY to 66.8 million sq ft, largely contributed by the completion of Northshore Plaza I & II, a new generation neighbourhood centre by Housing Development Board situated in the Suburban submarket, as well as the completion of renovation works in i12 Katong in the Fringe Area submarket. Total private retail stock increased by 0.6% YoY to 49.7 million sq ft.

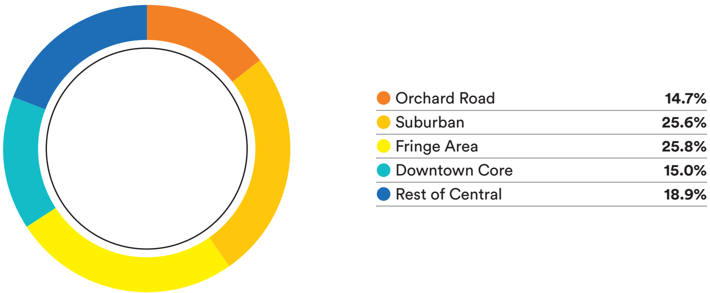
Across the submarkets, the Fringe and Suburban submarkets have the largest share of private retail stock, representing 25.8% and 25.6% of the total private retail stock respectively. The rest of the retail stock is distributed across the Rest of Central Region ("**RCR**"), Downtown Core and Orchard Road submarkets, accounting for 18.9%, 15.0% and 14.7% of total private retail stock respectively. Apart from the two smaller retail projects, no large scale development project was completed in the past 12 months as a result of manpower shortages and supply chain bottlenecks.

2 Retail Sales Index, (2017 = 100), In chained volume terms, Monthly, Seasonally adjusted.
3 Online retail sales proportion (Out of the respective industry's total sales, Monthly).
4 Excluding motor vehicles.

Independent Market Review

Existing Private Retail Stock 2Q 2022

Total Private Retail Stock: **49.7 million sq ft**



Source: URA, CBRE

Approximately 1.6 million sq ft of retail space will be introduced to the market between 3Q 2022 and 2025. For 2022 to 2025, this amounts to an average of about 0.4 million sq ft of retail space per annum, which remains lower than the historical 4-year average annual completion (2018-2021) of 0.7 million sq ft. By submarkets, Suburban and Fringe submarkets will account for 45.6% and 35.2% of the future supply from 3Q 2022 to 2025 respectively, while the RCR, Downtown Core and Orchard Road submarkets will account for the remaining 9.7%, 6.7% and 2.7% of the future supply respectively.

Construction activities were heavily disrupted for the most part of 2021 due to the challenges brought about by COVID-19, resulting in the delay of several projects. Projects that were originally scheduled to complete in 2021, such as Shaw Plaza Balestier and Grantral Mall @ Macpherson were pushed back to 2022. Other notable project delays include Guoco Midtown and Komo Shoppes from 2022 to 2023, as well as Odeon Towers from 2023 to 2024.

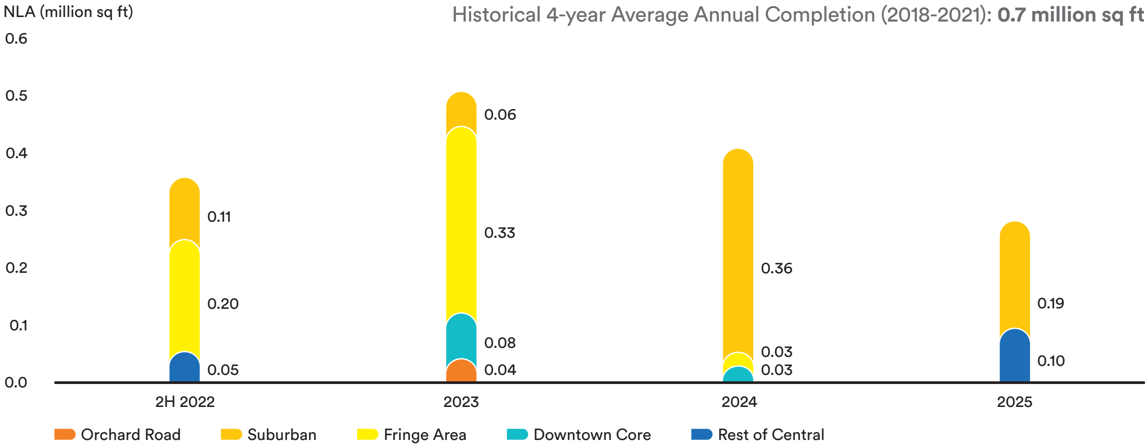
Retail demand and occupancy

With the resumption of economic activities and the reopening of domestic borders, retailers are cautiously optimistic on the prospect of the eventual return of tourist spending. However, the road to a "new normal" has significantly raised the expectations of consumers' retail experience where they are now looking for irreplaceable retail elements that are not available elsewhere. To stay relevant amid changing demands and lifestyle trends, landlords have to continuously inject freshness and adopt strong placemaking to their malls. These include activity-based tenants, pop-up stores, supermarkets with niche concepts and omnichannel-enabled fashion retailers.

F&B operators have also been testing out new concepts, while fitness concepts and gyms such as Kaarla, The Kongsee, Boulder Movement and Fitbloc continue to increase their presence and capitalise on strong local consumption. Supermarkets such as Sheng Siong and NTUC FairPrice have also continued to expand their presence. The market has also been supported by new entrants such as French beauty brand Sisley Paris, experiential retail concepts like Whisk Baking Studio and Kenko Training Hub, as well as expansion from major retail players like Don Don Donki and Shake Shack. Nonetheless, there were some prominent closures over the same period. These include all the outlets of Karaoke Manekineko, Mom's Touch Chicken and Burger, and consolidations of Filmgarde and In Good Company, while TEMT and Abercrombie & Fitch exited the Singapore market.

Future Retail Supply

Historical 4-year Average Annual Completion (2018-2021): **0.7 million sq ft**



Source: URA, CBRE

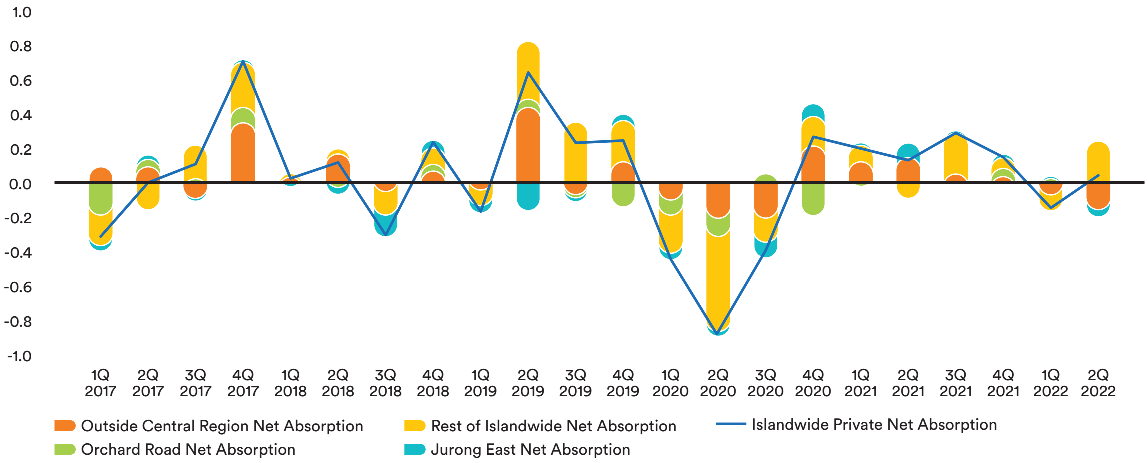
Pop-up stores continued to be popular in 1H 2022, serving as a testbed for retailers to test out new concepts and businesses that are uncomfortable to commit in this uncertain and volatile economic environment. This has particularly been a trend observed in Orchard Road. Some examples in Orchard Road include the Louis Vuitton X Nike Digital Presentation, as well as pop-up stores featuring Gucci X Adidas, Guerlain and Le Matin Patisserie.

Additionally, other retail concepts that have opened in 313@somerset in 1H 2022 include PUMA's first-ever Southeast Asia flagship store that features the works of many homegrown collaborators, Chinese Tofu Magician and Machi Machi.

The islandwide private retail market registered a positive net absorption of 0.3 million sq ft against a net new supply of approximately 0.3 million sq ft over the past 12 months in 2Q 2022. Correspondingly, vacancy rate for islandwide private retail dipped by 0.1 percentage points YoY and quarter-on-quarter ("**QoQ**") to 9.4%.

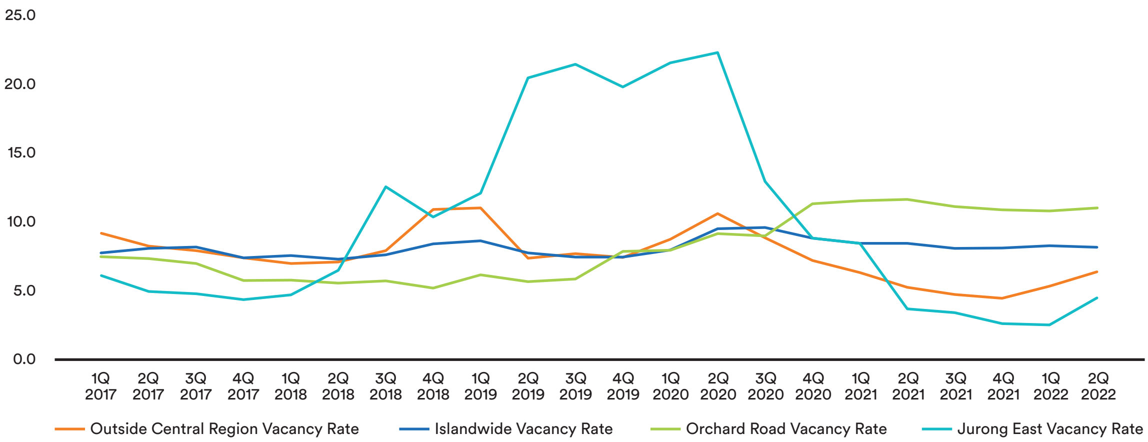
On the other hand, net absorption in Orchard Road stood at 53,800 sq ft for the past 12 months in 2Q 2022, against a net new supply of 10,800 sq ft for the same period. In line with the movement in net absorption and net supply, while vacancy rate increased by 0.3 percentage points on a QoQ basis, it decreased by 0.6 percentage points on a YoY basis in 2Q 2022 to 11.1%.

Net Absorption



Source: URA, CBRE

Retail Vacancy Rate



Source: URA, CBRE

Independent Market Review

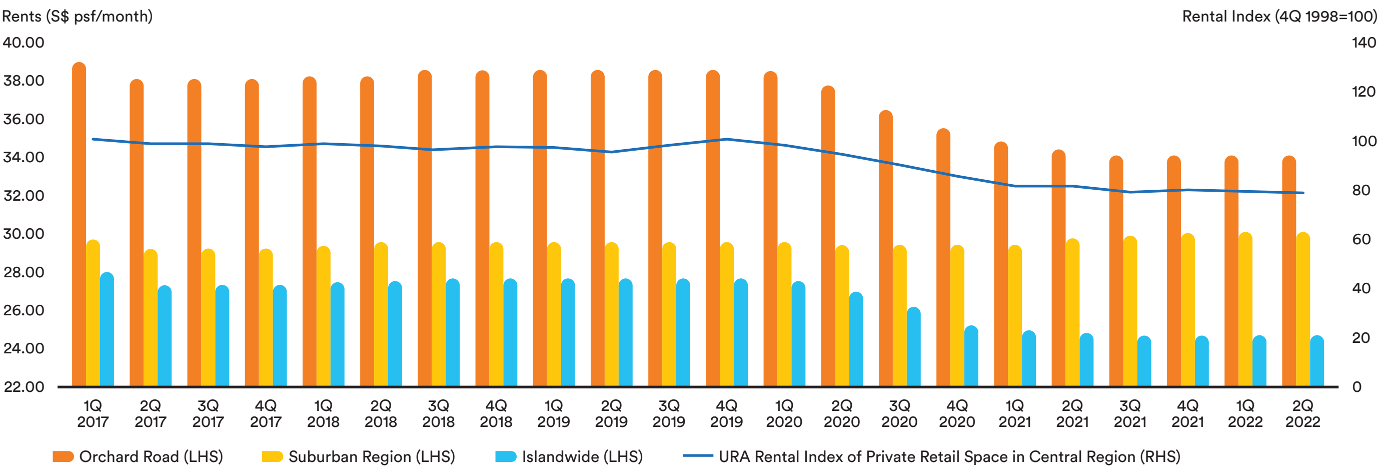
Retail rents

With the relaxation of SMMs, retailers are optimistic in view of the eventual return of the office crowds and tourism spending. This is especially pivotal for malls with office catchments and tourist shopping districts such as the CBD and Orchard Road. However, they are also faced with headwinds arising from high inflation, labour crunch and global economic uncertainty. As such, prime retail rents in Orchard Road, City Hall and Rest of Fringe continued to remain relatively stable in 2Q 2022.

Rents for islandwide prime retail rents remained at S$24.75 per sq ft ("**psf**") per month in 2Q 2022, holding steady for the third consecutive quarter since 3Q 2021. However, on a YoY basis, rents for islandwide prime retail registered a decline of 0.6%. Moving in tandem, Orchard Road rents remained stable over the same period, with three consecutive quarters of stagnation at S$34.20 psf per month, while on a YoY basis, Orchard Road rents declined by 1.0%. On the other hand, the Suburban market has continued to register healthy reversionary rents as availability remains extremely limited. Suburban rents in 2Q 2022 have posted a 0.2% QoQ growth and 1.3% YoY, pushing rents up to S$30.20 psf per month.

The rental premium between Orchard Road and Suburban markets continued to narrow in 2Q 2022 as tourist numbers have yet to reach pre-pandemic levels. A reversal in trend may be anticipated as the resumption of international travels and the return of office crowds could provide support for the Orchard Road market.

Retail Rents and Rental Index



Source: URA, CBRE

Jurong East micro-market

In Jurong East, there is an estimated 1.6 million sq ft of private retail space with no new completion in the last four quarters. There is also no planned future retail supply in the Jurong East micro-market from 3Q 2022 to 2025.

In 2Q 2022, vacancy rate in Jurong East increased by 1.9 percentage points QoQ or 0.7 percentage points YoY to 4.4%. The increase in vacancy is on the back of the closure of Vhive and Kinokuniya during the quarter. However, there have been new entrants to the micro-market in 1H 2022 and Jem in particular including Baker's Brew Studio, Windowsill Pies and Kopitiam Food Hall. Other new entrants included Scarlett Supermarket, Pop Mart and the reopening of Teo Heng KTV Studio.

Jurong East is strategically located within the Jurong Gateway precinct and well-positioned for future growth as a strategic commercial location. The Government has planned for about 15.1 million sq ft of office spaces in the longer term, as well as the development of the Jurong East Integrated Transport Hub and Jurong Region MRT Line, which will also interchange with the existing Jurong East MRT Interchange.

In addition, the development of the Jurong Innovation District's ("**JID**") advanced manufacturing hub as well as the upcoming Tengah new town will support and promote growth within the area and increase the catchment for retail in Jurong East.

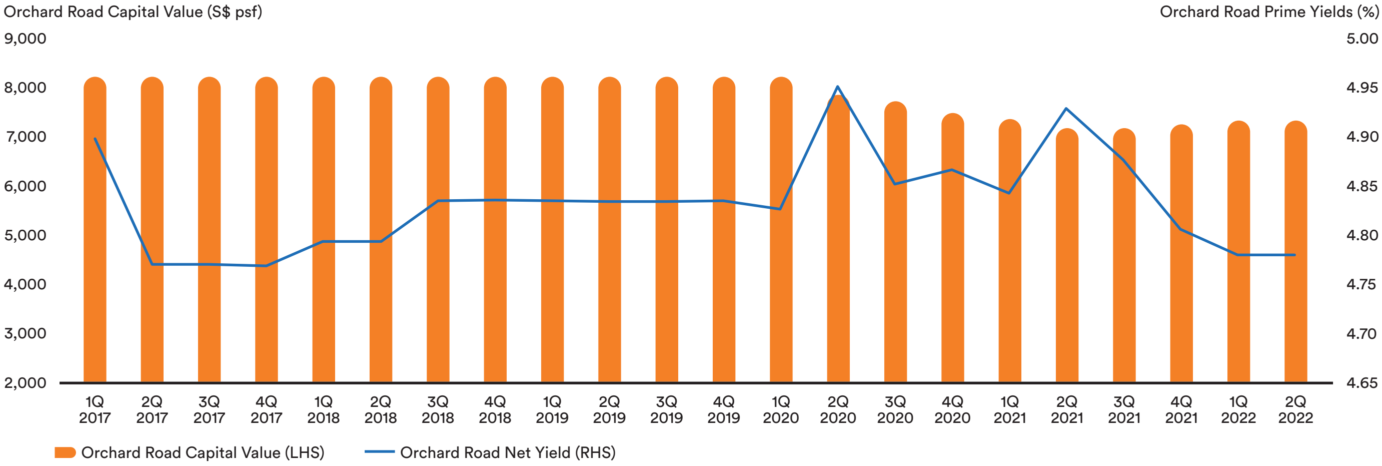
The micro-market has proven its resilience amidst market uncertainty and has vacancy rates which are treading below pre-COVID-19 levels (19.8% in 4Q 2019). Alongside hybrid work arrangements, consumer spending will likely gravitate to suburban malls located in proximity to their homes. In addition to healthy occupancies, the lack of foreseeable retail supply in the next three years, coupled with a well-established residential catchment across Jurong East, Jurong West and Clementi, supported by Government strategic plans, Jurong East will likely continue to contribute to resilient rents and consistent demand by prospective tenants for retail spaces in the micro-market.

Orchard Road retail capital values and net yields

With strong investment sentiments amid rising interest rate concerns, calculated net property yields for Orchard Road retail stayed within a tight range in 2Q 2022. Orchard Road prime yields remain muted at 4.78% in 2Q 2022. This represents the lowest net yields observed since 4Q 2017. In addition, CBRE estimates Orchard Road[5] capital values to have decreased marginally by 0.7% YoY to S$7,350 psf.

With the expected return of tourism spending, coupled with Singapore's longer-term reputation as a safe haven and the quality of assets, the retail market will continue to earn the favour of investors, domestically and globally.

Orchard Road Capital Values and Net Yield



Source: CBRE

Investment transactions

Following a dearth of transactions throughout 2021, retail investment activities rebounded significantly in 1H 2022 as the easing of border restrictions instilled confidence across the retail sector. The sector registered an investment volume of S$3.4 billion, with the increase attributed to the transactions of several suburban malls, with the main contributor being LREIT's acquisition of Jem for at approximately S$2.1 billion or S$2,329 psf in 1Q 2021.

Other retail transactions in the same quarter included CapitaLand Integrated Commercial Trust's divestiture of JCube to CapitaLand Development for S$340.0 million or S$1,619 psf. Wisteria Mall was sold by a unit of BBR Holdings-unit to Schroders, a UK private equity firms for approximately S$208.0 million or S$1,115 psf.

In 2Q 2022, Cuscaden Peak acquired the stakes held by Singapore Press Holdings for Seletar Mall and Woodleigh Mall for S$480.5 million and S$315.7 million respectively.

Retail industry and business trends

Throughout the pandemic, digital adoption has accelerated and the retail sector has evolved to provide a seamless retail experience across multiple online and offline channels to meet the elevated expectations of consumers. As such, retailers have been leveraging on omnichannel platforms to complement their brick-and-mortar stores to increase consumer touchpoints and drive sales.

Amidst the paradigm shift towards a 'phygital' model, the line between online and offline channel starts to blur and retailers would have to bring online convenience

[5] Orchard Road capital value has been revised due to the change in rental basket for 1Q 2021. The retail capital values are for prime units and include strata sales.

Independent Market Review

offline and offline experience online. The competition between offline and online platforms has evolved to a complementary nature, as physical malls are able to create social spaces that provide an alternative and enhancing shopping experience to shoppers.

In addition, there is a growing trend for sustainability to be adapted in both landlords' and retailers' business strategies. Consumers are becoming more aware of their sustainable footprints and prefer brands that commit to environmental sustainability. Therefore, the adaptation of a sustainability framework is increasingly essential for businesses to stay relevant in the long run. Examples for such initiatives include the Green Lease Scheme by LREIT in 313@somerset to promote sustainable behaviour among retailers. To support their tenants' green initiatives, e-waste disposals are also available within the mall. In addition, there is also a number of sustainable building features at 313@somerset, including rainwater harvesting, NEWater utilisation, trial of alternative fuels with the intention to phase out the use of fossil fuels, and rooftop solar panels.

RETAIL MARKET OUTLOOK

The retail sector in 2021 had displayed a significant improvement from the preceding year, which was evident from the expansions and openings of new retail stores. However, key challenges such as rising energy and material costs, new COVID-19 variants, geopolitical tension, disruption in supply chain as well as inflationary pressures continue to loom in the economy.

However, there are positives in the retail market going forward. The easing of major SMMs has boosted domestic consumption. This will continue to drive shopper traffic in Orchard Road, Downtown Core areas as well as malls with office catchments. While rental growth has remained relatively stable in 1H 2022, some retail rental growth recovery is expected after 2H 2022. In addition, suburban malls rents are expected to continue its resilience, although more modest rental increases in 2022 may be expected as compared to other submarkets. The Jurong East micro-market, which presently has tight vacancies and a lack of supply in the next three years will likely continue to see rents remaining resilient in 2H 2022.

SINGAPORE OFFICE MARKET

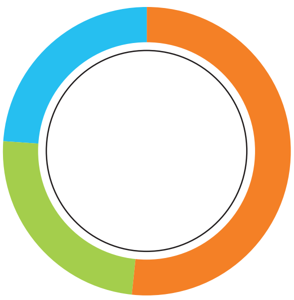
Office supply

As at 2Q 2022, islandwide office stock decreased by 0.3% YoY (or -0.2 million sq ft) to 61.7 million sq ft. By submarkets, Core CBD[6] office stock accounted for the majority of the islandwide office stock, standing at 32.0 million sq ft (or 51.8%), with 14.8 million sq ft being Grade A Core CBD office space. The Fringe CBD[7] accounted for 24.4% of the total office stock at 15.1 million sq ft while the Decentralised[8] submarket, where Jem is located, represented 23.7% of the total stock at 14.7 million sq ft.

In 2Q 2022, the office component of Rochester Commons obtained its Temporary Occupation Permits ("**TOP**"), adding approximately 0.2 million sq ft of office space into the Decentralised market. On the back of the completion, the Decentralised submarket saw its first quarterly growth in supply of 1.3% QoQ after holding constant between 2Q 2021 and 1Q 2022. On the other hand, AXA Tower (0.6 million sq ft) has been taken out of the market as it is undergoing redevelopment and as such, the Fringe CBD office stock contracted for the first time after holding constant for three consecutive quarters, since 3Q 2021.

Office Islandwide Supply

Islandwide Total Supply: **61.7 million sq ft**



Core CBD	51.9%
Fringe CBD	24.3%
Decentralised	23.8%

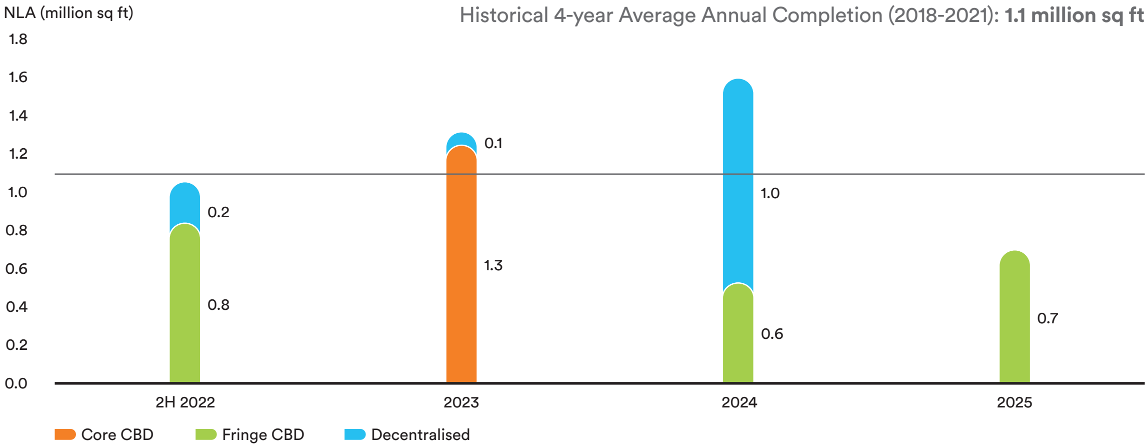
Source: CBRE

[6] The Core area comprises the four micro-markets: Raffles Place, Shenton Way, Marina Bay and Marina Centre.
[7] The Fringe area includes Tanjong Pagar, Beach Road/City Hall as well as Orchard Road.
[8] The Decentralised area accounts for the Alexandra/HarbourFront, Western Suburban area and Eastern Suburban area.

Islandwide new office supply between 3Q 2022 and 2025 is projected to be approximately 4.7 million sq ft. New supply stems largely from the Fringe CBD submarket, accounting for 45.2% of the upcoming pipeline, while the Decentralised and Core CBD submarkets will account for 27.8% and 27.0% respectively. The average annual supply between 2022 and 2025 is approximately 1.2 million sq ft[9], which is slightly above the historical four-year average annual completion of 1.1 million sq ft between 2018 and 2021, but lower than the ten-year average annual completion of 1.5 million sq ft.

Looking ahead, the supply of new office spaces in the CBD will be limited. The CBD Incentive (“**CBDI**”) and Strategic Development Incentive (“**SDI**”) schemes, which encouraged the redevelopment of old single-use office assets within the CBD and other strategic areas into mixed-use developments, will contribute to the tightening of office supply in the CBD. This is further exacerbated by lack of Government Land Sales sites with office use under the 2H 2022 programme.

Future Office Supply



Source: URA, CBRE

Office demand and occupancy

Islandwide net absorption for the past 12 months in 2Q 2022 was 0.3 million sq ft. This was primarily driven by the absorption in the Core CBD region. Overall leasing activity still remained healthy, fuelled by lease renewals and flight-to-quality relocations. Moving in tandem, the Decentralised submarket registered a positive net absorption of 0.3 million sq ft over the same period, signalling recovering confidence in the office market.

While the hybrid work model has led to a recalibration of space requirements within the office market, expansion and renewal activity remained robust. Firms in the technology, non-bank financial institutions and the legal sector continue to be the main drivers of demand for high quality office spaces. The relaxation of SMMs in April 2022, allowing employees to return to their office will likely have a positive impact on the overall office market outlook.

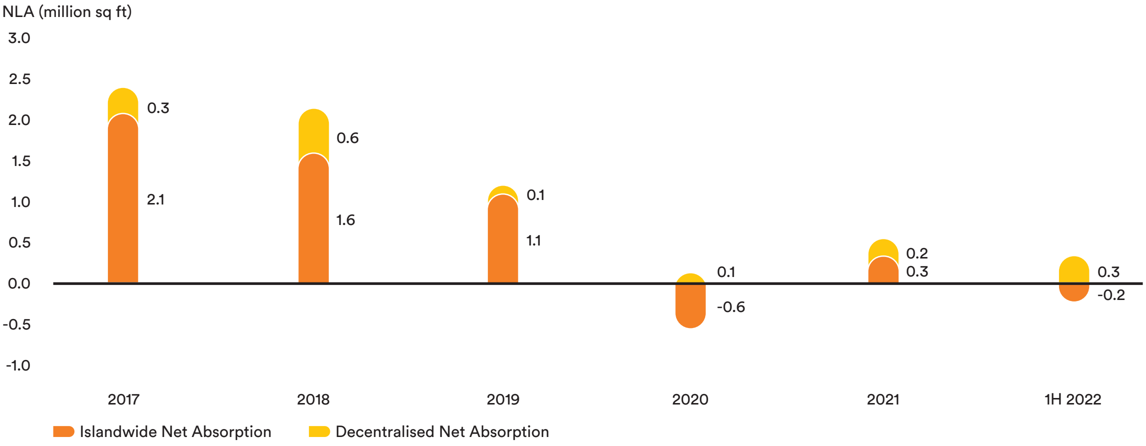
On the back of tight vacancy and the lack of supply of Grade A Core CBD spaces, demand for quality office spaces from businesses has spilled over to other office submarkets, including the Decentralised submarket. Alongside tight existing stock of Grade A Decentralised office spaces and limited future supply within the submarket, occupancy levels have remained robust alongside an increase in rents for three consecutive quarters since 3Q 2021. The paradigm shift towards hybrid work arrangements and workplace digitalisation has led to an increase in demand for decentralised spaces that are closer to homes. As such, decentralised business nodes like Jurong East and Paya Lebar, are poised to benefit from this shift.

With net new supply in the Decentralised market at 0.2 million sq ft over the past 12 months, vacancy rates in the submarket decreased by 0.7 percentage points and 0.2 percentage points on a YoY and QoQ, respectively, to 4.3% in 2Q 2022.

[9] The NLA and TOP dates are preliminary estimates and are subject to change.

Independent Market Review

Net Absorption



Source: URA, CBRE

Office Vacancy Rate

Source: URA, CBRE

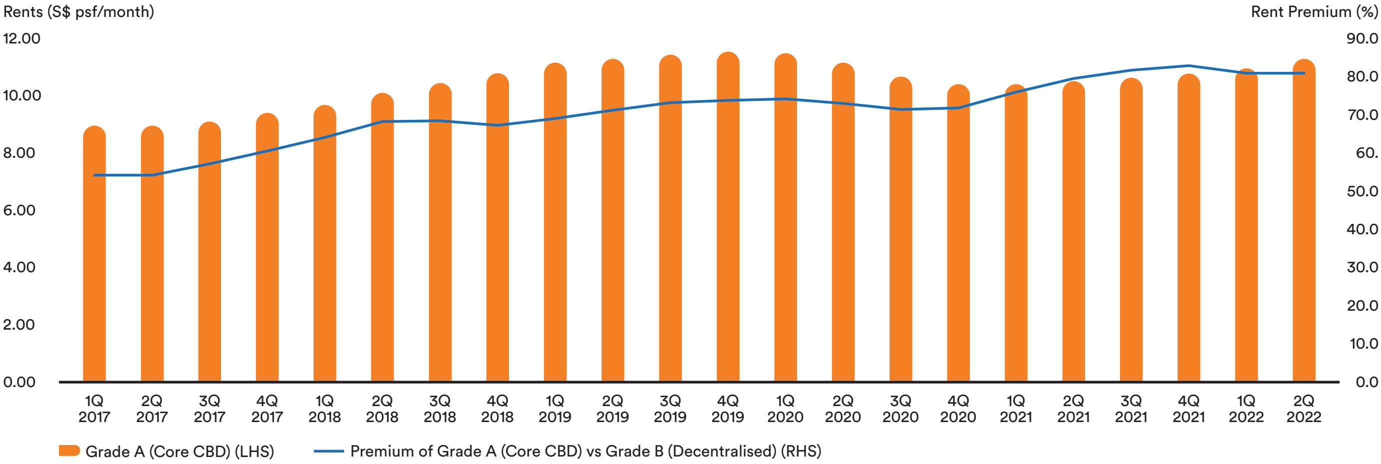
Office rents

Islandwide office rents continued to see growth in 2Q 2022, on the back of robust demand coupled with tight office supply. In addition, the flight-to-quality movement along with tight prevailing vacancy has facilitated Grade A Core CBD rents to make a swifter recovery with five consecutive quarters of growth since 2Q 2021. Grade A Core CBD recorded a 3.2% QoQ or 7.6% YoY growth to S$11.30 psf per month.

Meanwhile, with a spillover of some demand from the Core CBD to other submarkets, the Grade A Decentralised market has continued to show strong rental growth in line with the Grade A Core CBD market. Presently Grade A Decentralised rents are ranging between S$8.00 and S$8.50 psf per month. The growth in rents in the submarket has been fuelled by a mixture of limited supply, high occupancy rates and strong renewals.

The continual pursuit for better quality office spaces amongst occupiers will likely contribute to a more apparent rental premium between the Grade A markets. However, with relatively tight stock and the lack of upcoming supply in the Grade A Core CBD market, a spillover effect to the Grade A decentralised markets could be likely as occupiers look for alternative spaces. The demand for spaces is further accentuated with more developments undergoing redevelopment works under the CBDI scheme, and therefore further tightening the supply with the Core CBD region. These will likely have a further positive effect on Grade A decentralised rents.

Office Rents



Source: CBRE

Independent Market Review

Suburban micro-market[10] in the Western region

Suburban office spaces continue to be relevant as more businesses adopt the hybrid workplace model and workspace strategies brought about by the pandemic. In addition, under URA's long-term plans, it has highlighted three key economic centres namely Jurong Gateway, one-north and Paya Lebar Central to complement the CBD economic activities as well as to bring jobs and amenities closer to homes. The pandemic has presented new impetus to further develop decentralised locations as businesses are increasingly looking at their real estate strategy with relation to their business and employee requirements.

Total office stock in the western suburban micro-market is noted to be approximately 1.3 million sq ft as of 2Q 2022, holding constant from previous five quarters as no new completion was observed in the area. While vacancy rate in the micro-market increased by 1.9 percentage points QoQ and decreased by 0.9 percentage points YoY to 7.4% in 2Q 2022. The short-term increase in vacancy rates is driven by transitory spaces, which are likely to be refilled in the near future. Rents within the region have increased by 10.5% YoY, driven by healthy renewals coming from sectors such as consumer and industrial products, insurance and banking and finance.

> **...LREIT acquired the remaining interest in Jem, for S$2,079 million (or S$2,349 psf), where the office component represents approximately 20% of the asset.**

To further strengthen Jurong as the largest business hub outside of city centre, existing precincts such as the Jurong Gateway, JID as well as the Tuas Port are slated for further development, bringing forth the "Live, Work and Play" elements to the region.

Investment transactions

Office investment market for the year 2021 was vibrant, recording a total of S$5.4 billion in transactions, 83.3% YoY increase, supported by acquisitions by international fund managers in anticipation of steady rental growth, limited new supply and a relatively healthy leasing demand.

Between 3Q 2021 and 2Q 2022, investment volumes totalled S$7.4 billion. In 3Q 2021, ARA sold 61 Robinson for S$422.0 million (or S$2,973 psf) to fund start-up Rivulets Investments. In 4Q 2021, One George Street was sold for S$1.3 billion (or S$2,875 psf) to SG OGS Pte. Ltd., a joint venture between Nuveen Real Estate and JPMorgan.

Office investment volumes in 1H 2022 was recorded to be S$4.6 billion, setting a positive tune for 2H 2022. Notable transactions in 1Q 2022 included the divestment of 79 Robinson Road by a joint venture made up of CapitaLand Investment, Mitsui & Co, and Tokyo Tatemono Co., to CapitaLand Integrated Commercial Trust and CapitaLand Open End Real Estate Fund for S$1.26 billion (or S$2,423 psf); SCC Straits Pte. Ltd. acquired the office component at Cross Street Exchange from Frasers Logistics & Commercial Trust for approximately S$631.0 million (or S$2,064 psf); LREIT acquired the remaining interest in Jem, for S$2,079 million (or S$2,349 psf), where the office component represents approximately 20% of the asset.

In 2Q 2022, Westgate Tower was sold by Sun Venture Group to AEW for S$675 million (or S$2,213 psf), CEL Shenton and Sing-Haiyi Emerald purchased a 21.0% stake (10.5% stake each) in AXA Tower for S$352.8 million (or S$1,083 psf) from Kuok (Singapore), Shenton Circle, Imagine Properties, PE One and Huatland Development. Nehsons Building exchanged hands from Nehsons Pte. Ltd. to Kajima Corporation at S$111.1 million (or S$1,605 psf).

[10] Suburban micro-market in the Western region in this section comprises the Jurong East planning area.

OFFICE MARKET OUTLOOK

While hybrid working could potentially keep the overall office demand footprint below pre-pandemic levels, particularly with the incorporation of technology specifications and agile space solutions, leasing demand is expected to continue to be driven by the expansion from certain industries. Financially sound companies in the technological sector, businesses from the non-banking financial services sector such as the hedge funds, family offices and investment management firms will be major demand drivers for Grade A office spaces.

With the ongoing trend of flight-to-quality, high quality office spaces that provide flexible space solution and promotes sustainability and wellness, are likely be preferred by office occupiers. As such, the rate of rental growth in the Grade A Core CBD market is expected to gain momentum and with the spillover of demand to other markets, the Grade A Decentralised market is expected to grow in tandem with the Grade A Core CBD market. In addition, Government initiatives, such as the CBDI and SDI schemes will likely encourage more urban renewal projects to provide a new lease of life to existing aged developments and developments within areas such as Orchard Road could be a potential beneficiary of such redevelopments.

The Decentralised market will see 1.3 million sq ft of office spaces coming into the market between 2H 2022 and 2025. While this represents a considerable amount of future supply, collectively, it only comprises approximately 2.1% of the total islandwide stock. The relative scarcity of Decentralised office spaces and in particular Grade A Decentralised office spaces, coupled with the quality of upcoming developments, are likely to contribute to rental growth in the respective submarkets.

Furthermore, the Government has increasingly been focusing on the growth of Decentralised nodes such as the Jurong Gateway and Paya Lebar Central. In line with this focus, various ministries, Government agencies and subsidiaries have also moved to these locations, further supporting the growth of the Decentralised markets.

In the longer term, Jurong Gateway is slated to offer a larger amount of office spaces than Paya Lebar Central, allowing for potential opportunities to test new concepts. In addition, the increasing rental gap with Core CBD office spaces and the general Decentralised market could potentially make Jurong Gateway an attractive location with respect to potential rents and cost savings. The key growth areas will potentially drive future demand and offer complementary office supply to the Core CBD.

Independent Market Review

MILAN

ITALIAN ECONOMY

Economic growth

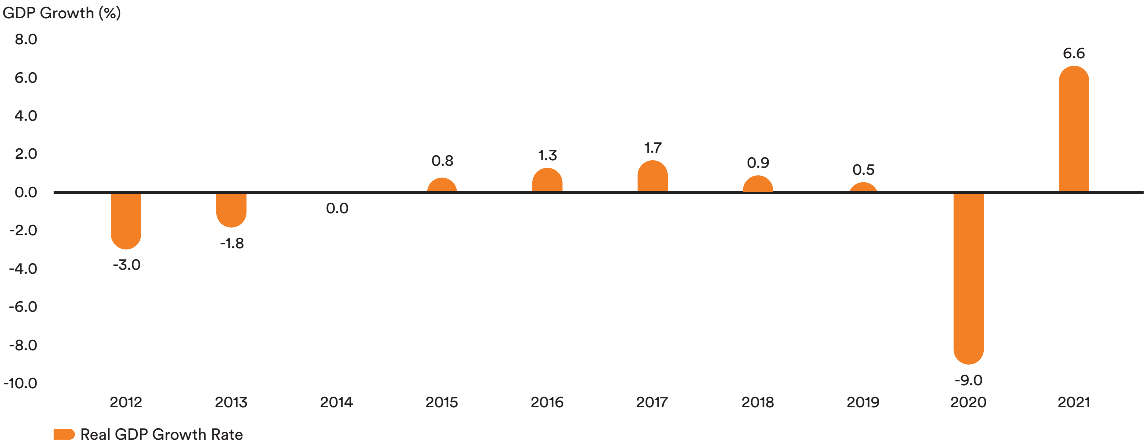
In 2020, the COVID-19 pandemic caused a 9.0% YoY drop in real GDP growth. This was followed by a 6.6% recovery in 2021.

In 1Q 2022, GDP increased by 0.1% over the previous quarter and by 6.2% YoY. Final consumption expenditure decreased by 0.6%[11] QoQ due to the rise in inflation and the drop in consumer and business confidence sparked by the Russian-Ukrainian crisis. The rise in energy prices has been partly mitigated by Government measures in support of households. Fixed investment made a positive contribution of 3.9% QoQ, while net export expanded by 0.8%[11] QoQ.

Between 2012 and 2021, short-term interest rates were in steady decline in the Euro Area, supporting overall economic growth[12]. In 2021, the economic recovery and the accommodative monetary policy of the European Central Bank ("**ECB**") favoured the Italian financial markets[13]. The ECB kept its key interest rates levels unchanged, announcing in December a step-by-step reduction in the pace of net asset purchases.

In June 2022 the ECB confirmed that in July net asset purchases will end and interest rates will be raised by 25 basis points ("**bps**"), the first interest rate hike in 11 years[12]. Subsequently, the ECB announced in July 2022 a further increase in interest rates by 50bps.

Real GDP Growth Rate, 2012 – 2021



Source: ISTAT

[11] Source: ISTAT
[12] Source: ECB
[13] Source: Bank of Italy

MILAN OFFICE MARKET

With a population of about 4.4 million, the Milan office market, which comprises the metropolitan city of Milan and the Monza and Brianza province, is Italy's main economic centre, generating one-fifth of Italy's GDP[11]. The city of Milan, which is also the capital of the Lombardy region, lies at the centre of a series of major motor and railway corridors crossing the Po Valley and connecting Italy to the rest of Europe. The Milan region is home to three international airports—Linate, Malpensa and Orio al Serio—which together served 49 million passengers in 2019[14]. Home to the Italian stock exchange, Milan also has a high concentration of companies in fashion, textiles, design, chemicals, manufacturing, banking, sports, media and services.

The Milan office market is historically divided into a number of sub-markets. At a high level, these consist of concentric rings, starting from the very heart of the city: the CBD, the Center, the Periphery (all within the city proper) and the Hinterland.

Within this main subdivision, there are a few office districts with unique features that distinguish them from their surroundings: Porta Nuova BD, CityLife, Porta Romana BD and Bicocca, located between the Center and the Periphery, and Sesto San Giovanni, Milanofiori and San Donato Milanese within Hinterland's borders.

The Periphery submarket is the area between Milan's Centre and Milan's Hinterland, and it includes some office clusters such as Maciachini, Lorenteggio, Forlanini and Rogoredo. Originally occupied by larger Manufacturing & Energy companies, the Periphery submarket has increasingly been attracting the interest of new national and international investors and occupiers, creating new decentralised small office hubs.

LREIT's three Grade A office buildings, Sky Complex, is located near Rogoredo Station, in the Southeast area of the Periphery submarket, close to San Donato Milanese and Porta Romana BD.

Office supply

As of June 2022, Milan's office stock is approximately 12.7 million square metres ("**sqm**"). Most of the office stock is located in the submarkets of Center, Periphery and Hinterland, which together represent more than 60% of the total office floor space in Milan.

The growing demand for new, high-quality offices meeting high ESG standards, has triggered a process of renewal and transformation of obsolete office buildings. Over the last six years, more than one million sqm of office spaces have been developed or undergone significant structural renovation works. About 70% of these projects started as speculative projects.

Significant recent completions include CityLife District (122,000 sqm), which comprises three high rise buildings and have become a landmark on the Milan cityscape; Spark 1 and Spark 2 in the Rogoredo Area (46,000 sqm), Gioia 22 in Porta Nuova BD (30,400 sqm), and Building U1 in Milanofiori (31,500 sqm).

In the Periphery submarket, about 217,000 sqm across 24 projects have been delivered between 2017 and 1H 2022, corresponding to 9% of the total Periphery's stock (2.5 million sqm). Within the Southeast area of the Periphery, recent developments have been mostly concentrated in the Porta Romana BD submarket (Symbiosis Buildings A, B and D), with the anticipation of an urban-scale redevelopment project of Porta Romana's decommissioned railway yard.

> **With a population of about 4.4 million, the Milan office market is Italy's main economic centre, generating one-fifth of Italy's GDP.**

[14] Source: Assaeroporti – Italian Airports Association.

Independent Market Review

Existing Supply as Percentage of Total Stock, by Submarkets

Centre	22.7%
Periphery	19.5%
Hinterland	18.2%
CBD	12.0%
Porta Nuova BD	10.0%
Milanofiori	4.0%
San Donato Milanese	3.7%
Bicocca	3.1%
Sesto San Giovanni	2.8%
CityLife - Fiera	2.6%
Scalo di Porta Romana BD	1.4%

Source: CBRE

There is approximately 600,000 sqm of office space currently under construction or under major renovation, expected to come into the market between 3Q 2022 and 2025. While 83% of the total newly built office floorspace started as speculative developments, 23% of this space (112,000 sqm) was already absorbed by the market as of 1H 2022. About 172,000 sqm, representing 29% of the total office pipeline, is located in the Periphery submarket, of which 93% started out as speculative.

The most significant development site by size is the West Gate District Phase 1 (51,000 sqm), in Milan Innovation District (MIND), a new life-science district in the former EXPO 2015 site. Another 292,000 sqm is either in the planning phase and with works expected to end in the next 3 years. Of this, 12,000 sqm is expected to come into the Periphery submarket alone.

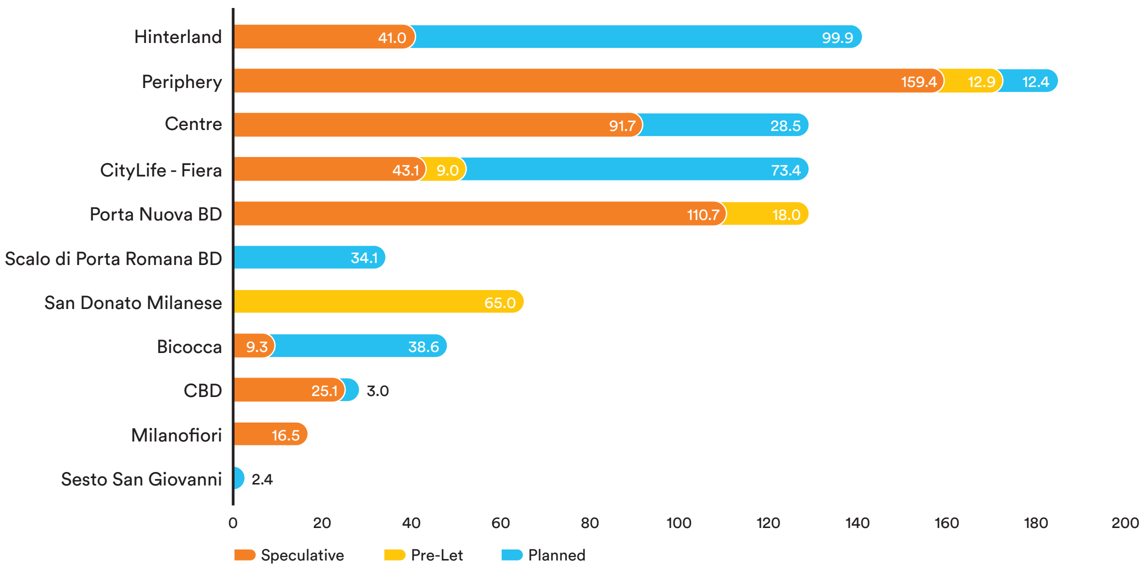
Office demand and occupancy

After a slowdown of letting activity during 2020, the take-up in Milan recorded a robust recovery throughout 2021, going back to the average annual take-up volumes of the previous 5 years, at 355,500 sqm (29% YoY increase on 2020). Manufacturing & Energy and Business Services were the key sectors that drove the take-up performance in 2021, accounting for 32% and 25% of the total take-up respectively. Demand for high-quality office spaces was one of the key drivers for the recovery, resulting in a 43% share of total take-up from spaces completed after 2016 or still under construction, and in a 68% share of total take-up of Grade A buildings. Demand continued to focus in the main office submarkets, confirming tenants' interest in established business districts with excellent accessibility.

Due to the size of the submarket, the Periphery led 2021 absorption volumes, with a total of 85,200 sqm (24% of total Milan's take-up) and 66 transactions. The leasing volume is a result of demand from occupiers in the Manufacturing & Energy sector, particularly from international brands such as L'Oréal, Saint Gobain and Arthrex. Over the past five years, a few tenants from sectors that traditionally settled in the most established central office districts (CBD, Porta Nuova BD) have shifted their preferences to decentralised areas, such as Porta Romana BD and Periphery. This trend was the result of occupiers looking for larger Grade A offices with LEED and BREEAM ESG certifications and more affordable rents. Business Services and Financial Services were the main drivers, with a total absorption of 133,900 sqm and 50,600 sqm respectively between 2017 and 2Q 2022.

Future Office Supply in Milan (3Q 2022 - 2025)

NLA (thousand sqm)



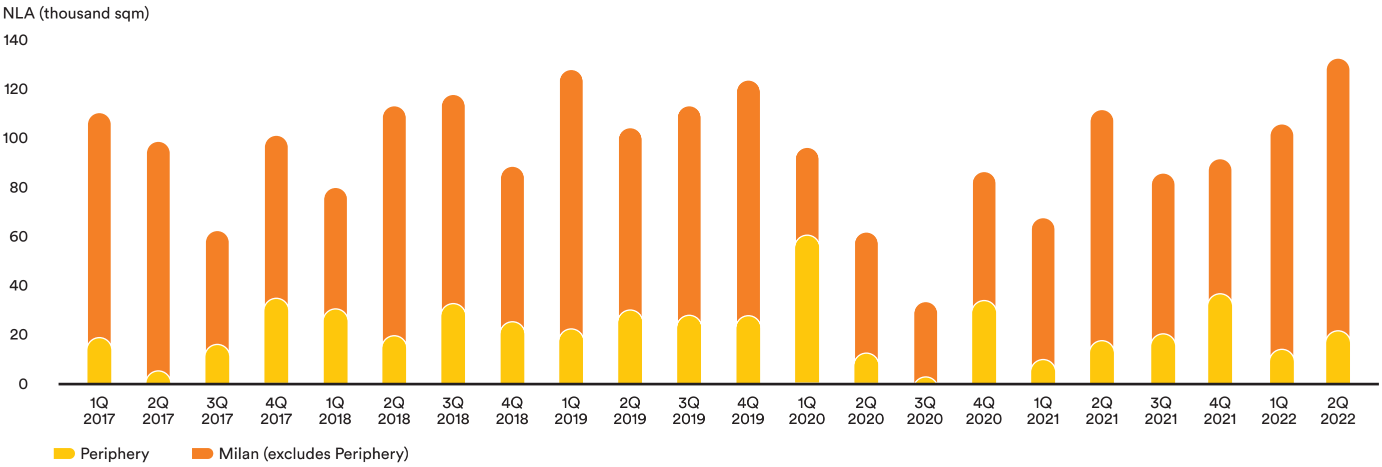
Source: CBRE

Total Milan take-up volume in 2Q 2022 exceeded 132,200 sqm, up 19% YoY and 26% QoQ, with 1H 2022's total take-up volume at 237,500 sqm. Grade A office space accounted for 77% of the total absorption volumes in 2Q 2022, confirming strong demand for high-quality workplaces. The Porta Nuova BD and Hinterland submarkets alone accounted for 39% of total transactions of the last quarter.

On the back of strong recent take-up, Milan's total available office space at the end of 2Q 2022 decreased by 6.9% from the previous quarter to 1.2 million sqm. This corresponds to a 9.5% vacancy rate in 2Q 2022. Available Grade A office space currently stands at 341,200 sqm, representing 2.7% of the total office stock.

The Periphery submarket recorded a 21,700 sqm take-up in 2Q 2022, up 54% from 1Q 2022 and 21% from 2Q 2021. 83% of 1H 2022 total take-up (30,000 sqm) was Grade A, of which 63% LEED and BREEAM certified or pre-certified. The Manufacturing & Energy sector led 1H 2022 take-up figures with 15,100 sqm. Available office space in the Periphery currently stands at 370,400 sqm, corresponding to a 15% vacancy rate. Vacancy rate in the Periphery is strongly affected by a considerable amount of Grade B and C available office spaces, which is becoming increasingly difficult to lease. Only 26% of total available office space in the Periphery is Grade A, which is relatively lesser than the proportion of total available Grade A space in the CBD (59%) and Porta Nuova BD (34%) submarkets.

Milan and Periphery Submarket Office Take-up



Source: CBRE

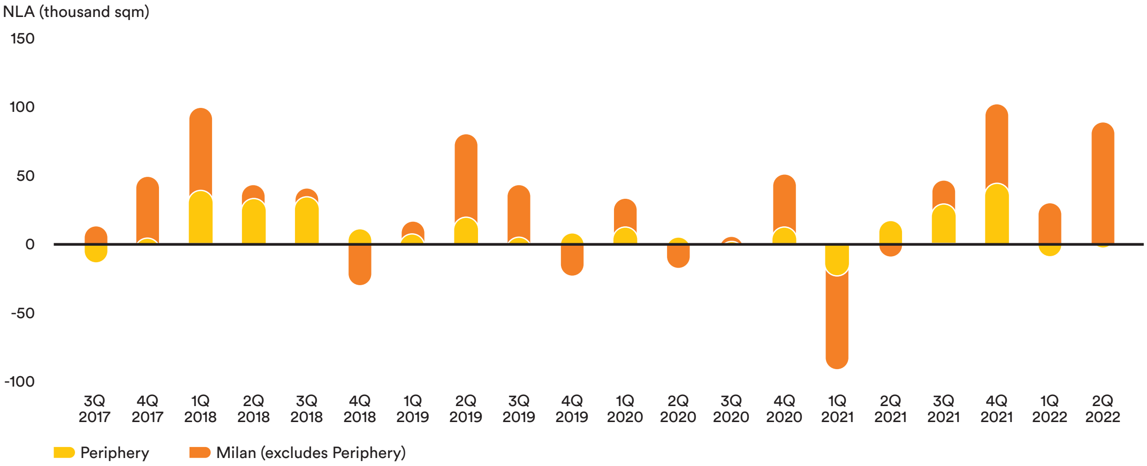
> **Grade A office space accounted for 77% of the total absorption volumes in 2Q 2022, confirming strong demand for high-quality workplaces.**

Independent Market Review

Despite the slowdown of demand for offices during 2020, vacant space remained substantially stable as no new space was delivered during the year. About 56% of planned completions in Milan were delayed from 2020 to 2021, due to the pandemic.

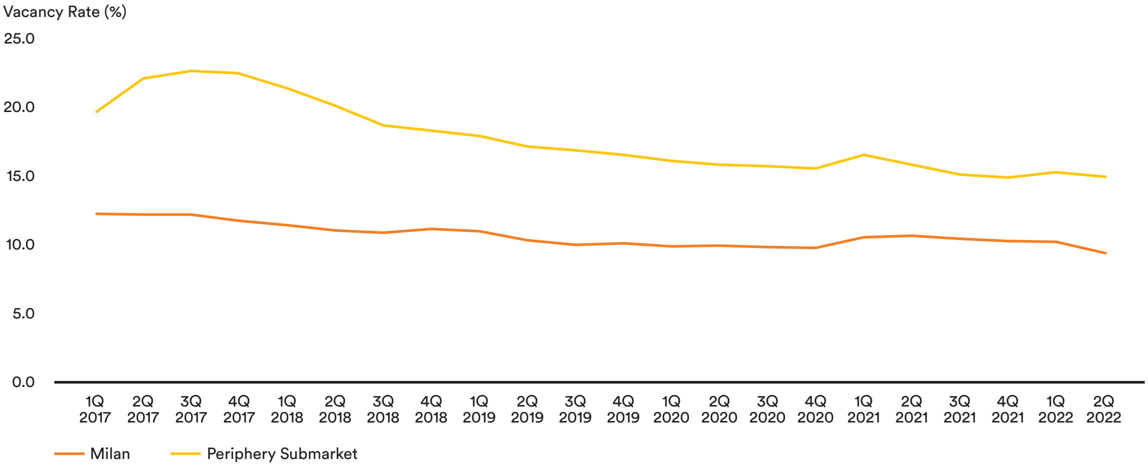
Vacancy in the Periphery submarket has been historically higher than in other central submarkets (CBD, Center, Porta Nuova BD). The average vacancy rate throughout the period 1Q 2017 to 2Q 2022 was 17.7% in the Periphery, against 10.7% in Milan. This is mainly due to a considerable level of Grade B and C spaces available in the market, which are facing challenges to find potential occupiers.

Milan and Periphery Submarket Office Net Absorption



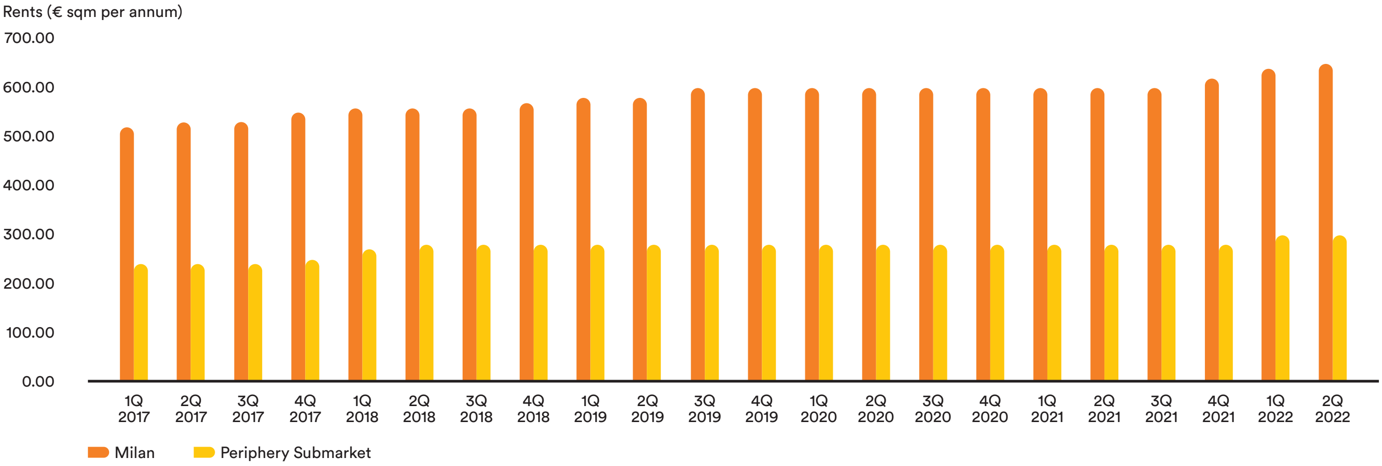
Source: CBRE
Note: Series start from 3Q 2017 as submarket boundaries were redefined

Milan and Periphery Submarket Office Vacancy Rate



Source: CBRE

Milan and Periphery Submarket Office Prime Rents



Source: CBRE

Office rents

Prime rents in 2Q 2022 increased from €640 per sqm per year of the previous quarter to €650 per sqm per year. It is now approximately 8% higher than rents compared to 2Q 2021, and higher than that prior to the onset of the pandemic. The same trend was observed in the Periphery submarket where prime rents increased 7.1% YoY from €280 per sqm per year in 2Q 2021 to €300 per sqm per year in 2Q 2022. The growing demand for high-quality office spaces has widened the rental gap between Grade A and B buildings.

The trend was also similar for average rents across the CBD and Periphery submarkets, where CBD rents rose 23% YoY to €491 per sqm per year in 2Q 2022. Similarly, the Periphery's average rent increased by about 29% YoY to €240 per sqm per year in 2Q 2022.

Significant demand for Grade A offices was seen across all the submarkets, with the recurring theme of a lack of high-quality product being the main driver behind Grade A office rental growth trend between 2017 and 2019.

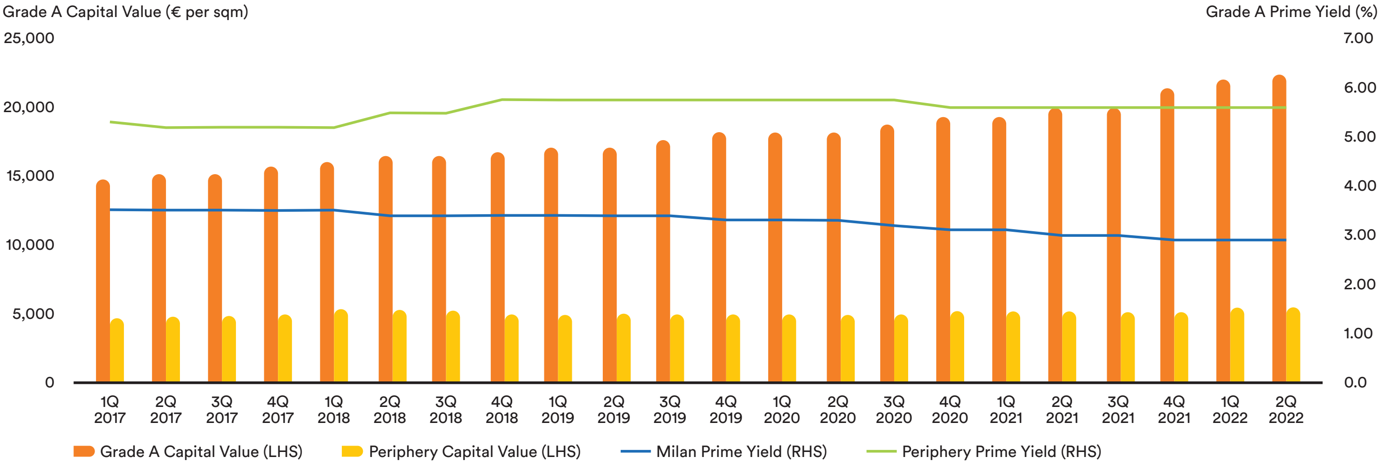
Office yields

Milan's office market benchmark prime yield in 2Q 2022 stands at a record-low of 2.9%. However, recent developments in the macro-economic context are strengthening putting upward pressures on yields, mostly due to a rise in the cost of financing. Investment transactions on core assets completed in 2Q 2022 are in line with previous' quarter yields. However, a general increase in office prime yields, as well as a widening gap between prime and secondary locations, are expected in the coming months.

2Q 2022's record-low prime yield was the result of a strong competitive environment for the purchase of high-quality assets in central Milan. This trend was further intensified during the pandemic due to a generalised flight-to-quality approach on the part of long-term investors, resulting in a 40bps compression between 1Q 2020 and 4Q 2021. The lack of available investment opportunities in the most sought-after locations, high liquidity and strong long-term fundamentals of the Milan office market also contributed to yield compressions in other markets. Prime yields in the Centre and Bicocca submarkets are now 35 and 20 bps below pre-COVID-19 levels respectively. The Periphery submarket also experienced a minor yield compression between 3Q and 4Q 2020 (-15bps), reaching 5.6%, and has since remained stable. There was no significant yield movement recorded in the other submarkets in Milan over the past two years, resulting in a widening yield spread between the primary and secondary markets.

Independent Market Review

Milan and Periphery Submarket Office Capital Values and Prime Yields



Source: CBRE

Investment transactions

The most significant transactions recorded during 2020 and 2021 in Milan were acquisition of newly refurbished, Grade A, income-producing properties in central office submarkets, with long unexpired lease terms and strong covenants.

Starting from 1H 2021, as the restrictions to contain COVID-19 were gradually eased, occupiers' office space demand recovered rapidly, supporting new opportunistic and value-add operations. In 1H 2022, Milan investment volumes were up 149% compared to 1H 2021, with a total of €1.4 billion, of which 43% was from value-add initiatives. Such investments have been targeting the most well-established office submarkets, following a more selective approach by investors and developers stemming from a greater occupiers' focus on high-quality workplaces. Great accessibility and high ESG standards are on top of the list and increasingly selective office space demand.

Over the past years the Milan office market saw the consolidation of a few new office submarkets outside of the CBD and in proximity of urban regeneration areas and the main transit hubs, such as CityLife, Porta Nuova BD and, more recently, Porta Romana BD. These markets, alongside with Centre and CBD, are the main focus of investors and occupiers. Investment volumes in the overall Milan market have recovered and went up by 57% YoY for the 12-month period ending 2Q 2022, although it is still 35% lower compared to the same period ending 2Q 2020.

ITALIAN ECONOMY OUTLOOK

Against a backdrop of heightened uncertainty stemming from the crisis in Ukraine, the Bank of Italy examined the possible macroeconomic consequences based on two illustrative scenarios[15].

Baseline Scenario: assumes that the Russia-Ukraine tensions will last throughout the current year, continuing to drive up commodity prices, keeping uncertainty high and slowing world trade. In this scenario, GDP growth would likely be 2.6% in 2022, 1.6% in 2023 and 1.8% in 2024. Consumer price inflation will likely register an average of 6.2% in 2022, driven by the effects of the strong rise in energy prices and supply-side bottlenecks. It is expected to fall to 2.7% in 2023 and to 2.0% in 2024.

Adverse Scenario: assumes that there will be an intensification of hostilities on a scale that would lead to a suspension in the supply of energy commodities from Russia. The GDP is projected to record practically zero growth in 2022 and to fall by more than 1% in 2023, before it recovers in 2024. Under this scenario, consumer price inflation is projected to rise sharply in 2022, nearing 8.0%, and to remain at 5.5% in 2023, before it stabilises in 2024.

[15] Source: Macroeconomic Projections for the Italian Economy, Bank of Italy, June 2022.

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Heightened Market Volatility

CBRE draws the attention to the fact that a combination of global inflationary pressures (leading to higher interest rates) and the recent geopolitical events in Ukraine, in addition to the on-going effects of the global COVID-19 pandemic in some markets, has heightened the potential for greater volatility in property markets over the short-to-medium term. Experience has shown that consumer and investor behaviour can quickly change during periods of such heightened volatility. Investment decisions should reflect this heightened level of volatility and caution is advised in this regard.

Conclusions set out in this report are current as at the date outlined only. Where appropriate, CBRE recommends that market conditions are monitored closely, as it continues to track how market participants respond to current events.

Investor Relations

The Manager remains steadfast in ensuring high standards of corporate governance and transparency across LREIT's operations. By actively engaging all stakeholders, it seeks to enhance their understanding of our performance and growth strategies. Aimed at promoting top-of-mind recall among the investment community, the Manager regularly connects with investors, fund managers, analysts and the media via meetings, conferences and other investor relations ("**IR**") activities.

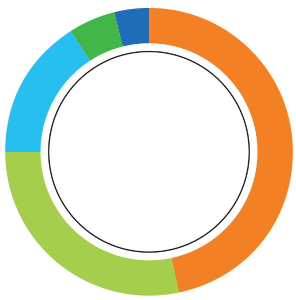
Working closely with the finance, asset management, investment and sustainability teams, the IR team provides timely and clear communication to analysts, the investment community and other stakeholders concerning LREIT's business strategy and developments through diverse channels. The Manager's IR policy outlines the principles and practices that shape these efforts. The policy is reviewed annually for relevance and effectiveness and can be accessed on LREIT's corporate website.

With the easing of COVID-19 restrictions in FY2022, a hybrid of virtual events and in-person meetings were organised as part of the Manager's ongoing efforts to engage the investment community and update them on LREIT's developments, financial performance, strategies and market outlook. Through quarterly analyst briefings, investor conferences and other outreach activities, the management team connected with over 500 research analysts and institutional investors during the year.

For LREIT's Annual General Meeting ("**AGM**") in October 2021 and Extraordinary General Meeting ("**EGM**") in March 2022, the meetings were held through electronic means. The Manager partnered Securities Investors Association (Singapore) ("**SIAS**") to engage retail investors in a live Q&A session to address their queries pre-EGM for the acquisition of the remaining 68.2% interest in Jem. As part of the Manager's communication efforts, the event was recorded and uploaded to the SIAS public domain and LREIT's corporate website. Testament to the confidence of LREIT's investors in the asset's potential and the Manager's ability to drive value, the proposed acquisition garnered a high approval rate of 99%. Through a combination of private placement of units, a preferential offering, issuance of perpetual securities and LREIT's first SLL, a total of S$1.7 billion was raised to fund the acquisition.

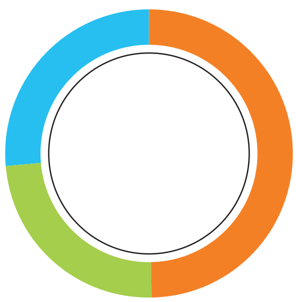
Unitholders who wished to attend the AGM and EGM were invited to pre-register electronically for verification. Following the verification, user details and instructions on how to access the live audio-visual webcast and live audio-only stream of the meeting proceedings will be provided to authenticated Unitholders. Prior to the meetings, Unitholders were invited to submit questions related to the tabled resolutions and to vote by appointing the Chairperson of the meeting as proxy. Responses to substantial and relevant questions received were published on SGXNET and LREIT's website prior to the meetings. All resolutions were duly approved by Unitholders and the results published on SGXNet and LREIT's website on the same day. The minutes of the meetings were also published subsequently.

Unitholdings by Geography



Singapore (excluding Lendlease Group's unitholdings)	26.8%
North America	16.1%
Asia (excluding Singapore)	9.2%
United Kingdom	2.9%
Europe (excluding United Kingdom)	2.2%

Unitholdings by Investor Type



Institutional investors	49.8%
Retail investors	24.0%
Lendlease Group	26.2%

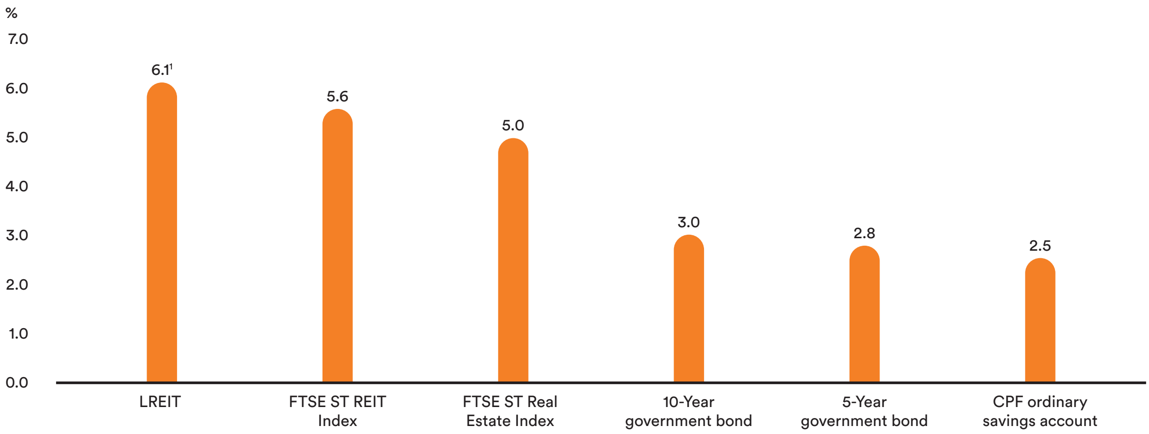
Note: Information on unitholdings statistics was as at 30 June 2022.

In FY2022, the Manager partook in external webinars and events organised by SGX and various brokerage firms to further connect with retail investors. Among these was the REITAS Fund Raising for REITs seminar, which covered the various fund raising instruments available as well as the regulatory considerations. In another first for LREIT, the Manager was invited to share about its inaugural SLL – the largest such loan among S-REITs as at 30 June 2022.

During the year, LREIT's efforts to drive ESG principles drew international recognition. At the 2021 GRESB real estate assessment, LREIT came in first in the Asia Retail (Overall) and Asia Retail (Listed) categories. Additionally, for the second year in a row since its listing in 2019, LREIT achieved the highest-tier 5-star rating for its ESG performance, and clinched the second place in the Global Retail (Listed) category.

In line with the Manager's quest for greater transparency, it will continue to upload general information on LREIT as well as corporate and financial announcements onto SGXNet on a timely basis. These announcements, including press releases, presentations and annual reports, can be viewed via the SGXNet and LREIT website. LREIT's investors can stay updated on the latest developments by requesting for email alerts.

Attractive Yields Compared to Other Investments (as at 30 June 2022)



Sources: Bloomberg, MAS and Central Provident Fund

Unit price and trading volume	FY2022
Opening price on first trading day of the year (S$ per unit)	0.825
Closing price on last trading day of the year (S$ per unit)	0.795
Highest closing price (S$ per unit)	0.915
Lowest closing price (S$ per unit)	0.745
Average closing price (S$ per unit)	0.845
Total trading volume (million units)	1,427.3
Market capitalisation (S$ million) as at 30 June 2022	1,810.3

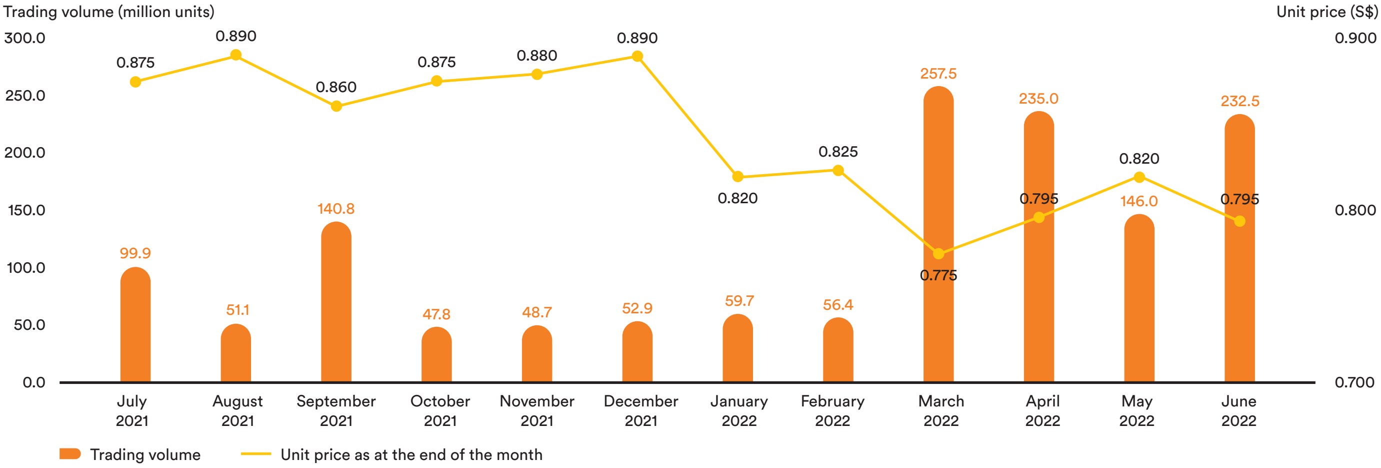
[1] Based on LREIT's DPU of 4.85 cents for FY2022 and the market closing price per unit of S$0.795 as at 30 June 2022.

Investor Relations

Relative Price Performance for the Period 1 July 2021 to 30 June 2022 (%)

Source: Bloomberg

Monthly Trading Performance



Research Coverage

8 research houses:
- Bank of America
- CGS-CIMB
- Citi Research
- Daiwa Capital Markets
- DBS Bank Ltd
- Macquarie Research
- Philip Capital
- UOB Kay Hian

Constituent of Key Indices

- FTSE EPRA Nareit Global Developed Index
- FTSE ST Small Cap Index
- GPR/APREA Investable REIT 100 Index
- iEdge ESG Leader 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 **Ms Ling Bee Lin at:**

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

IR Events and Milestones

2021

JULY

- Extraordinary General Meeting to acquire up to 31.8% interest in Jem

AUGUST

- Full Year FY2021 Results: Announcement
- Full Year FY2021 Results: Analyst Briefing
- Full Year FY2021 Results: Investor Conference Call
- Citi-SGX-REITAS REITs & Sponsors Forum 2021
- UOB Kay Hian S-REITs Virtual Corporate Day 2021

OCTOBER

- SGX-NH Securities Virtual S-REITs Corporate Access Conference
- Annual General Meeting FY2021
- Tiger Broker-SGX Webinar

NOVEMBER

- 1Q FY2022 Business Update: Announcement
- 1Q FY2022 Business Update: Analyst Briefing
- 1Q FY2022 Business Update: Investor Conference Call
- SGX-REITAS Webinar

2022

JANUARY

- DBS Vickers Pulse of Asia Conference 2022

FEBRUARY

- 1H FY2022 Results: Announcement
- 1H FY2022 Results: Analyst Briefing
- 1H FY2022 Results: Investor Conference Call
- Phillip Capital Lunch Hour Webinar
- SIAS-Lendlease Global Commercial REIT Virtual Information Session

MARCH

- CLSA ASEAN Forum Webinar
- Extraordinary General Meeting to acquire 100% interest in Jem

MAY

- 3Q FY2022 Business Update: Announcement
- 3Q FY2022 Business Update: Analyst Briefing
- 3Q FY2022 Business Update: Investor Conference Call
- REITAS Fund Raising for REITs seminar
- DBS Property Conference Fireside Chat: Enroute Back to Pre-COVID World

JUNE

- Citi Pan-Asia Regional Investor Conference 2022
- HSBC 6th Annual Asia Credit Conference

Creating value through sustainability

By measuring and reporting our ESG performance, we improve the way we manage our assets and engage our communities to create new benchmarks.

Sustainability Report

> **LREIT achieved its net zero carbon target in August 2022, three years ahead of its original target in 2025.**

Board Statement

The Board is pleased to present LREIT's FY2022 SR, affirming its commitment towards environmental sustainability and contribution to the community. The report showcases initiatives conducted by the Manager and Property Manager within its portfolio and the progress towards LREIT's sustainability targets. The Manager aligns its values and targets with Lendlease and its subsidiaries (the "**Lendlease Group**") through its robust risk and governance structure.

In this financial year, the Board has reviewed LREIT's Sustainability Strategy to streamline its targets and plans for FY2022 and beyond. In recognising the importance to accelerate sustainability into our operations, the aim of the strategy is to deliver a sustainable future for its stakeholders by striving toward economic, environmental, and social progress through (1) maintaining GRESB leadership, (2) achieving Mission Zero and (3) creating social value. Through such measures, the Manager is pleased to announce all targets have been achieved for FY2022. It will continue to review targets set for the next financial year.

Under Mission Zero, which is Lendlease Group's mission to reach net zero carbon emissions by 2025 (Scope 1 & 2) and absolute zero by 2040 (Scope 1, 2 & 3), LREIT has set ambition greenhouse gas emissions ("**GHG**") reduction targets across its portfolio within its reporting boundary.

The Board is pleased to share that LREIT has achieved its net zero carbon target in August 2022, three years ahead of its original target in 2025. This was accomplished through various carbon reduction strategies including energy efficiency initiatives and reducing energy consumption within its Singapore assets. At the end of FY2022, LREIT achieved 28%[1] reduction in Scope 2 GHG emissions intensity. Moving forward, LREIT strives to further reduce emissions through sustainable building management practices, and active engagement and partnership with tenants.

In the GRESB 2021 real estate assessment, LREIT is proud to maintain its top position as the Regional Sector Leader in the Asia Retail (Overall) and Asia Retail (Listed) categories for the second year running. This serves as a testament to LREIT's consistency in managing resources efficiently while exploring improvement areas.

With LREIT's forward-looking sustainability strategy and outstanding performance in GRESB, a total of S$960 million SLLs were obtained in FY2022. Sustainability outcomes are closely tied to the SLLs, where the positive performance of emissions targets can bring interest rate reductions, serving as an incentive towards target attainment.

Resilience to climate risks has become an imperative for the real estate industry, influencing investment decisions. To ensure proper measures and processes are implemented, the Manager has integrated Environmental Risk Management measures in its assets. This is in line with the MAS guidelines on establishing potential physical and transition risks that the portfolio is exposed to. The disclosures of the impacts are made in accordance with the recommendations of the Task Force for Climate-related Financial Disclosures ("**TCFD**").

As LREIT continues on its sustainability journey, the Board and the Manager would like to thank all stakeholders for their contribution and continuous support. LREIT strives to be at the forefront of climate leadership among the S-REITs while improving the performance of its investments, enhancing tenant relations, and minimising operational costs.

[1] 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.

About the Report

Reporting Scope

This report, prepared in accordance with SGX-ST Listing Rules 711A and 711B requirements and the Global Reporting Initiative Standards 2021, covers the sustainability performance of LREIT for FY2022 and includes prior years' data for comparison where applicable. Unless otherwise stated, all information disclosed in this SR relates to LREIT's business and stakeholders during the period from 1 July 2021 to 30 June 2022 ("**FY2022**").

This SR should be read together with the financial performance and governance information detailed in the Annual Report ("**AR**") for a comprehensive picture of its business and performance.

The scope of the SR covers the following entities and stakeholders where applicable:
- 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[2].

The mentioned entities and property are located in Singapore. Apart from the Property covered in this report, LREIT's portfolio comprises Sky Complex, Grade A office buildings in Milan, and Jem, an office and retail property in Singapore.

Notes:
1. Energy, water, waste, and GHG emissions performance data disclosed cover only the Property, as Jem was acquired in late[3] FY2022.
2. ESG initiatives disclosed cover both the Property and Jem.
3. Employee-related performance data disclosed cover the employees of the Manager and the relevant employees of the Property Manager.

Feedback

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.

[2] Based on GHG Protocol's operational control approach.

[3] Jem was acquired on 22 April 2022.

Sustainability Report

Key Highlights

Economic performance (FY2022 vs FY2021)

TENANT SATISFACTION SCORE (%)

81%

FY2022	81
FY2021	79

SHOPPER SATISFACTION SCORE (%)

64%

FY2022	64
FY2021	63

Health and safety performance FY2022

Zero work-related injuries and ill health incidents

Zero incidents of non-compliance with regulations and voluntary codes

Environment performance FY2022

ENERGY CONSUMPTION (%)

Target 12% → Achieved **16%** reduction[4]

WATER CONSUMPTION (%)

Target 22% → Achieved **39%** reduction[4]

EMISSIONS INTENSITY[5] (%)

Target 12% → Achieved **28%** reduction[4]

WASTE REDUCTION (%)

FY2021 24% reduction[4] → FY2022 **28%** reduction[4]

Board diversity FY2022

Female **40%**

Senior management FY2022

Female **50%**

Governance performance FY2022

Zero confirmed incidents of corruption

Zero substantiated complaints received concerning breaches of customer privacy

Zero incidents of identified leaks, thefts, or losses of customer data

Zero incidents of non-compliance with relevant laws and regulations that result in significant fines or non-monetary sanctions

4 From baseline year 2016.

5 Scope 2 GHG emissions intensity.

Our Approach

LREIT adopts Lendlease Group's vision of creating value through vibrant places where communities thrive and leaving a positive legacy for future generations. This is supported by its Sustainability Framework which spells out three imperatives – Sustainable Economic Growth, Vibrant and Resilient Communities and Cities, and Healthy Planet and People, and underpinned by a suite of actionable environmental and social focus areas. LREIT is also aligned with Lendlease Group's commitment as a signatory to the United Nations Global Compact ("**UNGC**") and the United Nations Principles for Responsible Investment ("**UNPRI**").

Sustainability Framework

Creating thriving communities

SUSTAINABILITY IMPERATIVES

SUSTAINABLE ECONOMIC GROWTH

VIBRANT AND RESILIENT COMMUNITIES AND CITIES

HEALTHY PLANET AND PEOPLE

ENVIRONMENTAL FOCUS

Resources and materials

Climate action

Nature and pollution

SOCIAL VALUE FOCUS

Economic prosperity

Community inclusion

Wellbeing

TARGETS

WE ARE A 1.5°C ALIGNED COMPANY

Net Zero Carbon Scope 1 & 2 by 2025
Absolute Zero by 2040

A$250 MILLION SOCIAL VALUE BY 2025

Assessing shared value partnerships beyond project and asset obligations

Sustainability Report

Sustainability Governance

The Board and CEO oversee the management of LREIT's sustainability performance with support from the Sustainability Working Committee (**"SWC"**). The SWC comprises representatives from the Manager's and Lendlease Group's Finance, IR, Property Management and Sustainability teams.

In consultation with Lendlease Group, the SWC is responsible for developing sustainability objectives and strategies, as well as managing and driving performance in accordance with Lendlease Group's sustainability approach. The SWC reports LREIT's sustainability progress to the Board annually.

Sustainability Governance Structure

Sustainability Factors

Environment Sustainability	Social & Community Impact	Corporate Governance	Labour Practices, Human Rights & Modern Slavery	Stakeholder Engagement & Customer Feedback

The Board oversees sustainability matters and performance as part of its strategic formulation.

The CEO approves material sustainability matters and its reporting.

The SWC develops sustainability objectives and strategies while also managing and driving LREIT's overall sustainability performance.

It engages key stakeholders from time to time to gather feedback on the sustainability issues most important to them.

The SWC also reviews LREIT's sustainability framework annually and reports its sustainability progress to the CEO on a regular basis.

Stakeholder Engagement

LREIT is committed to safeguard its stakeholders' interests, track and improve its assets' performance and understand investors' decision making processes through the ESG lens. To do so, the Manager and Property Manager maintain transparent and effective two-way communication with the stakeholders to meet their expectations and address their concerns as outlined below. In FY2022, in-person and virtual engagements with stakeholders were conducted.

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 • Green leases • Tenant satisfaction survey	Regularly Regularly Annually	• 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 • Survey by external party	Regularly Regularly Regularly Regularly Annually	• Generate recurring sales for the tenants and maintain the vibrancy of the Property.
Investment community (Institutional and retail investors, banks, analysts and media)	• Business performance and strategies • Good corporate governance • Timely and transparent reporting	• Teleconferences and meetings • Site tours at the Property • Partner with REIT Association of Singapore ("**REITAS**"), SIAS and brokerage houses to conduct corporate presentations to retail investors • SGXNet announcements • Results briefings to analysts and investors • Annual Report • Survey by external party	Regularly Regularly Regularly Regularly Quarterly Annually Annually	• Being investable will enhance LREIT's trading liquidity and visibility. It reflects investors' perception of its ability to generate long-term value for its stakeholders. • Partner the investment research community to reach out to investors worldwide. Investors will be able to obtain LREIT's operational and financial updates through the reports issued by the analysts. • Maximise operational efficiency through efficient capital management to improve LREIT's financial performance. LREIT aligns its sustainability goals with Lendlease Group's sustainability commitments.
Employees	• Career development • Health and wellbeing • Diversity and inclusion	• Team meetings • Conversations on performance, career development and wellbeing • Training and development opportunities • Virtual health and wellbeing seminars • Team bonding activities • Community Day and volunteering activities • Health screening	Weekly Regularly Regularly Regularly Quarterly Annually Annually	• Support LREIT's growth ambitions through Lendlease Group's people strategy to attract, retain and invest in its people to have the right capabilities to succeed into the future.

● Weekly ● Regularly ● Quarterly ● Annually

Sustainability Report

Key Stakeholders	Key Areas of Interest	Mode of Engagement	Frequency	Why are they key stakeholders?
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 • Survey by external party	● ● ●	• Health and safety remains a top priority at LREIT. The Manager and the Property Manager place great emphasis in safe working conditions for its suppliers and ensure that their production processes are environmentally and socially responsible. • Components of a supplier code of conduct include - Labour practice and standards to safeguard against child labour, modern slavery, non-discrimination, health and safety, working conditions, working hours, compensation, right to association, freely chosen employment and manage partner relationships. - Environmental policy on the use of product and materials. - Compliance with anti-corruption laws and fair business practices.
Regulators and industry associations	• Regulatory compliance • Corporate governance • Local retail industry performance	• Meetings, briefings and consultations with regulators and key industry associations including URA, BCA, Singapore Tourism Board, Orchard Road Business Association ("**ORBA**"), REITAS, Singapore Business Federation ("**SBF**"), Singapore Exchange and MAS	●	• LREIT is committed to creating better places for the community. • Working closely with industry regulators enables the Manager and the Property Manager to protect community interest and be responsible to ensure good corporate governance. • The Manager and the Property Manager ensure its compliance in accordance with applicable legal and regulatory requirements.
Local community	• Community investments • Impact of business on the environment and society	• Sustainability initiatives • Shared Value Partnerships • Survey by external party	● ● ●	• Being a socially responsible company helps to build LREIT's corporate reputation and create positive impact in the community. • Form long-term partnerships with selected non-governmental organisations and social enterprises. • Participate in Lendlease Group's 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.

● Weekly ● Regularly ● Quarterly ● Annually

Materiality Assessment

The Manager recognises its fiduciary duty to LREIT's stakeholders and stewardship role in the management of LREIT's portfolio and has integrated ESG factors as part of its processes. 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. These factors were identified through extensive consultation with customers, investors, employees, and other stakeholders.

The Manager has continued to assess sustainability matters deemed material and relevant to LREIT's business and its stakeholders annually. In FY2022, LREIT's material sustainability matters remain unchanged. The Manager plans to conduct a materiality reassessment in FY2023 to assess the relevance of the topics previously identified. Top material factors have been grouped into material topics for disclosure.

LREIT's Materiality Assessment Process

1. **Identify Material ESG Factors**
   Conduct background research on global trends, peers' disclosures and LREIT's internal risk assessment.
2. **Prioritise Material ESG Factors**
   Identify priority ESG factors for the business and stakeholders through materiality workshop attended by the SWC.
3. **Validate Material ESG Factors**
   Seek approval from the Board on the prioritised material ESG factors.
4. **Results**
   Report material ESG factors in LREIT's SR.

ECONOMIC

- Economic performance
- Customer experience

ENVIRONMENTAL

- Resource efficiency
- Climate change mitigation, adaptation and resilience building (GHG emissions, responding to climate risk and opportunity)

SOCIAL

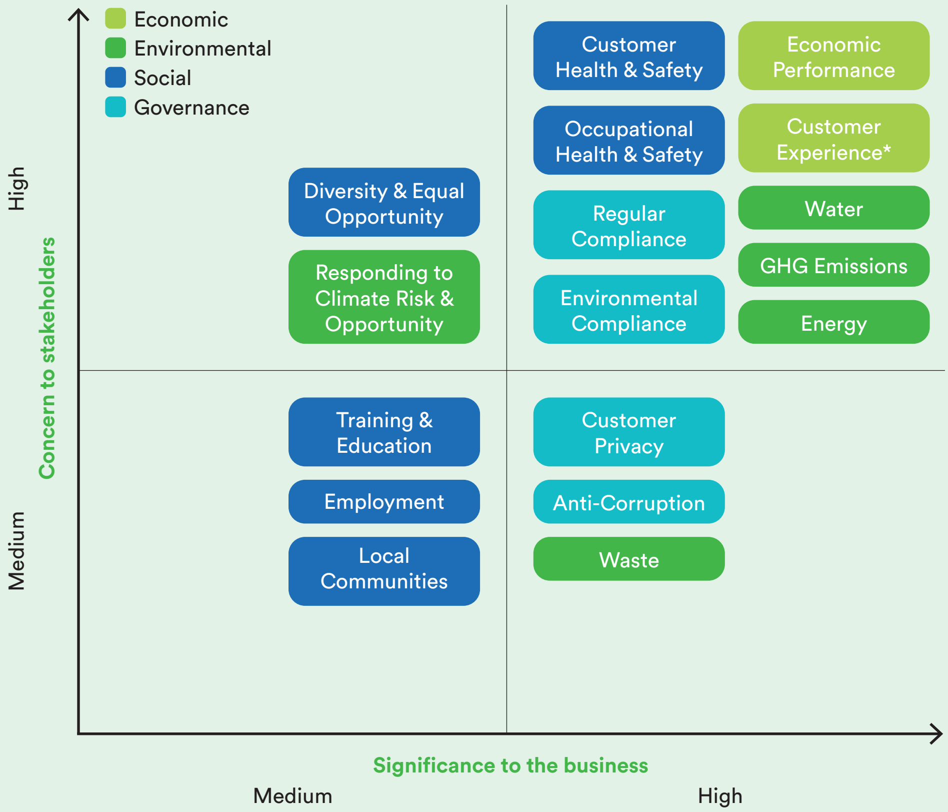
- Health and safety (Customer and occupational health and safety)
- Our people (Employment, training and development, diversity and equal opportunity)
- Local communities

GOVERNANCE

- Anti-corruption
- Regulatory compliance
- Customer privacy

Sustainability Report

LREIT's ESG Material Factors



* Non-GRI aspect.

Economic

FY2022[6] TARGET	PERFORMANCE STATUS	FY2023 TARGET
Improve on scores for tenant and shopper satisfaction results	Shoppers **81%** (vs. 79% in FY2021) Tenants **64%** (vs. 63% in FY2021)	To maintain or improve on the current year's results by achieving higher ratings for tenant and shopper satisfaction

MATERIAL TOPIC 1: Economic Performance and Customer Experience

Over the past two years, COVID-19 has drastically altered societal behaviours and disrupted the way people live, work and play. For instance, the pandemic has undeniably accelerated the adoption of alternative shopping methods such as online shopping. However, as we transit towards living with COVID-19, the operating environment is encouraging tenants and shoppers to move towards normalcy. In a survey conducted in June 2021 on the preferred shopping channels post-COVID-19 among Singapore consumers, 82% of shoppers indicated that patronising physical stores remains their preferred modality, with less than 20% indicating that they only shop online[7]. These results are evident as the proportion of online sales has since stabilised to around 14.6%[8] as of the end of June 2022 (vs. 26.3% in May 2020).

LREIT ended the financial year with a gross revenue of S$101.7 million and NPI of S$75.5 million, up 29.3% and 32.7% as compared to FY2021 respectively. DPU totalled 4.85 Singapore cents for the year, up 3.7% as compared to FY2021.

For detailed financial results and performance, please refer to the following sections of this AR: Key Highlights (page 3), Financial Review (pages 36 to 39) and Financial Statements (pages 138 to 203).

Strong economic performance protects the vested interest of LREIT's stakeholders where any turbulence in performance can result in negative impacts in financial growth. LREIT's strategy in maintaining positive economic performance involves open communication and collaborating with tenants and communities that the Manager operates in. Tenants' and shoppers' engagement, satisfaction and retention remain the key focus for the Manager and the Property Manager. Through the Property Manager, LREIT continually engages with its tenants and customers through an array of initiatives with the goal of understanding expectations and increasing satisfaction. An annual initiative is the customer satisfaction survey conducted by an independent global market research agency, Kantar Group, between February and April 2022 (results of the survey can be found on page 76 of the SR). The key objective is to build clear customer outcomes that lead to improvements in customer experience.

[6] Average of score of the Property and Jem.

[7] Statista, 'Preferred shopping channels post-COVID-19 outbreak among consumers in Singapore as of June 2021', (2021).

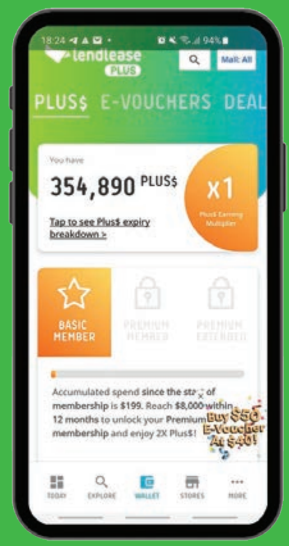
[8] Singapore Department of Statistics, 'Online Retail Sales Proportion (Out of the Respective Industry's Total Sales), Monthly (excludes motor vehicles)', August 2022.

Sustainability Report

Similar positive sentiments were also observed in the tenants' survey. Tenants have shown their satisfaction in the Property Manager's response to their needs as business partners, support in helping them succeed and efforts in being a leader in sustainability. On average, tenants gave a score of 3.7 out of 5 when evaluating Lendlease Singapore's leadership position in the sustainability space.

Moving forward, the Property Manager will continue to boost footfall through enhancing Lendlease Plus in-app programme and using Lendlease Plus reward points as a referral incentive to create stronger customer loyalty. It is also exploring the possibility of onboarding diverse and popular retailers to further enhance overall customer satisfaction.

CUSTOMER ENGAGEMENT THROUGH LENDLEASE PLUS APP

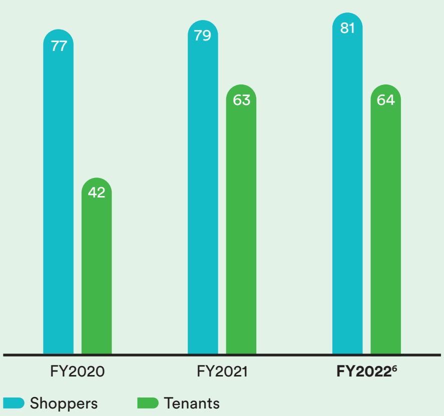


The Property Manager continually leverages the use of the Lendlease Plus mobile app to enhance the shopping experience and increase its online presence. The app provides a platform for shoppers to discover the latest deals, promotions, and events specially curated for them based on their demographic profile and shopping preferences.

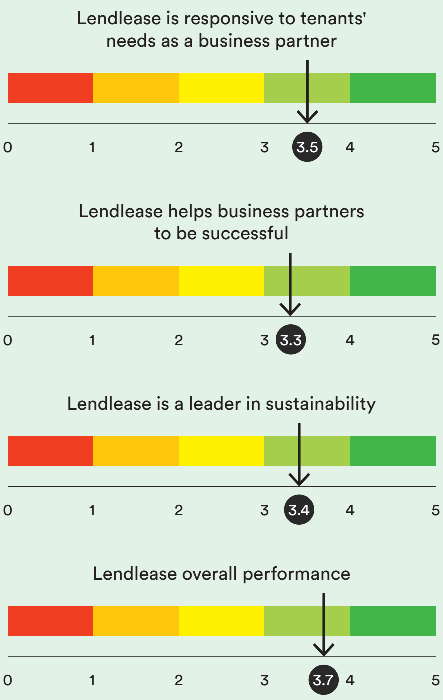
The app has average monthly traffic of more than 87,000 users and the total number of e-deals redeemed is more than 114,000 in FY2022. Through data analytics, the Property Manager is able to improve and collaborate with tenants to provide shopping experiences that better cater to shoppers' preferences.

To drive engagement further, new features were introduced to Lendlease Plus members to enhance their shopping experience. Lendlease Plus in-app exclusive games were introduced during campaigns and festive seasons. One such game was 'Huat's The Number' which ran during the Chinese New Year festive period in 2022. The game allowed participants to stand a chance to win up to $200 million Plus$, which is worth S$100,000 in Lendlease E-Vouchers. LREIT has also used the app to augment offline marketing campaigns, such as with the redemption of tenant-specific deals with fewer points.

Overall Satisfaction (%)



Results from tenants' survey[9]:



[9] Tenants were asked to indicate on a scale of 1 to 5, where 1 is strongly disagree and 5 is strongly agree how much they agree with the statements in relation to their interaction with the Property Manager.

Environment

FY2022 TARGET	PERFORMANCE STATUS	FY2023 TARGET
1. Maintain BCA Green Mark Platinum certification	1. Maintained **BCA Green Mark Platinum** for the Property	1. Maintain BCA Green Mark Platinum status for the Property
2. Achieve 12%[10] reduction in energy consumption or energy intensity (landlord provisions) from baseline year 2016	2. Achieved **16% reduction** in energy	2. Achieve 13% reduction in energy consumption or energy intensity (landlord provisions) from baseline year 2016
3. Reduce Scope 2 GHG emissions intensity (landlord provisions) by 12%[11] from baseline year of 2016	3. Achieved **28% reduction** in Scope 2 GHG emissions intensity	3. Achieve target to reduce Scope 2 GHG emissions intensity (landlord provisions) by 13% from baseline year of 2016
4. Achieve recycling rate of 10%[11] from baseline year of 2016	4. Overall **recycling rate at 6%**. Recycling rate has been consistently increasing YoY from FY2020 at 4% to FY2022 at 6%. The Property Manager has implemented waste reduction initiatives to continuously reduce waste. There are also ongoing initiatives and future plans, including the introduction of a food waste digestor.	4. Complete installation of food waste digestor to improve overall waste recycling rate
5. Encourage recycling through various initiatives and campaigns	5. Achieved **28% reduction in waste**; **Launched the campaign** "You Won't Believe Its Trash" and piloted a year-long collaboration with a textile recycling partner, Greensquare	5. Continue to encourage recycling through various initiatives and campaigns
6. Reduce 22%[12] in water consumption or water intensity from baseline year of 2016	6. Achieved **39% reduction** in water consumption	6. Maintain target to reduce 22% in water consumption or water intensity from baseline year of 2016 The Manager will be reviewing and revising the targets in FY2023 for FY2024 to be more reflective of LREIT's current achievements and ambition to continuously improve its performance.

MATERIAL TOPIC 2: Resource Efficiency

LREIT is committed to reducing inefficiencies, and the Manager worked closely with the Property Manager to reduce the environmental impact of the Property. The Manager acknowledges these impacts and strives to minimise the environmental impact of LREIT's operations at the Property.

Green building certification is a key indicator of LREIT's commitment to resource efficiency and environmental sustainability. The Property and Jem are both awarded the Green Mark Platinum certificate. The Green Mark recertification is conducted once every three years to ensure that building performance is maintained at Green Mark Platinum. The last recertification was done in 2019.

Green leases are an effective mechanism to bring transparency and alignment between LREIT and its tenants. LREIT's green leases take a holistic approach towards sustainability by outlining minimum obligations on energy, water and waste as well as type of materials used. The Property is the first mall in Singapore to integrate green leases to 100% of its lease agreements, paving the way to improve sustainability in commercial buildings. The Property Manager actively engages with tenants to support the implementation and development of sustainable measures through green leases.

100%
The Property is the first mall in Singapore to integrate green lease to 100% of its lease agreements, paving the way to improve sustainability in commercial buildings.

10 In baseline year 2016, the Property consumed: Total energy (landlord provisions) of 10,329 MWh with an energy intensity at 259 kWh/m^2.
11 In baseline year 2016, the Property achieved a waste recycling rate of 6% which accounted for 2,605 tonnes.
12 In baseline year 2016, the Property consumed 130,663 m^3 of water with an intensity at 3.27 m^3/m^2.

Sustainability Report

Regional Sector Leader in 2021 GRESB

LREIT was awarded the Regional Sector Leader for the Asia Retail (Overall) and Asia Retail (Listed) categories for two consecutive years in its two years of listing.

The SWC monitors and reports on the Property's performance in accordance with Lendlease Group's integrated Environment, Health & Safety ("**EHS**") framework and the International Organisation for Standardisation ("**ISO**") 14001:2015 standard on environmental management. To ensure LREIT meets the requirements of ISO14001, external audits are conducted annually by a third-party accredited certification body.

All third-party suppliers, consultants, and contractors engaged by LREIT are required to adhere to Supplier Code of Conduct[13], which sets out Lendlease Group's expectations for third-party suppliers, consultants and contractors when supplying goods and services to the Property. All appointed partners are required to minimise environmental harm to the extent that it is reasonably practicable and appropriate and ensure efficient use of resources to execute the engaged work scope.

Monthly reviews of operational performance are conducted through a proprietary environmental data management system, which facilitates data monitoring and makes recommendations for improvement of operational performance. In FY2022, the Property's energy, GHG emissions, water and waste performance were subjected to independent external audits and third-party data assurance was obtained for the GRESB assessment.

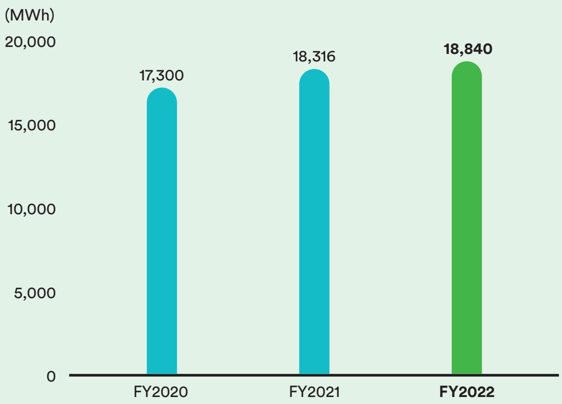
Energy

According to the United Nations, electricity consumption in real estate represents up to 55%[14] of global electricity consumption. As the Property Manager works towards Lendlease Group's net zero carbon targets, active measures are taken to ensure efficient use of energy consumption and explore potential energy reduction methods and processes.

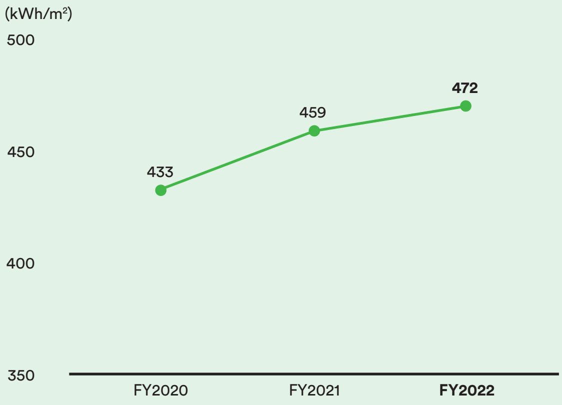
The Property has numerous energy efficiency initiatives that aim to reduce electricity use, such as a low-emissivity glazed façade, intelligent lighting control systems, LED motion sensor lights, and sleep mode for escalators and gearless lifts. In FY2022, the Property consumed 18,840MWh[15] of energy with a total energy intensity of 472kWh/m². The increase in energy consumption and intensity compared to previous years is attributed to COVID-19 restrictions being gradually lifted in FY2021 and full resumption of the Property's operations in FY2022. It is worth noting that FY2020 was a significantly lower base, with Singapore's Circuit Breaker ("**CB**") in April & May 2020, where non-essential retail was required to limit operations during CB.

LREIT's performance in the 2021 GRESB real estate assessment further underscores its leadership in sustainability. It has been awarded the Regional Sector Leader for the Asia Retail (Overall) and Asia Retail (Listed) categories for two consecutive years in its two years of listing and second position in the Global Retail (Listed) category. Similarly, an "A" has been conferred for Public Disclosure, showcasing LREIT's pledge to ensure transparency in material sustainability disclosure.

Total Energy Consumption[16]



Total Energy Intensity[17]



[13] For further detail on the Supplier Code of Conduct, see: https://www.lendlease.com/sg/-/media/llcom/investor-relations/governance/supplier-codes-of-conduct-2021/8970_1_ll_ll-supplier-code-of-conduct_d5_mar-2021.pdf.

[14] Referenced from United Nations Environment Programme "https://wedocs.unep.org/bitstream/handle/20.500.11822/34572/GSR_ES.pdf"

[15] Total energy consumption within the organisation from renewable sources (solar energy) is 56.251 MWh.

[16] Using operational control approach, calculation includes landlord provisions and tenants' energy consumption.

[17] The intensity measurement is based on GFA, 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).

Water

Singapore is considered to be one of the most water-stressed countries in the world, and it is critical to ensure proper management of water usage through the Property's operations. The Property Manager actively monitors water consumption and continues to implement water-saving measures such as usage of sensors, retrofitting of fixtures and collaborating with tenants on techniques and strategies to ensure proper use of water. In FY2022, the Property used a total of 79,418 m^3 of water, of which 84% was NEWater (recycled and treated wastewater), 3% was rainwater harvested onsite, and the remainder was sourced from the Public Utilities Board ("**PUB**"). By using NEWater and rainwater, the Property reduces the need to withdraw freshwater[18] and redirects wastewater streams into beneficial uses.

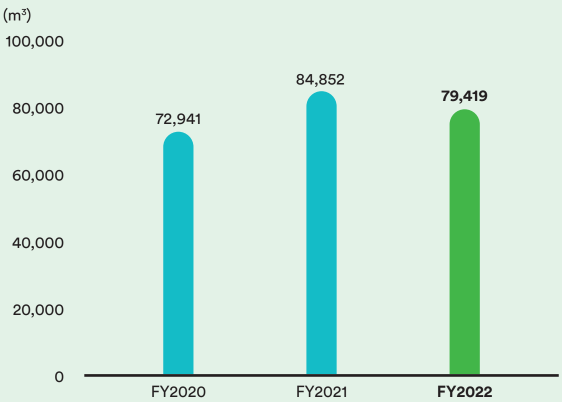
The Property uses alternative water strategies such as harvesting of rainwater for operations such as toilet flushing, irrigation of green walls and landscaping. The cooling towers utilise recycled water to conserve resources. The Property Manager works to actively increase public awareness on the topic of water conservation through public service reminders and tenant education. Water audits are carried out once every three years as part of Lendlease Group's annual reporting process to identify water saving opportunities and monitor water leakage, most recent water audit was conducted in March 2022.

In FY2022, the Property saw a decrease in water consumption as compared to the year before. The effectiveness of water-saving initiatives has resulted in the reduction of overall water intensity as well. The Property Manager is committed to reducing total water consumption and reusing and recycling water where possible with an aim to achieve water efficiency and maximise cost savings.

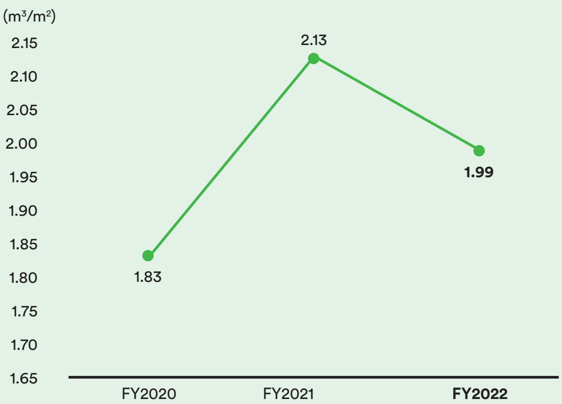
Discharge of trade effluent

The discharge of trade effluent into the public sewerage system and open drains, canals and rivers are strictly regulated by the PUB and the National Environment Agency ("**NEA**"). To ensure that grease and oil reading of the trade effluent do not exceed the legal limit of 100 mg/litre, the Property Manager works closely with its partners to track the quality of such liquid discharged into public sewerage and drainage systems. In the incidence where the readings are exceeded, prompt corrective actions are taken to rectify the issue. The Property Manager will continue to work with its stakeholders to increase vigilance in the management of such liquid discharge.

Total Water Consumption



Water Intensity



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

Sustainability Report

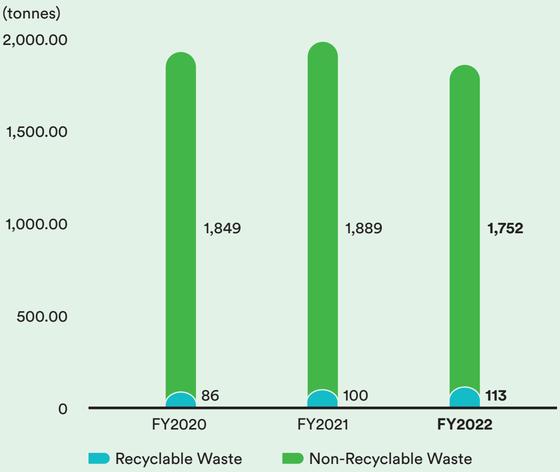
Waste

As Pulau Semakau, Singapore's only landfill, is forecast be completely filled by 2035, active measures are required to manage waste generation. The Manager works closely with the Property Manager to promote reduction of waste and recycling practices among tenants and shoppers. Recycling bins and educational posters are strategically placed to emphasise the importance of proper waste sorting and disposal. The Property also collaborated with the NEA in an annual campaign, "Say Yes to Waste Less", to encourage shoppers to bring their own bags and containers and reduce the use of disposables.

The Property Manager has continued to do its part in waste management through simple gestures, such as collecting non-organic waste from retail tenants twice a day and encouraging shoppers to toss waste into conveniently placed recycling bins. Used kitchen oil from food-and-beverage tenants are also recycled into biodiesel. Within the Property, there are designated areas where tenants can recycle paper, aluminium cans, glass bottles, and plastic.

As a result of these waste reduction initiatives, there was a decrease in waste tonnage in FY2022 compared to the previous year.

Total Weight of Recyclable and Non-Recyclable Waste[19]



YOU WON'T BELIEVE IT'S TRASH

As part of Lendlease Group's commitment to promoting sustainability and zero-waste habits among shoppers and the community, an exhibition dubbed 'You Won't Believe It's Trash' was launched in 2022. The public artwork was exhibited at Lendlease malls including Jem and 313@somerset.

The exhibition showcases artworks, such as movie props and models made from discarded items by self-taught artist Mr. Simon Tan. Illustrations by Singaporean eco-influencer, Ms Woo Qiyun, that portray how malls can be reimagined to enable low-waste shopping and encourage circularity were also on display.

An onsite vending machine was also installed at the exhibition to collect empty and clean aluminium drink cans, plastic drink bottles and papers for recycling. In addition to the sustainable exhibition, Lendlease Group also partnered with Greensquare to place fabric recycling bins at each of the malls' bin centres to collect unwanted garments.

Number of recyclables collected at the exhibition:

	313@somerset	Jem
Plastic Bottles	14,566 Units	11,970 Units
Aluminium Cans	16,125 Units	11,964 Units
Papers	4,806 Kg	3,712 Kg

19 Data is collected and monitored by a proprietary environmental data management system. The waste disposal methods are determined based on information provided by the waste disposal contractor.

Achieved Net Zero

Carbon in August 2022 ahead of its original target of 2025

Carbon reduction strategies include energy efficiency initiatives and reducing energy consumption within its Singapore assets. More details will be disclosed in the FY2023 Annual Report.

LREIT undertakes a hierarchical approach when reducing its Scope 2 emissions before it considers any renewable energy options.

1. Avoid energy use through passive design and behaviour changes
2. Reduce energy use through energy efficiency initiatives
3. Generate onsite renewables
4. Explore offsite renewable options

Solar panels installed on the rooftop of 313@somerset to generate clean energy and reduce carbon emissions.

Sustainability Report

MATERIAL TOPIC 3: Climate Change Mitigation, Adaptation and Resilience Building

According to the World Green Building Council, buildings alone account for more than a third of global carbon emissions[20]. This is expected to rise with rapid urbanisation, driving the imperative to design and operate greener buildings. The accelerating physical consequences of a changing climate bring with them extreme weather events and temperature rises, which may have detrimental impacts on local communities. These changes have brought a sense of urgency to the critical role of leaders in the real estate industry.

Lendlease Group's forward-looking Mission Zero ambition sets out the overarching targets of net zero carbon by 2025 and absolute zero by 2040. Lendlease Group has also outlined progressive goals to reduce Scope 3 carbon emissions attributed to tenants and work toward building more sustainable operations.

GHG Emissions[21]

Climate change is now at the top of the agenda. Electricity use contributes the lion's share of the Property's GHG emissions. Besides the energy efficiency initiatives mentioned under the resource efficiency section, the Property has made tangible efforts in reducing emissions by installing solar panels at the Property's rooftop and maximising onsite renewable energy generation.

LREIT's continuous commitment to Mission Zero highlights how the Manager is taking responsibility to protect the planet. The Manager has been investigating various innovative ideas for emissions reduction. To keep LREIT's stakeholders abreast of its progress on Mission Zero, the Manager discloses ESG information in LREIT's operational and financial updates.

In FY2022, the Property accounted for indirect Scope 2 GHG emissions of 3,521 tonnes of carbon dioxide equivalent ("**t-CO_2e**") and other indirect Scope 3[22] GHG emissions of 4,142 t-CO_2e.

Mission Zero

LREIT's continuous commitment to Mission Zero highlights how the Manager is taking responsibility to protect the planet.

MISSION ZERO

As a 1.5°C aligned company, Lendlease Group sets ambitious science-based emissions reductions targets

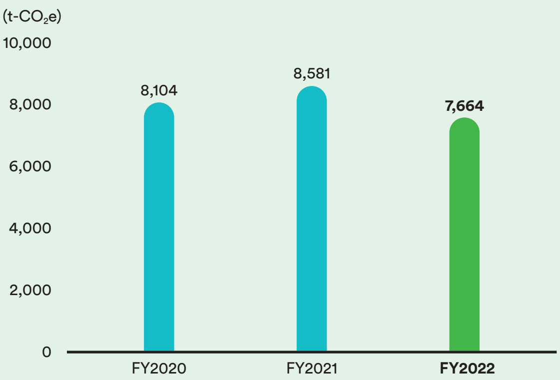
2025

NET ZERO CARBON BY 2025
By 2025, it will reduce GHG emissions as far as possible, with the remainder offset in an approved carbon offset scheme. Its net zero target applies to Scope 1 & 2 emissions.

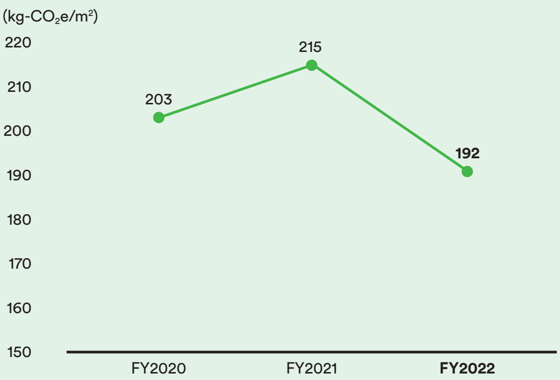
2040

ABSOLUTE ZERO CARBON BY 2040
By 2040, no GHG emissions from its business activities. No offsets. Its absolute zero target applies to Scope 1, 2 & 3 emissions.

GHG Emissions



GHG Emissions Intensity



Note: For FY2022, the used emission factor was updated to 0.408 kg-CO_2e/kWh based on Energy Market Authority Electricity Grid Emission Factor (from 0.47 kg-CO_2e/kWh used in FY2021). Calculation includes landlord provisions (Scope 2) and tenants' GHG emissions (Scope 3).

[20] World Green Building Council, 'New report: the building and construction sector can reach net zero carbon emissions by 2050', (2019) https://www.worldgbc.org/news-media/WorldGBC-embodied-carbon-report-published.

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

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

Responding to Climate Risk and Opportunity

Climate change presents significant risks to the built environment, and LREIT's response will impact its stakeholders and community. Organisations are also facing increasing pressure from regulators and other stakeholders to manage climate risks, with standards such as MAS TCFD-aligned Environmental Risk Management guidelines being introduced. These developments are part of a broader wave of national and international movements towards tackling climate change such as the Singapore Government's Green Plan 2030.

Responding to these trends, LREIT is aligned to the TCFD framework recommendations to provide information on the climate risks and opportunities faced by the organisation. Lendlease Group has a phased approach to integrating the recommendations of TCFD over time and commenced the process, which LREIT was part of, since FY2019. In FY2021 and FY2022, LREIT was part of Lendlease Group's TCFD Business Impact Workshops.

More than 100 Lendlease Group's senior leaders, including the Manager, were asked to identify LREIT's positive and negative sensitivities. For each Climate-Related Impact ("**CRIs**"), reference was made to revenue impact relative to baseline strategy.

Participants identified mitigating actions to reduce the sensitivity, if the scenario happened, through building business strategic resilience to either absorb, adapt, or transform to the CRIs. An assessment of the remaining residual sensitivities was subsequently undertaken. Every effort was taken to engage in a robust scenario analysis process with input from experienced senior leaders in each business around the globe. However, scenario planning is, by its nature, subjective and may be subject to change as key considerations evolve. The following disclosures are subject to these factors.

The table below provides a summary of LREIT's actions to date for each component of the TCFD framework, as well as outlining its continued commitment in FY2023.

Key Components of TCFD Recommendations	TCFD-Aligned Actions	Progress	Additional Remarks
Governance Disclose the organisation's governance around climate-related risks and opportunities	• Board's oversight of climate risks and opportunities. • Management's role in assessing and managing climate-related risks and opportunities.	● ●	• For further detail on LREIT's sustainability governance, refer to the Governance section on page 70.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's operations, strategy, and financial planning where such information is material	• Identify climate-related risks and opportunities for each scenario. • Impact of climate-related risks and opportunities on the entity. • Assess the effect of climate-related risks and opportunities on decisions and plans of the entity. • Resilience to climate-related risks and opportunities.	● ● ● ●	• The Manager has used a range of different climate scenarios to identify climate-related risks and opportunities to LREIT. • These risks and opportunities have also been assessed based on their level of impact to LREIT's business. • LREIT identified mitigating actions to reduce the sensitivity, if the scenario happened, through building business strategic resilience to either absorb, adapt, or transform to the CRIs.
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks	• Organisation's processes for identifying and assessing climate-related risks. • Organisation's processes for managing climate-related risks. • Processes above are integrated into the organisation's overall risk management.	● ● ●	• In FY2020, Lendlease Group identified risks and opportunities that might arise over the next 30 years for each of the climate scenarios and which of these were likely should the scenario manifest in the next 10 years. These scenarios are relevant to LREIT as well. • The Manager provides information on how climate-related risk assessments for LREIT are performed. • In April 2022, the Manager has updated its Environmental Risk Management Framework in the ESG Policy and Strategy to integrate the management of climate-related risks into overall risk management framework.
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate related-risks and opportunities where such information is material	• Establish metrics for managing climate-related risks and opportunities. • Continued disclosure of Scope 1, Scope 2 emissions • Establish Scope 3 emissions reporting boundaries and estimation methodologies • Establish targets for managing climate-related risks and opportunities.	○ ● ● ○	• Key metrics such as GHG emissions, electricity, fuel, water consumption and intensity have been disclosed through LREIT's SR since FY2020. • Moving forward, the Manager will introduce additional metrics relating to risk adaptation and mitigation measures, such as investment in adaptation measures to monitor assets with highest climate-related risks so that it can be more targeted in its efforts.

● Completed ● Process established and continuing ○ Commenced and ongoing

Sustainability Report

As part of the process of incorporating TCFD recommendations, LREIT aims to set progressive steps to adopt scenario planning, holistically test strategic resilience across ESG outcomes. It responds to key sustainability trends, and mitigate climate-related risks by tapping opportunities to build a climate-resilient portfolio.

To implement scenario planning, Lendlease Group has developed scenarios that explore a range of future outcomes. These scenarios are based on peer-reviewed scientific and academic research and have been tested with a broad range of stakeholders. The main scenarios used to identify CRIs are the Polarisation, Paris Alignment, and Transformation scenarios.

Each scenario is associated with different potential climate impacts for LREIT.

In a Polarisation scenario, key risks are the impacts of climate change on assets, communities, and the way everyone works. Even in such a scenario, there may be opportunities for LREIT, such as by demonstrating industry leadership in decarbonisation.

In a Paris Alignment scenario, LREIT faces impacts such as the increased demand for negative emissions solutions and zero-carbon infrastructure and will impact cost and accessibility of such solutions.

Finally, in a rapid decarbonisation Transformation scenario, a key impact could be changing consumer preferences away from new developments and will limit LREIT's ability to expand its portfolio.

It is important to note that for the Paris Alignment and Transformation scenarios, the climate-related changes in technology and consumer preferences could represent both a risk and an opportunity to LREIT.

LREIT will test the resilience of its strategy, respond to key sustainability trends and enhance its implementation of TCFD recommendations in its reporting.

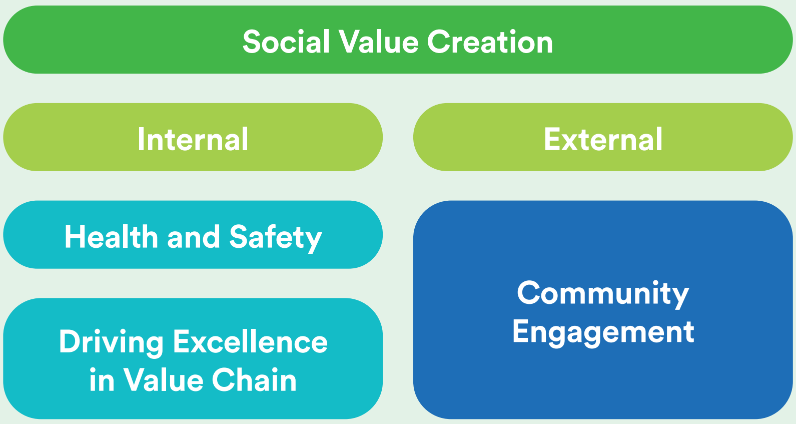
Scenario	Global Temperature Change	Representative Concentration Pathways ("RCP")	Description
Polarisation	3-4°C	RCP 6.0	Represents a constant but incremental approach to climate change mitigation, where the world continues to be polarised by climate change and national self-interest takes precedence over multilateral cooperation.
Paris Alignment	2-3°C	RCP 4.5	Represents delayed action on climate change resulting in a late, uncontrolled, rapid decarbonisation pathway that is market driven.
Transformation	Well below 2°C	RCP 2.6	Represents a societal driven, controlled and early rapid decarbonisation pathway towards a zero-carbon future, where global emissions peak in 2020 and are close to zero in 2040.

Social

FY2022 TARGET	PERFORMANCE STATUS	FY2023 TARGET
1. Zero work-related injuries and ill health	1. No work-related injuries and ill health incidents, including fatalities, high consequence workplace injury and recordable work-related injury[23]	1. Zero work-related injuries and ill health
2. Zero incidents of non-compliance with regulations and voluntary codes	2. Maintained zero incidents of non-compliance with regulations and voluntary codes	2. Zero incidents of non-compliance with regulations and voluntary codes
3. Retain key talent across all talent programmes	3. Retained key talent across all talent programmes	3. Continue to retain key talent across all talent programmes
4. Effective succession planning to demonstrate the depth of capable talent ready to progress into leadership and critical roles	4. Achieved through the programmes under Developing and Growing Talent	4. Effective succession planning to demonstrate the depth of capable talent ready to progress into leadership and critical roles
5. Measure the effectiveness of the engagement between Lendlease Group's leaders and employees through Our People survey	5. One percentage point below Singapore norm[24] with no actively disengaged employees	5. Continue to measure the effectiveness of the engagement between Lendlease Group's leaders and employees through Our People survey
6. Commit to having a diverse and inclusive workforce and provide fair opportunities based on merit	6. Achieved through the programmes under Diversity and Inclusion	6. Commit to having a diverse and inclusive workforce and provide fair opportunities based on merit
7. Four community engagements/initiatives	7. Completed at least four engagements/ initiatives in FY2022	7. Four community engagements/initiatives
8. Partner with a beneficiary for corporate sponsorship opportunities	8. Business champion for Project Dignity	8. Continue to partner with a beneficiary for corporate sponsorship opportunities

As owners and providers of the physical environment where people live, work and play, the Manager is in a position to create value by addressing social issues that are relevant to its tenants, shoppers, employees, and community. LREIT recognises that it has a responsibility to the society that it operates in and has processes, policies, and practices in place to drive social impact via both internal and external channels. Through these channels LREIT seeks to build stronger relationships for its internal and external stakeholders and aspires to create lasting positive impact to the community.

During the financial year, LREIT has organised initiatives covering a range of topics including employee training, health and safety, diversity and inclusion, employee welfare and community engagement.



[23] Disclosure covers both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation. 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.

[24] Singapore average quoted in the Kincentric report for the people survey results.

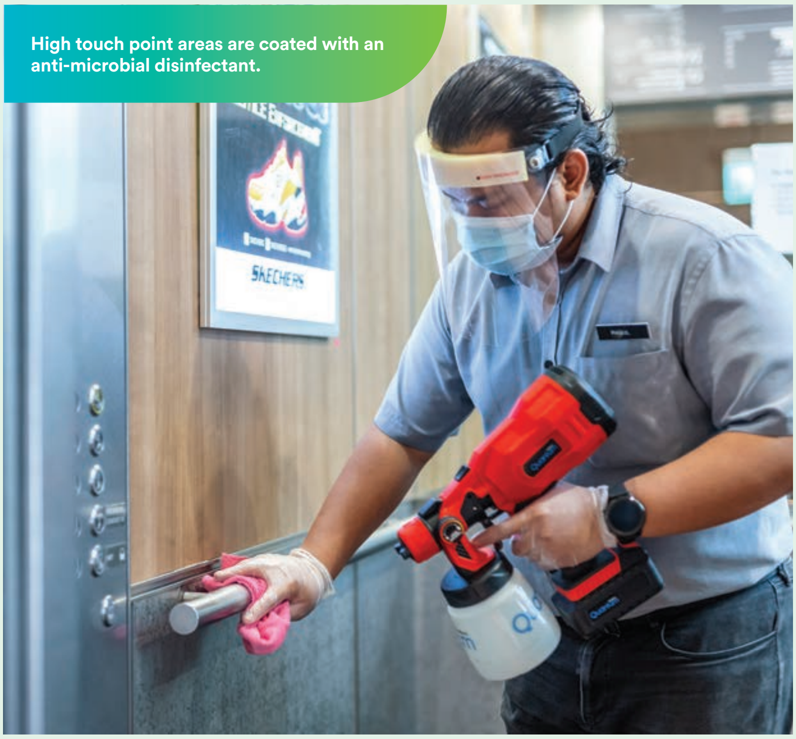
Sustainability Report

MATERIAL TOPIC 4: Health and Safety

LREIT strives to create a human-centric environment that provides comfort and security. Mismanagement of health and safety could lead to illness and fatal injury, ultimately resulting in employees feeling unsafe coming to work. Health and safety is a top priority for the organisation, and there are numerous policies and processes in place to ensure that employees, suppliers, tenants, and visitors enjoy a healthy and safe environment. Testament to LREIT's commitment, the Property is bizSAFE partner certified and attained a Silver Workplace Safety and Health ("**WSH**") award in 2022.

Internal Policies

The Property Manager has an occupational safety and health management system ("**OSH**") in place, which is in line with Lendlease Group's EHS framework. To ensure that OSH and WSH are enforced, a risk management team was formed which comprises of the Property Manager's management staff, maintenance personnel and WSH personnel. On top of this, a Safe Work Method Statement ("**SWMS**") process is used to identify potential risk. This process is conducted by the respective project leaders, who have completed the pre-requisite risk management courses which are reviewed annually.



High touch point areas are coated with an anti-microbial disinfectant.

Health and Safety Trainings

To ensure that all staff are familiarised with key health and safety policies, new hires of the Property Manager are required to undergo risk management courses and first aid training to boost their capabilities in handling health and safety issues. In addition, the Property Manager conducts quarterly training sessions for all employees. The trainings are conducted based on the nature of their jobs to ensure relevance. Service providers will receive SWMS briefing for every new project, providing them a platform to voice any health or safety concerns.

Enhancing Policies

LREIT values health and safety and strives to improve existing processes to create an optimal environment for all stakeholders. In line with this, a joint management-worker health and safety committee meets every quarter to discuss improvements needed for the OSH management system. The committee includes 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).

Tenants

To ensure compliance with fire-safety regulations, the Property Manager conducts safety inspections within tenant premises twice a year. Tenants will be informed of any non-compliance and will be given a deadline to make changes.

Vendors and Contractors

To ensure a healthy and safe environment for all LREIT stakeholders, vendors and contractors must adhere to SWMS policies and must obtain a permit prior to commencing work. Additionally, vendors and contractors must meet the minimum standard of bizSAFE Level 3.

Cleaning and surveillance robots introduced to provide a safe and unparalleled shopping experience.

MATERIAL TOPIC 5:
Our People

People are the greatest contributors to LREIT's success, enabling it to fulfil its purpose. Neglect in employee wellbeing can result in a decrease in employee productivity and increase in loss day rate. Together with Lendlease Group, LREIT creates value through places where communities thrive.

To support the health and wellbeing of its people in FY2022, the Manager has provided additional support for front-line workers and enabled flexible work. To achieve LREIT's growth ambition, the Manager needs to attract, retain and invest in its people to have the right capabilities to succeed in its future. It taps on Lendlease Group's people strategy that is focused on creating a place where its people feel they belong and can do their best.

The Property Manager aspires to help its people thrive by providing a consistently positive employee experience and creating a work environment that

- Cares for its people, with physical and psychological safety as non-negotiables and a priority on wellbeing;
- Provides strong leadership with a clear direction for the future;
- Is team-oriented, inclusive and diverse; and
- Fosters a culture aligned to purpose and values that drives the way it operates with each other and to create a sense of belonging.

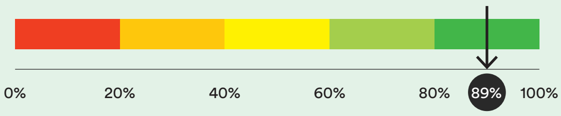
Developing and Growing Talent

Adapting employees' skills to the post-pandemic ways of working is crucial to building business resilience and nurturing Lendlease Group's workforce through education. To cope with the changing regulatory landscape, the Manager continues to invest in and enhance its learning and development offerings to grow enterprise capability and leadership excellence. Lendlease Group's suite of global flagship leadership programmes aims to build modern and inclusive leaders. The "LLevel UP" programme, first rolled out in 2020 during the height of the COVID-19 pandemic, continues to evolve and builds critical skills for employees to be future-ready. On-demand learning is also available, offering an extensive library of digital learning and resources delivered via an online platform.

Lendlease Group offers a variety of talent programmes at all levels of the organisation to build pipeline for future leadership roles. For example, the Talent Export Programme provides Lendlease Group's outstanding talent in Asia with international mobility opportunities. The 2-year Global Graduate Programme, now in its 10th year, provides accelerated development pathways for Lendlease Group's high potential and early career-talent.

Lendlease Group also supports ongoing development of its employees who wish to pursue, at their own initiative, further academic qualifications through education assistance and course sponsorships.

Lendlease actively supports the learning and development of its employees



In recognition of these efforts, close to 90% of the Manager's workforce rated positively that LREIT actively supports the learning and development of its employees in the FY2022 people engagement survey, outperforming the Singapore norm by 26 percentage points.

Sustainability Report

96%
Positive perception on COVID-19 support from employees, 31 percentage points above Singapore norm.

Employee Experience and Wellbeing

It is essential to continuously equip all employees with the knowledge and ability to live and work effectively post-pandemic. Lendlease Group's progressive and proactive approach to the health and wellbeing of employees becomes increasingly relevant with the focus on mental health issues. The Lendlease Foundation, first set up in 1983, continues to nurture the wellbeing of its employees and their families as well as support employee involvement in charitable and community affairs.

For a thriving employee community, Lendlease Group and the Manager maintain various open channels of communication for employees to express their viewpoints and access comprehensive support. For example, regular townhalls and live calls between the leadership and employees to keep them updated on the company's business strategy as well as provide an opportunity to address topics of importance to employees, such as safety, career and mental wellbeing. Lendlease Group's listening strategy helps it understand the experience of its employees, providing regular insights for leaders to take action to and better support employees in what matters to them.

Team-bonding activity, Yoga for a Change, at Paya Lebar Quarter.

In Lendlease Group's most recent FY2022 people survey, employees' positive perception of the Manager's support during the COVID-19 pandemic was 96%, 31 percentage points above the Singapore norms, demonstrating a strong culture of care during these challenging times. In 2022, Lendlease Singapore was also awarded Singapore's Workplace Safety and Health Council's inaugural Culture of Acceptance, Respect and Empathy ("**WSH CARE**") Award for exemplary health and wellbeing practices.

Lendlease Group's mental health approach aims to encompass the full spectrum of mental health, from awareness and education to prevention and early intervention, and subsequently active intervention and support. It provides an ongoing series of interactive wellbeing sessions, masterclasses, and activities organised to engage, educate and empower employees to take care of their physical and mental health.

Lendlease Group has in place a "Friend In Need" network located at all its offices and sites to identify and manage employees' concerns, offering them support and assistance where appropriate. In addition, the Employee Assistance Programme provides confidential and professional counselling and information services to employees and their dependents during times of personal and professional challenges where they need to have someone to confide in.

Wellbeing is actively embedded in Lendlease Group's policies, programmes and organisation culture. "Wellbeing Leave" introduced by Lendlease Group in 2015 offers all employees three days of wellbeing leave in addition to their annual leave entitlement, encouraging them take mental health breaks. Wellbeing is emphasised in performance conversations between line managers and employees. Lendlease Group is also one of the first in the industry to provide mental health coverage for employees and their dependents. Further investment in the support for employee wellbeing emphasises the importance placed on psychological safety.

As a strong believer in supporting local communities, the Manager has also facilitated employee-oriented team-bonding activities with purpose. It participated in Yoga for a Change in FY2022, a social initiative where proceeds from the yoga tickets went toward supporting domestic workers in building financial independence by attending educational courses and developing their leadership and planning skills.

Diversity, Equity & Inclusion

A diverse talent pool provides access to a wide range of different skillsets essential for LREIT to stay at the forefront of its industry. It is committed to driving an inclusive team culture where trust and psychological safety are prioritised. With diversity, equity and inclusion as a guiding principle, the Manager strives for its workforce to reflect the communities in which its works and for everyone to feel they belong.

In line with this, Lendlease Group has put in place inclusive policies and practices to ensure respect, equity and equal opportunity, for both current and future employees, throughout the employee lifecycle. Lendlease Group sets stretch targets for diversity and ensures that policy and programmes in place support those targets – from hiring and selection to opportunities for career development, compensation and benefits.

Lendlease Group has an ongoing focus on levelling the playing field for women. It conducts an annual review to eliminate gender-based pay gaps. Inclusive leadership behaviours and cultural competency are also embedded as part of overall capability building for leaders. In FY2022, Lendlease Group developed and launched the Ignite programme designed to drive sponsorship by senior leaders of diverse talent and accelerate the progression of female leaders by removing barriers.

The Manager supports flexible working options and encourages line managers and employees to work together to agree how, when or where to work that would be the most effective. With this, Lendlease Group established virtual tools, events, and leveraged technology to enable knowledge sharing and connections in a hybrid world.

Board Diversity

By Gender

2 (40%) 3 (60%)

By Age Group

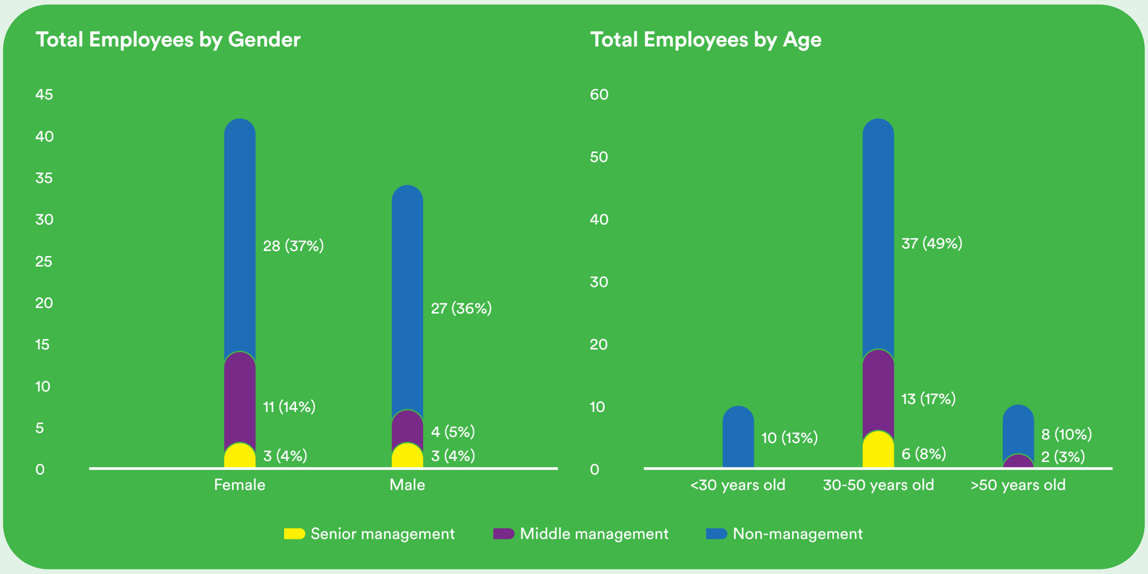
30-50 years old: 1 (20%)
> 50 years old: 4 (80%)

By Independence

Independent **80%**

Non-Independent **20%**

Total Employees by gender and age group

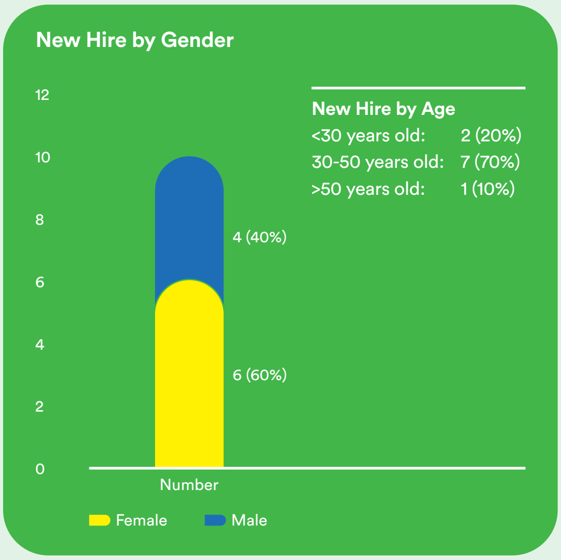


Notes:

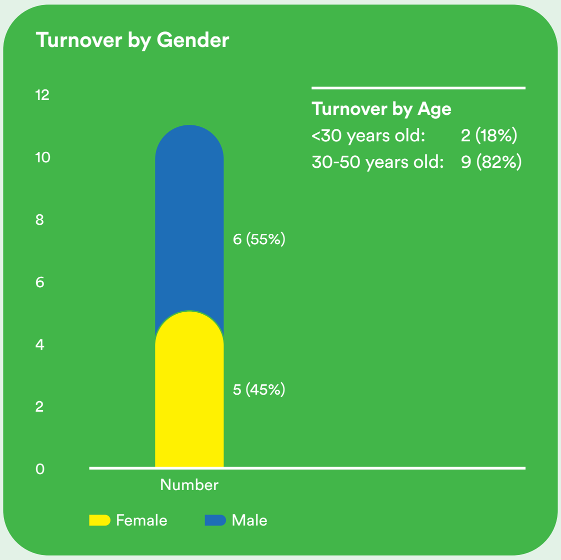
1 75 employees are full time permanent staff and 1 is a contract staff (male; age >50 years old)

2 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.

New Hires Percentage



Turnover Percentage



New Hire Rate

By Gender[25]

6 (8%) 4 (5%)

By Age Group[26]

<30 years old: 2 (3%)
30-50 years old: 7 (9%)
>50 years old: 1 (1%)

Turnover Rate

By Gender[27]

5 (7%) 6 (8%)

By Age Group[28]

<30 years old: 2 (3%)
30-50 years old: 9 (12%)

MATERIAL TOPIC 6: Local Communities

One of LREIT's key sustainability imperatives is to create vibrant and resilient communities and cities. In line with this, the Manager has been involved with numerous community-oriented initiatives designed to reach out to a broad group of beneficiaries.

Collaboration with Community Partners

In FY2022, Lendlease Foundation launched a shared value partnership with social enterprise Project Dignity, one of the few social enterprises in Singapore that trains differently-abled people to access employment opportunities. Lendlease Foundation sponsored the training for 40 trainees in the Dignity Kitchen Train-and-Place programme, which is a 22-day culinary training programme that provides training for individuals with physical and intellectual disabilities, as well as those encountering mental health issues and social disadvantages.

The Manager is a business champion for this partnership, with support ranging from directing charitable spending for Thye Hua Kwan Moral Charities to Dignity Kitchen, leading business-level initiatives in support of Project Dignity. In addition, the Manager participated in the Charity Run and actively supported the sale of a Lendlease-produced e-cookbook which was distributed to LREIT's key investors, raising approximately S$5,000. The Manager also supported a book donation drive at the Property and LREIT's headquarters in Paya Lebar Quarter, where over 800 books were collected and donated to Dignity Mama, a second-hand bookstore under Project Dignity, that enables young adults with disabilities to gain entrepreneurial skills.

40
Lendlease Foundation sponsored the training for 40 trainees in the Dignity Kitchen Train-and-Place programme.

25 New hire rates are calculated as: Number of new hires (by gender) / Number of employees as at end of financial year.
26 New hire rates are calculated as: Number of new hires (by age group) / Number of employees as at end of financial year.
27 Turnover rates are calculated as: Number of turnover (by gender) / Number of employees as at end of financial year.
28 Turnover rates are calculated as: Number of turnover (by age group) / Number of employees as at end of financial year.

LREIT clocked the most distance during the Charity Run, which was part of Lendlease Group's Community Day in support of Dignity Kitchen.

Food distribution drive during Chinese New Year.

Another important community partnership established and maintained by LREIT was the collaboration with Thye Hua Kwan Moral Charities to run food distribution drives. As part of this, a total of 280 packed meals were sent to St. Joseph Home and NTUC Health Senior Day Care at Jurong. In FY2022, the Manager expanded this collaboration by partnering Community Chest, and a total of 270 packed meals were sent to their beneficiary, Lion Befrienders, in Tampines. In line with the organisation's commitment to the community, LREIT has pledged to distribute 1,000 packed meals across FY2022 and FY2023. There have also been some welcome synergies across these community projects – the packed meals were prepared by Dignity Kitchen and were distributed in reusable bento boxes rather than single-use ones.

Public Awareness and Community Outreach

The Manager has been actively partnering the National Neuroscience Institution ("**NNI**") to raise awareness on mental health issues in Singapore, particularly neurological conditions such as dementia, stroke, and Parkinson's disease. LREIT was one of the main Race Partners for NNI's "Chiong Ah!" charity race, where a total of S$114,200 was raised for the NNI Fund for Patient Care, Research, Education, and other unmet needs. In addition, a donation of S$4,000 was made to NNI fund as well as pulling in tenants from Lendlease-managed malls to be part of this race to provide retail vouchers for the participants.

Over and above these initiatives, the Manager also customised and packed We Care Packs for 200 seniors during Christmas in 2021. Items included foodstuffs such as biscuits, COVID-19 essentials such as masks and hand sanitisers, as well as a mindfulness colouring book and colour pencils. The colouring book was designed by the Lendlease Group's in-house studio in Australia. The Manager also has an ongoing partnership with Community Chest, where members of Lendlease Plus may donate their expiring members points to beneficiaries under the Community Chest. In FY2022, approximately S$4,200 was raised.

83% of the Manager's employees volunteered in at least two of the community service projects in FY2022.

280
A total of 280 packed meals were sent to St. Joseph Home and NTUC Health Senior Day Care at Jurong.

200
The Manager also customised and packed We Care Packs for 200 seniors during Christmas in 2021.

Sustainability Report

Governance

FY2022 TARGET	PERFORMANCE STATUS	FY2023 TARGET
1. Zero incidents of corruption 2. Zero substantiated complaints received concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data 3. Zero incidents of non-compliance with relevant laws and regulations including environmental that result in significant fines or non-monetary sanctions	1. Zero incidents of corruption 2. Zero substantiated complaints received concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data 3. Zero incidents of non-compliance with relevant laws and regulations including environmental that result in significant fines or non-monetary sanctions	1. Zero incidents of corruption 2. Zero substantiated complaints received concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data 3. Zero incidents of non-compliance with relevant laws and regulations including environmental that result in significant fines or non-monetary sanctions

The Manager believes that exceptional governance policies and practices are vital to long term success. To ensure adherence to regulations, the Manager has established a robust corporate governance framework built upon principles that reflect LREIT's commitment to effective internal controls and risk management. Aligning with Lendlease Group's core values, LREIT's policies and practices set out to promote transparency, accountability, sustainability and ultimately aim to protect shareholders' interests.

LREIT strictly adheres to all social and economic regulations in the jurisdictions it operates, with emphasis on anti-corruption, regulatory compliance, and customer privacy. As LREIT operates in a highly regulated industry, non-compliance will result in hefty fines and reputational damage, which can impact business performance.

RESPECT

Be dedicated to relationships

INTEGRITY

Be true to our word

INNOVATION

Be challenging in our approach

COLLABORATION

Be one team

EXCELLENCE

Be exceptional in everything we do

TRUST

Be open and transparent

MATERIAL TOPIC 7: Anti-corruption

Bribery and corruption are amongst the main risks for businesses, with financial and reputational loss as the main consequence of mismanagement. The Manager is committed to operating its business with integrity, adopting a zero-tolerance stance on fraudulent activities, corruption, and other unethical behaviour. Consistent with this stance, policies and guidelines are in place to ensure employees maintain the highest standards of integrity in their work and business dealings.

In FY2022, the Manager has received anti-corruption training as part of Lendlease Group's annual mandatory training for new and existing employees.

The policies below encompass the standards and procedures taken by LREIT to ensure fair and transparent business practices.

The Manager and its directors 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 a year of joining. 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 reviewed and updated regularly by the Manager's Audit and Risk Committee ("**ARC**") and adopted by the Board.

In FY2022, there was no legal case brought against LREIT, the Manager or any employee. There were also no recorded instances of corruption.

Policies and Procedures	Details
Lendlease Group Code of Conduct Policy	Standards expected of all employees relating to appropriate behaviours, including how employees should conduct business and maintain all business relationships. Lendlease Group's employees are required to complete an annual "How We Work in Lendlease" online module as a refresher on Lendlease 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 Lendlease Group's brand. It also applies to all projects, assets under management and joint ventures.
Lendlease Group Political Donations Policy	Policy relating to Lendlease 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.
Procedure on Declaration of Gifts and Entertainment, including Meals	Procedures established by the Manager on the acceptance of gifts and entertainment requiring prior approval from the employee's line manager, Country Managing Director, or the CEO of Lendlease Asia (depending on threshold).
Conflict of Interest Procedure	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.

Sustainability Report

MATERIAL TOPIC 8: Regulatory Compliance

The Manager is aware of the risks such as potential exposure to legal penalties, financial forfeiture and material loss, posed by existing and emerging regulatory requirements. Procedures are in place to ensure that its activities and operations comply with existing regulatory requirements through frequent monitoring, evaluation and auditing by the ARC. Policies and procedures are in place to minimise regulatory and compliance risks, these include the Compliance Manual, Anti-Money Laundering Manual and Securities Trading Policy – the latter specifically ensures that employees comply with legal obligations relating to dealings in securities while they are in possession of non-public inside information.

The presence of a compliance monitoring programme requires the Compliance Officer of the Manager to complete a series of compliance checklists on a quarterly basis. The Compliance Manual and compliance checklists are reviewed on an annual basis. To ensure that all employees are kept abreast of any developments on applicable laws and regulations, trainings on ethics and governance are conducted as required (in particular, licensed representatives are required to complete six core hours of training relating to ethics, rules and regulations annually) and email bulletins from Lendlease Group's legal advisers on topical subjects are circulated to its employees.

In FY2022, LREIT had zero incidents of non-compliance with relevant laws and regulations that resulted in significant fines or non-monetary sanctions.

> **Customer privacy remains of utmost importance to LREIT. Thus, the Manager is responsible to safeguard customer's data.**

MATERIAL TOPIC 9: Customer Privacy

Data breaches are rampant in Singapore, with customer privacy and security being a major concern for organisations today. In a study released in April 2022, it was found that the number of susceptible databases in Singapore has grown steadily throughout the year with increased digitalisation during the pandemic[29]. The increase in cyber security threats in the current landscape has resulted in customers being increasingly intentional about the data that they disclose. The Manager understands that it is responsible for safeguarding customer's data and is aware of the implications on customers' trust if their data is compromised. Thus, customer privacy remains of utmost importance to LREIT.

The Manager utilises Lendlease Group's Information Security Policy as a guide on customer privacy. The policy defines acceptable behaviours and approaches for protecting the confidentiality of information. It also covers Information Technology resources and contains a 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 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. The standard operating procedure sets out the management workflow and escalation processes in the event any complaints are received by shoppers, as well as the workflow in the event an individual wishes to access or correct his personal data or withdraw his consent for the provision of his personal data. Training on the Singapore Personal Data Protection Act is provided to employees of the Property Manager at least once every three years. The last training was held in 2019 and the Property Manager has arranged for another training in 2022.

In FY2022, LREIT had zero substantiated complaints concerning breaches of customer privacy and zero incidents of identified leaks, thefts, or losses of customer data.

[29] Straits Times, 'Singapore ranked No. 6 globally for having most number of exposed databases' (2022).

GRI INDEX

GRI Standards Disclosure			Reference and/or Reason for Omission	Page Reference
Organisation and its reporting process				
GRI 2: General Disclosures 2021	2-1	Organisational details	-	67
	2-2	Entities included in the organisation's sustainability reporting	-	67
	2-3	Reporting period, frequency and contact point	-	67
	2-4	Restatements of information	No restatement of information	-
	2-5	External assurance	No external assurance has been sorted but the Group has obtained external audit services over its energy, water, waste and GHG emissions performance data.	-
Activities and Workers				
GRI 2: General Disclosures 2021	2-6	Activities, value chain and other business relationships	-	67, 71 to 72
	2-7	Employees	-	89
	2-8	Workers who are not employees	Information unavailable. Numbers are not captured within data monitoring system and will be improved in the future.	-
Governance				
GRI 2: General Disclosures 2021	2-9	Governance structure and composition		Corporate Governance: Principle 1 (P.100 to 101) and 2 (P.103 to 104); Nature of current directors' appointments and membership on board committees (P. 123); Sustainability: Sustainability Governance (P. 70)
	2-10	Nomination and selection of the highest governance body		Corporate Governance: Principle 4 (P.105);
	2-11	Chair of the highest governance body		Corporate Governance: Principle 3 (P.104)
	2-12	Role of the highest governance body in overseeing the management of impacts		70, 73 to 74
	2-13	Delegation of responsibility for managing impacts		70 to 72
	2-14	Role of the highest governance body in sustainability reporting		70
	2-15	Conflicts of interest		93
	2-16	Communication of critical concerns		Sustainability: Stakeholder engagement (P.71 to 72); Economic performance and customer experience (P. 75 to 76); Governance Whistleblowing policy (P.93); Corporate Governance: Whistleblowing policy (P.123)
	2-17	Collective knowledge of the highest governance body		Corporate Governance: (P.102) Board of Directors (P.14 to 15)
	2-18	Evaluation of the performance of the highest governance body		Corporate Governance: Principle 4 (P.105); Principle 5 (P. 108)
	2-19	Remuneration policies		Corporate Governance: Principle 6 to 8 (P.108 to 112)
	2-20	Process to determine remuneration		Corporate Governance: Principle 6 to 8 (P. 108 to 112)
	2-21	Annual total compensation ratio	Confidentiality constraints. LREIT is not at liberty to disclose this information as the company is bound by confidentiality.	-
Strategy, Policy and Practices				
GRI 2: General Disclosures 2021	2-22	Statement on sustainable development strategy		66

Sustainability Report

GRI INDEX

GRI Standards Disclosure			Reference and/or Reason for Omission	Page Reference
GRI 2: General Disclosures 2021 (cont'd)	2-23	Policy commitments		Sustainability: Stakeholder engagement (P.71 to 72); Governance (P. 93)
	2-24	Embedding policy commitment		75, 77, 85, 92, 84 to 93
	2-25	Processes to remediate negative impacts		Corporate Governance: Lendlease Group employee code of conduct (P.119 to 120); Whistle-blower policy (P. 123) Sustainability: Stakeholder engagement (P.71 to 72); Governance (P. 93)
	2-26	Mechanisms for seeking advice and raising concerns		Corporate Governance: Lendlease Group employee code of conduct (P.119 to 120); Corporate Governance: Whistle-blower policy (P.123); Sustainability: Stakeholder engagement (P.71 to 72); Governance (P. 93)
	2-27	Compliance with laws and regulations		93 to 94
	2-28	Membership associations	REITAS, Financial Industry Disputes Resolution Centre (FIDReC), SBF, REITAS and ORBA	
Stakeholder Engagement				
GRI 2: General Disclosures 2021	2-29	Approach to stakeholder engagement		71 to 72
	2-30	Collective bargaining agreements	No collective bargaining agreements	
Disclosure of Material Topics				
GRI 3: Material Topics 2021	3-1	Process to determine material topics	-	73
	3-2	List of material topics	-	73
Material Topic 1: Economic Performance and Customer Experience				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	75
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	-	75
Material Topic 2: Resource Efficiency				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	77
Energy				
GRI 302: Energy (2016)	302-1	Energy consumption within the organisation	-	78
	302-3	Energy intensity	-	78
Water				
GRI 303: Water and Effluents (2018)	303-1	Interactions with water as a shared resource	-	79
	303-2	Management approach: Management of water discharge-related impacts	-	79
	303-3	Water consumption	-	79
Waste				
GRI 306: Waste (2020)	306-1	Waste generation and significant waste-related impacts	-	80
	306-2	Management of significant waste-related impacts	-	81
	306-3	Waste Generated	-	80
Material Topic 3: Climate Change Mitigation, Adaptation and Resilience Building				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	82
GRI 305: Emissions (2016)	305-2	Energy indirect (Scope 2) GHG emissions	-	82
	305-4	GHG emissions intensity	-	82

GRI Standards Disclosure			Reference and/or Reason for Omission	Page Reference
Material Topic 4: Health and Safety				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	86
GRI 403: Occupational Health and Safety (2018)	403-1	Occupational health and safety management system	-	86
	403-2	Hazard identification, risk assessment, and incident investigation	-	86
	403-3	Occupational health services	-	86
	403-4	Worker participation, consultation, and communication on occupational health and safety	-	86
	403-5	Worker training on occupational health and safety	-	86
	403-6	Promotion of worker health	-	86, 88
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-	86
	403-9	Work-related injuries	-	85
	403-10	Work-related ill health	-	85
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	85
Material Topic 5: Our People				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	87
GRI 401: Employment (2016)	401-1	New employees hires and employee turnover	-	90
GRI 404: Training and Education (2016)	404-2	Programmes for upgrading employee skills and transition assistance programmes	-	87
GRI 405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	-	89
Material Topic 6: Local Communities				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	90
GRI 413: Local Communities (2016)	413-1	Operations with local community engagement, impact assessments, and development programmes	-	91
Material Topic 7: Anti-Corruption				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	93
GRI 205: Anti-corruption (2016)	205-2	Communication and training about anti-corruption policies and procedures	-	93
	205-3	Confirmed incidents of corruption and actions taken	-	92
Material Topic 8: Regulatory Compliance				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	92
	307-1	Non-compliance with environmental laws and regulations	-	92
Material Topic 9: Customer Privacy				
GRI 3: Material Topics 2021	3-3	Management of material topics	-	94
GRI 418: Customer Privacy (2016)	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	94

Exhibiting integrity

The Board is committed to corporate governance policies and practices which are fundamental to the long term success of LREIT.


GOVERNANCE

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 high standards of corporate governance as we 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 2022 ("**FY2022**") 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 sets the strategic direction of LREIT and gives recommendations to DBS Trustee 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, written directions, notices, codes and other guidelines that MAS may issue from time to time, tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of LREIT and Unitholders, the Securities and Futures Act 2001 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 participated 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 to foster the success of LREIT so as to deliver sustainable value over the long term to Unitholders;
- ensure that 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 and are collectively and individually obliged at all times to act honestly and 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 is required to disclose his interest to the Board and 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, capital management related matters and the financial performance of LREIT and the Manager.

The Board reviews and approves the release of the financial results. In addition, the Board reviews risk management issues that materially impact LREIT's operations or financial performance, 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.

The number of Board and Board Committee meetings held in FY2022, 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	6	4	3
Dr Tsui Kai Chong	6	4	3
Mrs Lee Ai Ming	6	4	3
Mr Simon John Perrott	6	4	3
Mr Justin Marco Gabbani	4	3	1
Mr Anthony Peter Lombardo	2	1	1
No. of Meetings held in FY2022	**6**	**4**	**3**

Notes:

Mr Justin Marco Gabbani was appointed as a Director and a member of the ARC on 26 October 2021.

Mr Anthony Peter Lombardo stepped down as a Director and a member of the ARC on 26 October 2021.

Ms Ng Hsueh Ling attended the ARC meetings as an invitee.

Mr Anthony Peter Lombardo and Mr Justin Marco Gabbani attended the NRC meetings as invitees.

Corporate Governance

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 ahead of the meeting and his or her views and comments are taken into consideration during the meeting.

The Manager has adopted a set of internal guidelines which sets out the financial limits of authority for investment/business acquisition and divestment, operating/capital expenditure, capital management, leasing, disposal and write-off of income accruing to LREIT 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 of appointment is provided to newly-appointed Directors explaining their roles, duties and obligations as Director. All newly-appointed Directors undergo an induction programme which include Management's presentations on the business, operations, strategies, organisation structure, responsibilities of the 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. This induction programme includes visits to LREIT's properties and through this induction programme, 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 Justin Marco Gabbani has undergone the requisite training under Rule 210(5)(a) of the Listing Manual on the following dates:

Module	Date
LED 1 – Listed Entity Director Essentials	1 March 2021
LED 2 – Board Dynamics	3 March 2021
LED 3 – Board Performance	4 March 2021
LED 4 – Stakeholder Engagement	5 March 2021
LED 5 – Audit Committee Essentials	11 March 2021
LED 6 – Board Risk Committee Essentials	12 March 2021
LED 7 – Nominating Committee Essentials	Not required as he is not a member of the NRC
LED 8 – Remuneration Committee Essentials	Not required as he is not a member of the NRC

Dr Tsui Kai Chong has undergone the requisite training in relation to Environmental, Social and Governance Essentials under Rule 720(7) of the Listing Manual on 14 July 2022. Ms Ng Hsueh Ling, Mrs Lee Ai Ming, Mr Simon John Perrott and Mr Justin Marco Gabbani will also attend training courses on sustainability matters as prescribed by the Exchange under Rule 720(7) of the Listing Manual and are expected to complete their training course before the end of the calendar year.

In view of the increasingly demanding, complex and multi-dimensional role of a director, the NRC had reviewed the training and professional development programmes for the Board and its Directors. 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 are 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 1967 of Singapore (the "**Companies Act**"), and the CIS Code, and industry-related matters. 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 is borne by the Manager. In FY2022, sharing and information sessions were also organised as part of Board meetings, where guest speakers presented on key topics to the Board.

The Directors also have separate and independent access to Management and the company secretaries of the Manager (the "**Company Secretaries**"). They attend to corporate secretarial administration matters and advise the Board, the Board Committees and Management on corporate governance matters. The Company Secretaries attend Board and Board Committee meetings and assist 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.

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 on page 123 of this Annual Report.

The Manager has in place a Board Diversity Policy that sets out the Manager'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. As of 30 June 2022, the Board composition reflects the philosophy as set out in the Board Diversity Policy. The current Board has two female directors, one of whom is the Chairperson of the Board and the other is the chairperson of the NRC, as well as one Board member with international exposure. The Board is therefore of the view that it has made good progress in achieving its objectives under the Board Diversity Policy. The policy is reviewed from time to time as appropriate, to ensure its effectiveness.

Corporate Governance

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, and to serve the needs and plans of LREIT.

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 FY2022, 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 Board has appointed Dr Tsui Kai Chong as the lead independent director (the "**Lead Independent Director**") to provide leadership in situations where the Chairperson is conflicted, and especially when the Chairperson is not independent. None of the Directors have served on the Board for nine years or longer.

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, 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 provides leadership and facilitates the conditions for the overall effectiveness of the Board so that the members of the Board and Management work together with integrity and competency, and that the Board engages Management in an open and constructive debate on strategy, business operations, enterprise risk and other plans.

The Chairperson, with the assistance of the Company Secretaries, reviews meeting agenda to ensure there is sufficient information and time at meetings to address all agenda items. 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 approved strategy, manages and develops LREIT's businesses and implements the Board's decisions.

The Manager has put in place terms of reference for the Chairperson of the Board and the CEO. This gives clear guidance on the separation of roles of the Chairperson and CEO and provides a healthy professional relationship between the Board and Management for 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 addressed 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)
- Dr Tsui Kai Chong
- Mr Simon John Perrott
- Ms Ng Hsueh Ling

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, independence, track record as a director and knowledge required by the Board and the size of the Board which would provide an appropriate balance and contribution to the collective skills of the Board;
(b) in light of such review, 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) searches for possible candidates are conducted through contacts, recommendations and external help (for example, the Singapore Institute of Directors, search consultants, open advertisement) if required;
(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.

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.

In reviewing succession plans, the NRC has in mind the LREIT's strategic priorities and the factors affecting the long-term success of LREIT. Further, the NRC aims to maintain an optimal Board composition by considering the trends affecting LREIT, reviewing the skills needed and identifying gaps, including considering whether there is an appropriate level of diversity of thought. In addition, the NRC considers different time horizons for succession planning as follows: (i) long-term planning, to identify competencies needed for LREIT's strategy and objectives; (ii) medium-term planning, for the orderly replacement of Board members and key management personnel, and (iii) contingency planning, for preparedness against sudden and unforeseen changes.

Corporate Governance

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 as a Director;
(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 NRC and tabled to 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	Mrs Lee Ai Ming	Mr Simon John Perrott[2]	Mr Anthony Peter Lombardo[3]	Mr Justin Marco Gabbani[4]
Independent from Management and LREIT during FY2022	-	✓	✓	✓	-	-
Independent from any business relationship with the Manager and LREIT during FY2022	-	✓	✓	✓	-	-
Independent from every substantial shareholder of the Manager and every substantial unitholder of LREIT during FY2022	-	✓	✓	-	-	-
Not a substantial shareholder of the Manager or a substantial unitholder of LREIT during FY2022	✓	✓	✓	✓	✓	✓
Not served as a Director of the Manager for a continuous period of nine years or longer as at the last day of FY2022	✓	✓	✓	✓	✓	✓

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' conduct on the Board and the competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments, 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.

Key Information Regarding Directors

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

Pages 14 and 15: Academic and professional qualifications, Board Committees served on (as a member or Chairperson), date of appointment as a Director, date of last re-endorsement as a Director, present directorships in other listed companies, present principal commitments and past directorships in other listed companies held over the preceding three years, background and working experience and Page 207: Unitholdings in LREIT as at 21 July 2022.

1 Ms Ng Hsueh Ling is the Managing Director and Country Head, Singapore, Lendlease Group, and also a director of Lendlease Retail Pte. Ltd., Lendlease Singapore Pte. Ltd. and Lendlease Investment Management Pte. Ltd. ("**LLIM**"), all of which are related corporations of the Sponsor. As such, during FY2022, 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 FY2022, 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 FY2022, 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 FY2022, Mr Perrott was able to act in the best interests of all the Unitholders as a whole and is therefore an independent director of the Manager and is also considered independent under the Code of Corporate Governance 2018 as well.

3 Mr Anthony Peter Lombardo stepped down from the Board on 26 October 2021. He was appointed the Global CEO of the Sponsor on 1 June 2021. As such, for the period from 1 July 2021 to 25 October 2021, 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, for the period from 1 July 2021 to 25 October 2021, Mr Lombardo was able to act in the best interests of all the Unitholders as a whole.

4 Mr Justin Marco Gabbani was appointed to the Board on 26 October 2021. He is the CEO, Asia, Lendlease Group and a director of LLIM and Lendlease Asia Holdings Pte. Ltd., both of which are related corporations of the Sponsor. As such, for the period from 26 October 2021 to 30 June 2022, pursuant to the SF(LCB) Regulations, Mr Gabbani 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 FY2022, Mr Gabbani was able to act in the best interests of all the Unitholders as a whole.

Corporate Governance

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 assessment 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 FY2022, the Board has appointed Dr Wee Chow Hou as the external facilitator to facilitate the evaluation process. Dr Wee is an Adjunct Professor of Strategy and Marketing at the Nanyang Technological University and the Singapore University of Social Sciences. He is currently the Chairperson of the Audit Committee and Chairperson of the Remuneration Committee of CASA Holdings Ltd and has been on numerous boards of companies, including Neptune Orient Lines Limited, SembCorp Logistics Limited, Furama Limited and the Civil Aviation Authority of Singapore, among others. He has conducted numerous courses on corporate governance to various companies, including Chinese companies under the State-owned Assets Supervision and Administration Commission of the State Council.

As part of the process, questionnaires are sent to the Directors. The assessment results are aggregated and reported to the NRC, and thereafter the Board. The findings are considered by the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board, Board Committees and individual Directors in the discharge of its and their duties and responsibilities.

Board and Board Committees

The assessment categories covered in the questionnaire include Board composition, Board independence, Board process, Board committees, internal controls and risk management, Board accountability, Board information, relations with the CEO and Management, standards of conduct and Board's and Committees' performance. As part of the questionnaire, the Board also considers whether the creation of value for Unitholders has been taken into account in the decision-making process.

Individual Directors

The assessment categories covered in the questionnaire include Director's duties and responsibilities, interactive skills, knowledge and domain expertise and availability.

The Board also recognises that contributions by an individual Director can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and Board Committee meetings.

Board Evaluation as an Ongoing Process

The Board believes that performance assessment should be an ongoing process. The regular interactions between the Directors, and between the Directors and Management, also contribute to this ongoing process. Through this process of engaging its members, the Board also benefits from an understanding of shared norms between Directors which also contributes to a positive Board culture. The collective Board performance and the contributions of individual Directors are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering LREIT in the appropriate direction, as well as the long-term performance of LREIT whether under favourable or challenging market conditions.

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 on page 105 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 is in place 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 Unitholders' 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 the administration of the Manager's Unit-based incentive plans. 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. In FY2022, no external remuneration consultant was appointed.

In reviewing policies on remuneration and determining the remuneration packages for key management personnel, the NRC takes into consideration appropriate compensation benchmarks within the industry, so as to ensure that the remuneration packages payable to key management personnel are competitive and in line with the objectives of the remuneration policies. It also considers the compensation framework of the Sponsor as a point of reference. The Manager is an indirect wholly-owned subsidiary of the Sponsor which also holds a significant stake in LREIT. The association with the Sponsor puts the Manager in a better position to attract and retain better qualified management talent. Additionally, it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities.

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.

Corporate Governance

In FY2022, 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.

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

(i) alignment of interests: To incorporate performance measures that are aligned to Unitholders' interests;
(ii) alignment of horizon: To motivate employees and Management to drive sustainable long-term growth of LREIT;
(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 six scorecard areas that the Manager has identified as key to measuring its performance:
   i. financial;
   ii. strategic and operational;
   iii. customers and stakeholders;
   iv. sustainability and compliance;
   v. people; and
   vi. risk

   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 six 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 Unitholders' 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 FY2022. 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[5], Mr Justin Marco Gabbani[6] 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 FY2022. 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. Furthermore, there is unlikely to be any potential misalignment of interests given that Mr Anthony Peter Lombardo, Mr Justin Marco Gabbani 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 Capital Markets Service Licence for Real Estate Investment Trust 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 pages 110 and 111 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.

[5] Mr Anthony Peter Lombardo stepped down as a Director and a member of the ARC on 26 October 2021.

[6] Mr Justin Marco Gabbani was appointed as a Director and a member of the ARC on 26 October 2021.

Corporate Governance

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 FY2022 was S$2.0 million. This figure comprised fixed pay of S$1.3 million and variable pay of S$0.7 million (including any Units issuable under the Unit Plans, where applicable). There were a total of 12 beneficiaries of the remuneration described above.

In respect of FY2022, 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$1.2 million, comprising two individuals identified having considered, among others, their roles and decision-making powers.

Level and Mix of Remuneration of Directors and Key Management Personnel for FY2022

Name of Director	Directors' Fees[7] (S$)	Percentage
Ms Ng Hsueh Ling[8]	134,500	100%
Dr Tsui Kai Chong	124,500	100%
Mrs Lee Ai Ming	124,500	100%
Mr Simon John Perrott	109,500	100%
Mr Justin Marco Gabbani[9]	67,564	100%
Mr Anthony Peter Lombardo[10]	31,305	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 FY2022. "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)[11]	Base/Fixed Salary[12]	Performance-related Cash Bonuses	Performance-related Unit-based Incentive Award[13]
S$750,000 to S$1,000,000			
Mr Kelvin Chow Chung Yip	52%	16%	32%
S$250,000 to S$500,000			
Mr Liaw Liang Huat Joshua	70%	10%	20%

7 This is a lump-sum amount including both annual fees and attendance fees. Each of the Directors will receive 100% of his/her total Director's fee in cash.

8 Ms Ng Hsueh Ling's fees will be paid to LLIM, of which she is an employee.

9 Mr Justin Marco Gabbani was appointed as a director on 26 October 2021. His fees for the period from 26 October 2021 to 30 June 2022 will be paid to Lendlease Asia Holdings Pte. Ltd., of which he is an employee.

10 Mr Anthony Peter Lombardo stepped down as a director on 26 October 2021. His fees for the period from 1 July 2021 to 25 October 2021 will be paid to Lendlease Group Services Pty Limited, of which he is an employee.

11 The Manager has less than five key management personnel other than the CEO.

12 The base/fixed salary was paid in cash.

13 Value of Deferred Unit Award is calculated based on face value.

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.

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 2022 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. The Manager 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.

Management surfaces key risk issues for discussion and consults with the ARC and the Board regularly.

LREIT's Enterprise Risk Management framework ("**ERM Framework**") provides 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 128 to 130 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 the Manager considers 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.

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Mr Liaw's roles and responsibilities as the Executive General Manager, Finance, are akin to the role 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 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.

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.

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 Simon John Perrott;
- Mrs Lee Ai Ming; and
- Mr Justin Marco Gabbani.

At least two members of the ARC, including the ARC Chairperson, have recent and relevant 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.

A total of four ARC meetings were held in FY2022. In addition, the ARC met with the External Auditors and Internal Auditors three times and once respectively, without the presence of Management.

During the year, the ARC has 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 tabled to the ARC. Significant issues were discussed at the ARC meetings.

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 FY2022, an aggregate amount of S$1,184,400, comprising non-audit service fees of S$900,500 and audit service fees of S$283,900 was paid/payable to the External Auditors of LREIT.

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 FY2022. In determining the independence of the External Auditors, the ARC reviewed all aspects of LREIT's relationships with them including safeguards adopted by the Manager and the External Auditors relating to auditor independence. The ARC also considered the nature of the provision of the non-audit services in FY2022 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 the Manager.

The ARC is responsible for oversight and monitoring of whistleblowing. The ARC reviewed LREIT's Whistleblowing Policy (the "**Whistleblowing 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.

In addition, the ARC reviews the Whistleblowing Policy annually to ensure that the arrangements in place are most expedient and efficient for reporting any possible improprieties. The details of the Whistleblowing Policy are set out in page 123 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.

Role and Duties of Internal Auditors

For FY2022, 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 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 summary of the internal auditor's report 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.

Corporate Governance

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.

Key Audit Matter

The ARC reviewed the valuation of investment properties, being the key audit matter as reported by the External Auditors for FY2022. 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.

The ARC was satisfied with the appropriateness of the valuation methodologies and assumptions applied across all investment properties as disclosed in the financial statements.

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 FY2022, the Manager conducted a hybrid of virtual conferences and in-person meetings with over 500 institutional and retail investors including analysts through participation in one-on-one conferences, post-results investor briefings and non-deal roadshows. More details of the Manager's investor relations activities and efforts are set out on pages 60 to 63 of this Annual Report.

The Manager has in place a Unitholders' Communication and Investor Relations Policy (the "**Investor Relations Policy**") which sets out the principles and practices that the Manager applies in its outreach to the investor 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, LREIT's corporate website 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, LREIT's corporate website 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 general meetings held in FY2022 were conducted 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**"). Unitholders were encouraged to submit their questions and proxy votes ahead of the general meetings, 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 meetings were published on SGXNET and LREIT's website within one month from the date of the meeting.

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 and each proxy exercises 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 general meetings 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 is 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. For FY2022, all Directors attended the general meetings 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 within one month before the date of the general meeting.

The Company Secretaries prepare the 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 SGX-ST via SGXNET and LREIT's website within one month from the date of Unitholders' meetings.

Distribution Policy

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.

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 71 and 72 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 (if LREIT does not announce its quarterly financial statements) and two weeks before the release of quarterly results (if LREIT announces its quarterly financial statements, whether required by the SGX-ST or otherwise), 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 interests.

The Manager has in place a Conflicts of Interest Procedure, instituting 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 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 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[14]. 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.

[14] 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 Code of Conduct Policy (the "**Code of Conduct Policy**") which explains the standards the Lendlease Group expects in the conduct of its business and operations. The Code of Conduct Policy supports the Lendlease Group's core values of Respect, Integrity, Innovation, Collaboration, Excellence and Trust, especially Integrity (which "is non-negotiable") and links these values to more specific global, regional and local business procedures. The Code of Conduct Policy 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 Code of Conduct Policy 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. It is clear from the Code of Conduct Policy 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 key rules to be followed by the employees. 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 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's core values and Code of Conduct Policy.

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 Business Integrity Committee, as appropriate.

The Code of Conduct Policy 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 Code of Conduct Policy when they join the Manager. Further, it is mandatory for all employees of the Manager to complete an annual recertification training on the Code of Conduct Policy to ensure awareness and continuous compliance when working as an employee of the Manager.

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 of the persons or entities in (i) above,

would constitute an Interested Person Transaction.

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all Related Party Transactions are 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).

Corporate Governance

The Manager maintains 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.

The Manager also incorporated into its internal audit plan a review of all Related Party Transactions entered into by LREIT. The ARC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee 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 an 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 that 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 is disclosed in LREIT's Annual Report for the relevant financial year.

Role of the Audit and Risk Committee for Related Party Transactions

The ARC reviews all Related Party Transactions quarterly 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) 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, Board Committees, Self and Peers 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 would be required to complete an evaluation questionnaire. The responses will be compiled and a report will be prepared and presented to the NRC for consideration. Where appropriate, the NRC will propose recommendations with the objective of enhancing Board performance and effectiveness to the Board after reviewing the report presented. The Board will then consider and decide on the implementation of the NRC's recommendations.

Individual Directors

In the assessment of the performance of the Directors, each Director will be required to perform a self-assessment based on an agreed set of criteria. Based on the completed questionnaire, a consolidated report will be prepared by the external facilitator (if appointed) and presented to the NRC. The NRC then reviews the feedback and make recommendations to 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's and Committees' performance, Board accountability, Board process, internal controls and risk management, Board committees, Board information, relations with CEO and Management, standards of conduct 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 and domain expertise;
(3) duties and responsibilities; 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 Remuneration 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 Justin Marco Gabbani	Non-Independent Non-Executive Director	Member	-

Whistleblowing Policy

The Whistleblowing 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 and investigated objectively, the Manager has engaged the Chairperson of the ARC and General Counsel, Asia, Lendlease Group 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 Whistleblowing Policy. Revisions, amendments and alterations to the Whistleblowing 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 2022 is set out below.

	Mr Justin Marco Gabbani	**Mr Simon John Perrott**
Date of Appointment	26 October 2021	29 August 2019
Date of last endorsement or re-endorsement of appointment (as the case may be)	Not Applicable	Not Applicable
Age	40	64
Country of principal residence	Singapore	Australia
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	The Nomination and Remuneration Committee ("**NRC**") of the Manager has reviewed the qualifications and experience of Mr Gabbani and recommended to the Board the endorsement of Mr Gabbani as the Non-Independent Non-Executive Director and a member of the Audit and Risk Committee ("**ARC**"). The Board has considered the recommendation and assessment of the NRC on Mr Gabbani's knowledge, age, background, expertise, experience, diversity of skillsets, contributions and commitment in the discharge of his duties as a Non-Independent Non-Executive Director and a member of the ARC; and is satisfied that he will continue to provide the Board with insights into the business; and approved the endorsement of Mr Gabbani as a Non-Independent Non-Executive Director and member of the ARC of the Manager. The seeking of endorsement or re-endorsement of Directors to the Board is further explained on page 106 of this Annual Report.	The NRC of the Manager has reviewed the qualifications and experience of Mr Perrott and recommended to the Board the re-endorsement of Mr Perrott as the Independent Non-Executive Director, and a member of the ARC and the NRC. The Board has considered the recommendation and assessment of the NRC on Mr Perrott's expertise, international exposure, business experience, geographical background, independence, contributions and commitment in the discharge of his duties as an Independent Non-Executive Director, and a member of the ARC and the NRC; and is satisfied that he will continue to contribute meaningfully to the Board; and approved the re-endorsement of Mr Perrott as an Independent Non-Executive Director, and a member of the ARC and the NRC of the Manager. The seeking of endorsement or re-endorsement of Directors to the Board is further explained on page 106 of this Annual Report.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title	Non-Independent Non-Executive Director and member of the ARC	Independent Non-Executive Director, member of the ARC and member of the NRC
Professional qualifications	Bachelor of Finance and Bachelor of Commerce, Bond University, Queensland Chartered Accountant, Australia	Bachelor of Science, University of Melbourne Master of Business Administration, University of New South Wales
Working experience and occupation(s) during the past 10 years	**2011 to 2015** Head of Investment & Capital Markets, Asia, Lendlease Group **2015 to 2016** Head of Investment & Capital Markets, Asia and Europe, Lendlease Group **2016 to 2021** Chief Financial Officer, Asia, Lendlease Group **1 June 2021 to present** Chief Executive Officer, Asia, Lendlease Group	**2009 to 2012** Chairperson, RBS Australia **2012 to 2014** Chairperson, CIMB Bank Australia

	Mr Justin Marco Gabbani	Mr Simon John Perrott
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 568,890 Units	Direct Interest – 114,650 Units
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	Mr Gabbani is the Chief Executive Officer, Asia, Lendlease Group and a Director of Lendlease Asia Holdings Pte. Ltd. and Lendlease Investment Management Pte. Ltd., both of which are a related corporation of Lendlease Corporation Limited, the sponsor of Lendlease Global Commercial REIT ("**Sponsor**").	Mr Perrott is currently an independent non-executive director and a member of the Audit and Risk Management Committee of Lendlease Real Estate Investments Limited ("**LLREIL**"), a wholly-owned subsidiary of the Sponsor. In addition, Mr Perrott is an independent non-executive director of Retirement Benefit Fund Pty Limited, which is the trustee for the Lendlease Retirement Benefit Fund, a non-profit organisation used to benefit charitable style purposes of the Lendlease Foundation. Lendlease Retirement Benefit Fund has no connection with LREIT. Please refer to page 107 on details of Mr Perrott's "independence" status.
Conflicts of interest (including any competing business)	As above	No. Mr Perrott is not and has never been employed by any member of the Lendlease Group. His only roles with the Lendlease Group are his appointment as independent non-executive director of LLREIL and Retirement Benefit Fund Pty Limited.
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)	Lendlease Asia Retail Investment Fund 1 Pte. Ltd. Lendlease Asia Retail Investment Fund 2 Pte. Ltd. Lendlease Asia Retail Investment Fund 3 Pte. Ltd. Lendlease Asia Retail Investment Fund 4 Pte. Ltd. Lendlease Asia Retail Investment Fund 5 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 Commercial Investments Pte. Ltd. Lendlease DC Holdings Trustee Pte. Ltd. Lendlease GCR Investment Holding Pte. Ltd. Lendlease Global Commercial (AU) Pte. Ltd. Lendlease Global Commercial (IT) Pte. Ltd. Lendlease Global Commercial (SG) Pte. Ltd. Lendlease Japan Holdings Pty Limited Lendlease P&D Realty Sdn Bhd Lendlease Project Management & Construction (Shanghai) Co., Ltd. Lendlease Proptech Investments Pte. Ltd. Lendlease Retail Investments 3 Pte. Ltd. Lendlease Retail Pte. Ltd. Lendlease Senior Living Property Company Pte. Ltd. Lendlease Singapore Holdings Pty Limited Lendlease Singapore Pte. Ltd. Lendlease Vault Holdings Pte. Ltd. LLDCP Aquila Pte. Ltd. Milano Central Pte. Ltd. Parkway Parade Partnership Pte. Ltd. Roma Central Pte. Ltd. Space Lab Holding Pte. Ltd. Space Lab One Pte. Ltd. Verona Central Pte. Ltd.	-

Corporate Governance

	Mr Justin Marco Gabbani	Mr Simon John Perrott
Present (directorships)	Erina Fair Singapore Pte. Ltd Lendlease Asia Holdings Pte. Ltd. Lendlease Digital Asia Holdings Pte. Ltd. Lendlease Digital Asia Pte. Ltd. Lendlease Global Commercial Trust Management Pte. Ltd. Lendlease International Asia Holdings Pty Limited 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 R&H Holdings JR Pte. Ltd. Lendlease R&H Holdings Pte. Ltd. Lendlease TRX Hotel 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 Development Sdn Bhd Plot 2 JV Holdings Sdn Bhd	AIN Pty Limited Lendlease Real Estate Investments Limited Perrott Properties Pty Limited Retirement Benefit Fund Pty Limited The Wayside Chapel
Present major appointments (other than directorships)	Chief Executive Officer, Asia, Lendlease Group	Nil

	Mr Justin Marco Gabbani	Mr Simon John Perrott
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

	Mr Justin Marco Gabbani	Mr Simon John Perrott
Information required pursuant to Appendix 7.4.1 of the Listing Manual		
(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

	Mr Justin Marco Gabbani	Mr Simon John Perrott
Prior experience as a director of an issuer listed on the Exchange	Mr Gabbani has no prior experience as a director of an issuer listed on the Exchange. Mr Gabbani has undergone the requisite training conducted by the Singapore Institute of Directors on the following dates: LED 1 – Listed Entity Director Essentials on 1 March 2021 LED 2 – Board Dynamics on 3 March 2021 LED 3 – Board Performance on 4 March 2021 LED 4 – Stakeholder Engagement on 5 March 2021 LED 5 – Audit Committee Essentials on 11 March 2021 LED 6 – Board Risk Committee Essentials on 12 March 2021	N.A.

Risk Management

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 a 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.

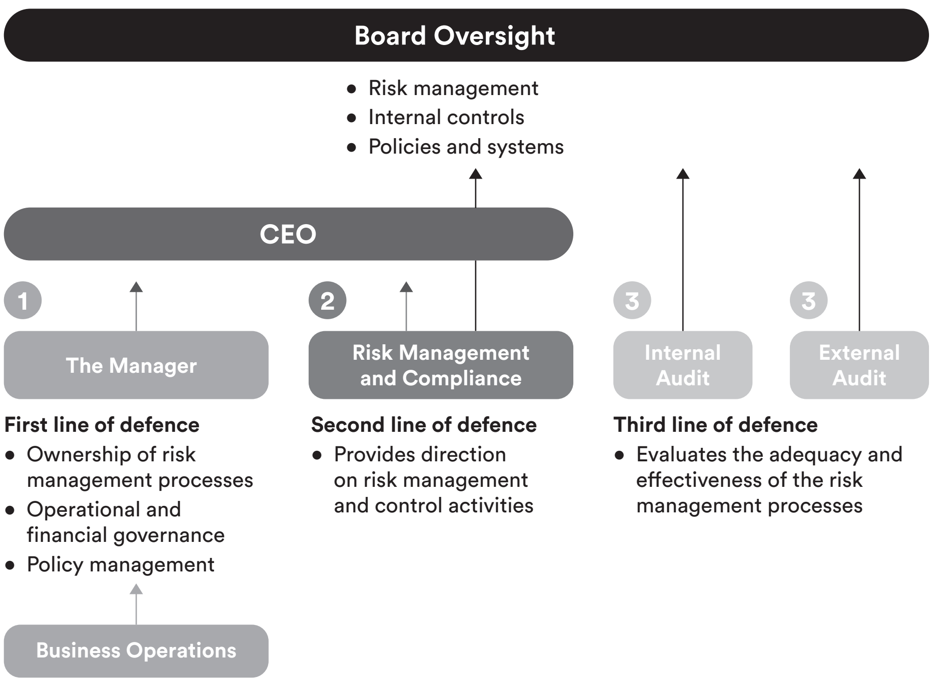
The Manager acknowledges that risk management should not focus only on reducing and minimising risks, it also seeks to preserve capital and ensure resilience in cyclical changes in business conditions. The risk management framework applies as a structured process in making risk-based strategies and decisions 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 program.**

The Manager recognises that risk culture is one of the critical success factors of an effective risk management program.

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 are 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.

THREE LINES OF DEFENCE



Strategic Risk

Details

- 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.

Mitigation Actions

- Adopts disciplined approach to financial management.
- Monitors macroeconomic trends, policies and regulatory changes.
- 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 Risk

Details

- Inability to secure funding for meeting financial obligations, operational requirements, investments and capital expenditures could lead to a loss in investment opportunities.
- Interest rates fluctuations expose LREIT to volatility in financing costs.
- Unfavourable movements in foreign currencies against the Singapore Dollar may translate to a reduction in earnings.

Mitigation Actions

- Monitors LREIT's debt maturity profile, operating cash flows and the available funding sources to ensure that there are sufficient financial resources to finance operations and initiatives.
- Ability to access various sources of funds to minimise over-reliance on a single source of funds for any funding or refinancing requirements.
- Reviews and maintains an optimal mix of fixed and floating rates.
- Minimises the level of foreign exchange and interest rate risks by entering into financial derivatives to hedge these risks, where possible.
- Maintains vigilant account receivables monitoring and collection procedures.
- For LREIT's assets, security deposits or advance rentals are collected from tenants, in line with prevailing market practice.

Operational Risk

Details

- Risks in 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.

Mitigation Actions

- Guided by relevant policies and procedures, which are benchmarked against industry best practices, including reporting and monitoring processes to mitigate operational risks and safeguard business sustainability.
- Business Continuity Plan is in place to ensure business continuity and mitigate interruptions or catastrophic loss to operations.
- LREIT's properties are properly insured in accordance with current industry practices.
- Taps into Lendlease Group's in-house capabilities including property and retail development, leasing, marketing and property management to maintain competitive advantage and differentiate LREIT against its peers through ongoing brand building.
- Regular reports/updates are received from, and meetings are scheduled with, the property manager in Singapore and fund manager in Milan for the purposes of reviewing performance and agreeing on actions for further improvement.

Health and Safety

Details

- Failure to provide an environment which promotes health, safety and wellbeing impacts LREIT's ability to achieve corporate and social responsibilities.

Mitigation Actions

- Implements Lendlease Group's Global Minimum Requirements ("**GMR**"), which include safety, health and wellbeing, empowering its people to operate in a consistent standard across all operations.
- Lendlease Group released the fourth edition of its GMRs in 2021, 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.
- Mandatory training to understand how GMRs support the continual improvement of the safety environment at workplaces.

Risk Management

Compliance Risk

Details

- 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.

Mitigation Actions

- Proactive stance to observe all laws and regulations on an ongoing basis, including the requirements of the listing manual of the SGX-ST, the Code on Collective Investment Schemes issued by the MAS and the provisions in the trust deed constituting LREIT dated 28 January 2019 (as amended).
- Written corporate policies to facilitate staff awareness and minimise unintentional breach of applicable legislations and obligations.
- Compliance with policies and procedures are always required. The policies will be reviewed by the Manager on an annual or biennial basis and are submitted to the ARC for review and approval.
- Investment community to have up-to-date information concerning material changes in LREIT's business and operations.
- 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 Risk

Details

- Risks on 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.

Mitigation Actions

- Implements new systems with updated security protection and policies in place, to address the known cybersecurity threats at the point in time.
- Taps into the expertise of the Information & Communication Team from the Lendlease Group to execute the risk management strategy through ongoing review against business environment and existing/evolving threat landscapes.
- Conducts IT Security Awareness Training and internal phishing campaigns to continually raise the awareness of employees to stay vigilant on cyber security in the information security chain.
- Periodical review by Lendlease Group and update IT Security Policy and Data Protection Framework to ensure relevancy.

Climate Risk

Details

- Physical risks presented by extreme weather events such as urban flooding and heat wave.
- Financial risks due to potential insurance liabilities from adverse climate impacts.
- Transitional risks as different stakeholders – governments, investors, suppliers, tenants, and customers – respond unevenly to climate change.

Mitigation Actions

- Adopts Lendlease Group's Sustainability Framework scenario planning to test strategic resilience across ESG outcomes.
- Test resiliency by using a range of environmental, social, technological, economic and policy indicators to create future climate scenarios. These scenarios are based on peer-reviewed scientific and academic research, tested with a broad range of stakeholders, and designed to be plausible but challenging.
- Identifies climate-related impacts under each scenario reflect the potential transitional and financial risks that are pertinent to LREIT, as well as the opportunities that LREIT can tap into to enhance strategic resilience by mitigating these impacts.
- Conducts climate-related risk assessments on LREIT's assets and integrates into the acquisitions process.
- Adopts the recommendations set out by TCFD and is committed to disclosing its climate-related risks and opportunities, including its climate change adaptation and resilience strategy, on an annual basis through LREIT's Sustainability Report.

Financials

FINANCIALS

OTHER INFORMATION

Report of the Trustee

DBS Trustee 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 Futures Act 2001, 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 (as amended)[1] between the Trustee and the Manager (the "**Trust Deed**") 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 138 to 203, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
12 September 2022

1 As amended by the First Amending and Restating Deed dated 10 September 2019, the First Supplemental Deed dated 15 July 2020 and the Supplemental Deed of Retirement and Appointment of Trustee dated 20 May 2022.

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 138 to 203, comprising the statements of financial position and portfolio statements of the Group and LREIT as at 30 June 2022, 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 2022, 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 2022, 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
12 September 2022

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 2022, 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 138 to 203.

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 2022, 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 2022 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 2022, the Group owns a portfolio of investment properties comprising a leasehold interest in one retail mall ("**313@somerset**") and one integrated office and retail development ("**Jem**") located in Singapore (together, the "**Singapore Properties**") 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.

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))

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.

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, Discounted Cash Flow Analysis and/or Direct Comparison Approach for the Singapore Properties and Discounted Cash Flow Analysis for the Milan Property. The reported fair values of the Singapore Properties were derived based on an average of the approaches used. 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 2022. Where the assumptions were outside the expected range, the additional factors considered by the external valuers were consistent with other corroborative evidence.

Other information

Lendlease Global Commercial Trust Management Pte. Ltd. (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

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.

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 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
12 September 2022

Statements of Financial Position

As at 30 June 2022

	Note	Group		LREIT	
		2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Non-current assets					
Investment properties	4	**3,593,332**	1,419,857	**3,121,000**	983,000
Investment property under development	5	**6,105**	5,521	**6,105**	5,521
Investment in associates	6	**14,511**	–	**–**	–
Investment in subsidiaries	7	**–**	–	**448,666**	435,245
Equity instrument at fair value	8	**–**	44,591	**–**	44,591
Trade and other receivables	9	**1,479**	7,311	**–**	–
Other non-current assets	10	**1,294**	869	**1,294**	869
Derivative financial instruments	11	**9,980**	128	**9,980**	128
		3,626,701	1,478,277	**3,587,045**	1,469,354
Current assets					
Cash and cash equivalents	12	**49,230**	249,264	**32,373**	232,768
Trade and other receivables	9	**16,820**	6,664	**13,153**	833
Other current assets	13	**6,798**	2,910	**6,481**	2,582
Derivative financial instruments	11	**2,415**	–	**2,415**	–
		75,263	258,838	**54,422**	236,183
Total assets		**3,701,964**	1,737,115	**3,641,467**	1,705,537
Current liabilities					
Trade and other payables	14	**56,120**	27,393	**51,824**	22,997
Loans and borrowings	15	**297,754**	–	**297,754**	–
Lease liability	16	**234**	416	**234**	416
Derivative financial instruments	11	**–**	207	**–**	207
		354,108	28,016	**349,812**	23,620
Non-current liabilities					
Trade and other payables	14	**15,146**	5,300	**15,146**	5,300
Loans and borrowings	15	**1,152,146**	542,573	**1,152,146**	542,573
Lease liability	16	**1,871**	2,105	**1,871**	2,105
Derivative financial instruments	11	**–**	2,322	**–**	2,322
		1,169,163	552,300	**1,169,163**	552,300
Total liabilities		**1,523,271**	580,316	**1,518,975**	575,920
Net assets		**2,178,693**	1,156,799	**2,122,492**	1,129,617
Represented by:					
Unitholders' funds		**1,775,412**	957,902	**1,723,050**	930,720
Non-controlling interests	17	**3,839**	–	**–**	–
Perpetual securities holders	18	**399,442**	198,897	**399,442**	198,897
		2,178,693	1,156,799	**2,122,492**	1,129,617
Units issued at end of financial year ('000)	18	**2,277,126**	1,180,996	**2,277,126**	1,180,996
Net asset value per unit attributable to Unitholders (S$)		**0.78**	0.81	**0.76**	0.79

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

Statements of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2022

	Note	Group 2022 S$'000	Group 2021 S$'000
Gross revenue	19	**101,662**	78,651
Property operating expenses	20	**(26,154)**	(21,733)
Net property income		**75,508**	56,918
Manager's base fee	21	**(6,025)**	(3,933)
Manager's performance fee	21	**(3,949)**	(2,923)
Other management fee		**(1,256)**	(801)
Trustee's fee		**(303)**	(209)
Other trust expenses	22	**(4,339)**	(2,561)
Dividend income		**–**	1,731
Net foreign exchange gain/(loss)	23	**39,853**	(9,219)
Net finance costs	24	**(15,803)**	(9,989)
Profit before tax, change in fair value, impairment and share of profit		**83,686**	29,014
Net change in fair value of investment properties and investment property under development		**49,115**	(31,284)
Net change in fair value of equity instrument		**330**	(942)
Impairment of investment in associates		**(564)**	–
Share of profit of associates		**5,319**	–
Net change in fair value of derivative financial instruments		**14,796**	1,873
Profit/(Loss) before tax		**152,682**	(1,339)
Tax expense	25	**–**	–
Profit/(Loss) after tax		**152,682**	(1,339)
Attributable to:			
Unitholders		**140,386**	(1,937)
Non-controlling interests	17	**1,543**	–
Perpetual securities holders		**10,753**	598
		152,682	(1,339)
Other comprehensive income			
Items that is or may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiary		**(39,409)**	9,005
Total comprehensive income for the year		**113,273**	7,666
Attributable to:			
Unitholders		**100,977**	7,068
Non-controlling interests	17	**1,543**	–
Perpetual securities holders		**10,753**	598
		113,273	7,666
Earnings per unit (cents)			
Basic and diluted	26	**9.83**	(0.16)

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

Distribution Statements

Year ended 30 June 2022

	Note	Group 2022 S$'000	Group 2021 S$'000
Amount available for distribution to Unitholders at beginning of the year		**27,583**	20,605
Profit/(Loss) after tax		**140,386**	(1,937)
Net tax and other adjustments	A	**(68,881)**	57,060
Amount available for distribution to Unitholders from taxable income		**99,088**	75,728
Distribution to Unitholders during the year			
1.758 Singapore cents per unit for the period from 1 January 2020 – 30 June 2020		**–**	(20,600)
2.340 Singapore cents per unit for the period from 1 July 2020 – 31 December 2020		**–**	(27,545)
2.335 Singapore cents per unit for the period from 1 January 2021 – 30 June 2021		**(27,576)**	–
2.400 Singapore cents per unit for the period from 1 July 2021 – 31 December 2021		**(28,602)**	–
1.137 Singapore cents per unit for the period from 1 January 2022 – 30 March 2022		**(13,550)**	–
		(69,728)	(48,145)
Amount available for distribution to Unitholders at end of the year		**29,360**	27,583

Please refer to note 3.12 for LREIT's distribution policy.

Note A – Net tax and other adjustments

	Group 2022 S$'000	Group 2021 S$'000
Manager's base fees in units	**5,242**	3,933
Manager's performance fees in units	**3,435**	2,923
Property manager's fees in units	**2,004**	1,671
Amortisation of debt-related transaction costs	**7,190**	5,201
Net unrealised foreign exchange (gain)/loss	**(39,455)**	8,424
Impairment of investment in associate	**564**	–
Share of associates profit	**(5,319)**	–
Net change in fair value of investment properties and investment property under development	**(49,115)**	31,284
Net change in fair value of equity instrument	**(330)**	942
Net change in fair value of derivative financial instruments	**(14,796)**	(1,873)
Temporary differences and other adjustments	**18,105**	3,386
Non-tax deductible expenses	**3,594**	1,169
	(68,881)	57,060

Statements of Movements in Unitholders' Funds

Year ended 30 June 2022

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Unitholders' Funds				
Balance at beginning of the year	**957,902**	992,250	**930,720**	955,395
Operations				
Profit/(Loss) after tax	**140,386**	(1,937)	**75,797**	16,741
Foreign currency translation reserve				
Translation differences relating to financial statements of foreign subsidiary	**(39,409)**	9,005	**–**	–
Unitholders' transactions				
Issuance costs	**(9,556)**	–	**(9,556)**	–
Manager's base fee paid in units	**4,048**	2,937	**4,048**	2,937
Manager's performance fee paid in units	**2,923**	2,015	**2,923**	2,015
Manager's acquisition fee paid in units	**20,335**	455	**20,335**	455
Property manager's fee paid in units	**1,617**	1,322	**1,617**	1,322
Consideration units	**118,079**	–	**118,079**	–
Private placement units	**399,999**	–	**399,999**	–
Preferential offering units	**248,816**	–	**248,816**	–
Distributions to Unitholders	**(69,728)**	(48,145)	**(69,728)**	(48,145)
Change in Unitholders' funds resulting from Unitholders' transactions	**716,533**	(41,416)	**716,533**	(41,416)
Balance at end of the year	**1,775,412**	957,902	**1,723,050**	930,720

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Perpetual securities holders				
Balance at beginning of the year	**198,897**	–	**198,897**	–
Issuance of perpetual securities	**200,000**	200,000	**200,000**	200,000
Issuance costs	**(1,808)**	(1,701)	**(1,808)**	(1,701)
Profit after tax attributable to perpetual securities holders	**10,753**	598	**10,753**	598
Distributions	**(8,400)**	–	**(8,400)**	–
Balance at end of the year	**399,442**	198,897	**399,442**	198,897
Non-controlling interests				
Balance at beginning of the year	**–**	–	**–**	–
Acquisition of subsidiary	**140,516**	–	**–**	–
Profit after tax attributable to non-controlling interests	**1,543**	–	**–**	–
Distributions	**(138,220)**	–	**–**	–
Balance at end of the year	**3,839**	–	**–**	–

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

Portfolio Statements

As at 30 June 2022

Description of property	Location	Term of land lease	Remaining term of land lease (years)	Existing use	Occupancy rate[1] 2022 %	2021 %
Group and LREIT						
Investment properties in Singapore						
313@somerset	313 Orchard Road, Singapore 238895	99 years	83.4	Commercial	**99.9**	99.2
Jem	50 and 52 Jurong Gateway Rd, Singapore 608549/50	99 years	87.2	Commercial	**99.5**	N.A.
Group						
Investment property in Italy						
Sky Complex[3]	Via Luigi Russolo 4 (Building 1 & 2) Via Luigi Russolo 9 (Building 3) 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]	8.4	Commercial	**N.A.**	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 2022, the property was valued at €324.5 million (equivalent to approximately S$472.3 million) (2021: €274.0 million (equivalent to approximately S$436.9 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**	
	2022 S$'000	**2021** S$'000	**2022** %	**2021** %	**2022** S$'000	**2021** S$'000	**2022** %	**2021** %
	987,000	983,000	**55.6**	102.6	**987,000**	983,000	**57.3**	105.6
	2,134,000	N.A.	**120.2**	N.A.	**2,134,000**	N.A.	**123.9**	N.A.
	472,332	436,857	**26.6**	45.6	**–**	–	**–**	–
	3,593,332	1,419,857	**202.4**	148.2	**3,121,000**	983,000	**181.2**	105.6
	4,000	3,000	**0.2**	0.3	**4,000**	3,000	**0.2**	0.3
	4,000	3,000	**0.2**	0.3	**4,000**	3,000	**0.2**	0.3
	3,597,332	1,422,857	**202.6**	148.5	**3,125,000**	986,000	**181.4**	105.9

Portfolio Statements

As at 30 June 2022

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
Non-controlling interests
Perpetual securities holders
Net assets attributable to Unitholders

As at 30 June 2022, the investment properties and investment property under development in Singapore were valued by Cushman & Wakefield VHS Pte. Ltd. and Jones Lang LaSalle Property Consultants Pte. Ltd. (2021: CBRE Pte. Ltd.) and the investment property in Milan was valued by Colliers Valuation Italy S.r.l. (2021: 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 properties were based on capitalisation method, discounted cash flow analysis and/or direct comparison method. The valuation of the Milan investment property was based on discounted cash flow analysis. The valuation of the Singapore investment property under development were based on capitalisation method and discounted cash flow analysis (2021: residual land method). Refer to note 4 and 5 of the financial statements for details of the valuation techniques.

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

Group				LREIT			
Carrying value		Percentage of total Unitholders' funds		Carrying value		Percentage of total Unitholders' funds	
2022 S$'000	**2021** S$'000	**2022** %	**2021** %	**2022** S$'000	**2021** S$'000	**2022** %	**2021** %
3,597,332	1,422,857	**202.6**	148.5	**3,125,000**	986,000	**181.4**	105.9
2,105	2,521	**0.1**	0.3	**2,105**	2,521	**0.1**	0.3
3,599,437	1,425,378	**202.7**	148.8	**3,127,105**	988,521	**181.5**	106.2
				(1,004,613)	141,096	**(58.3)**	15.2
				2,122,492	1,129,617	**123.2**	121.4
				(399,442)	(198,897)	**(23.2)**	(21.4)
				1,723,050	930,720	**100.0**	100.0
(1,420,744)	(268,579)	**(80.0)**	(28.0)				
2,178,693	1,156,799	**122.7**	120.8				
(3,839)	–	**(0.2)**	–				
(399,442)	(198,897)	**(22.5)**	(20.8)				
1,775,412	957,902	**100.0**	100.0				

Consolidated Statement of Cash Flows

Year ended 30 June 2022

	Note	Group 2022 S$'000	Group 2021 S$'000
Cash flows from operating activities			
Profit/(Loss) after tax		152,682	(1,339)
Adjustments for:			
Manager's fees paid/payable in units		8,677	6,856
Property manager's fees paid/payable in units		2,004	1,671
Transaction costs related to purchase of equity instrument		54	908
Finance income	24	(259)	(51)
Interest expense	24	8,712	4,764
Amortisation of debt-related transaction costs		7,190	5,201
Net unrealised foreign exchange (gain)/loss	23	(39,455)	8,424
Impairment of investment in associates		564	–
Share of profit of associates		(5,319)	–
Net change in the fair value of investment properties and investment property under development		(49,115)	31,284
Net change in fair value of equity instrument		(330)	942
Net change in the fair value of derivatives financial instruments		(14,796)	(1,873)
Operating income before working capital changes		70,609	56,787
Changes in:			
Trade and other receivables		(4,350)	9,678
Trade and other payables		33,281	(1,855)
Other current assets		(3,888)	1,753
Other non-current assets		(425)	143
Net cash generated from operating activities		95,227	66,506
Cash flows from investing activities			
Dividends received from associates (including net capital returns)		363,594	–
Interest received		259	51
Acquisition of investment property		(1,878,520)	–
Capital expenditure on investment properties		(2,417)	(1,149)
Capital expenditure on investment property under development		(2,062)	(313)
Purchase of equity instrument at fair value		–	(45,533)
Transaction costs related to purchase of equity instrument		129	(345)
Acquisition of investment in associates		(170,218)	–
Acquisition of subsidiary	33	(158,012)	–
Net cash used in investing activities		(1,847,247)	(47,289)

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

Consolidated Statement of Cash Flows

Year ended 30 June 2022

		Group	
	Note	2022 S$'000	2021 S$'000
Cash flows from financing activities			
Proceeds from issuance of new units		648,815	–
Payment of issue costs for new units		(9,556)	–
Proceeds from issue of perpetual securities		200,000	200,000
Payment of issue costs for perpetual securities		(1,808)	(1,624)
Payment of financing expenses		(26,305)	–
Payment of lease liability	16	(336)	–
Proceeds from loans and borrowings		1,221,000	–
Repayment of loans and borrowings		(255,000)	–
Distribution to Unitholders		(69,728)	(48,145)
Distribution to perpetual securities holders		(8,400)	–
Distribution to non-controlling interests		(138,220)	–
Interest paid		(7,035)	(4,403)
Net cash generated from financing activities		1,553,427	145,828
Net (decrease)/increase in cash and cash equivalents		(198,593)	165,045
Cash and cash equivalents at beginning of the year		249,264	83,678
Effect of exchange rate changes on balances held in foreign currency		(1,441)	541
Cash and cash equivalents at end of the year	12	49,230	249,264

Significant non-cash transactions

During the financial year ended 30 June 2022, there were the following significant non-cash transactions:

(i) LREIT issued units amounting to S$6.9 million (2021: S$4.9 million) as payment for the base fee and performance fee elements of the Manager's management fees.

(ii) LREIT issued units amounting to S$20.3 million (2021: S$0.5 million) as payment for the acquisition fee element of the Manager's management fees.

(iii) LREIT issued units amounting to S$1.6 million (2021: S$1.3 million) as payment for the property manager's management fee.

(iv) LREIT issued units amounting to S$118.1 million as consideration units issued for the acquisition of 13.05% interest in Lendlease Asian Retail Investment Fund 3 Limited ("**ARIF3**").

(v) LREIT issued units amounting to S$399.9 million in connection with the private placement exercise to raise funds for the payment in respect of the acquisition of Jem.

(vi) LREIT issued units amounting to S$248.8 million in connection with the preferential offering exercise to raise funds for the payment in respect of the acquisition of Jem.

Refer to note 18 of the financial statements.

The accompanying notes form an integral part of these 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 12 September 2022.

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, the First Supplemental Deed dated 15 July 2020 and the Supplemental Deed of Retirement and Appointment of Trustee dated 20 May 2022 (collectively, the "**Trust Deed**"), entered into between DBS Trustee 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**").

LREIT was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 2 October 2019 (the "**Listing Date**") and LREIT was declared as an authorised unit trust scheme under the Trustees Act 1967.

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 7.

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 follows:

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.

Notes to the Financial Statements

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 Properties are charged based on the following formula:

(i) up to 2.0% per annum of the gross revenue of the properties

(ii) up to 2.0% per annum of the net property income[1] of the properties

[1] As defined in the individual property management agreement of each property

Notes to the Financial Statements

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 up to 5.0% of the cost of the maintenance works;

(iii) a construction supervision fee of up to 3.0% of the cost of the applicable construction project.

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 (subjected to annual adjustment where applicable).

1.4 Other management fee

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 Manager's fees 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.

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.

Notes to the Financial Statements

2 Basis of preparation continued

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 8: 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.

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 8: Equity instrument at fair value;
- Note 11: Derivatives financial instruments; and
- Note 30: Fair value of assets and liabilities.

Notes to the Financial Statements

2 Basis of preparation continued

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 2021:

- *COVID-19-Related Rent Concessions (Amendments to IFRS 16)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

Other than the Phase 2 Amendments, the application of the amendments to standards and interpretations did not have a material effect on the financial statements.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 30 June 2021, there is no impact on opening Unitholders' funds as a result of retrospective application.

Specific policies applicable from 1 July 2021 for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Notes to the 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
- the recognised amount of any non-controlling interests in the acquiree; 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.

Non-controlling interests ("**NCI**") that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by IFRSs.

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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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.

Notes to the Financial Statements

3 Significant accounting policies continued

3.1 Basis of consolidation continued

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.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its investment in associates, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

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

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 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.

Notes to the Financial Statements

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

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

3 Significant accounting policies continued

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.

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.

Notes to the Financial Statements

3 Significant accounting policies continued

3.5 Impairment continued

(a) Non-derivative financial assets continued

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.

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.

Notes to the Financial Statements

3 Significant accounting policies continued

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.

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.

From 1 July 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform (see note 2.5), the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

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'.

Notes to the Financial Statements

3 Significant accounting policies continued

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.

3.9 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.

Notes to the Financial Statements

3 Significant accounting policies continued

3.11 Income tax expense continued

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.

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 certain tax rulings/confirmations from the Inland Revenue Authority of Singapore ("**IRAS**")/Ministry of Finance ("**MoF**") in relation to Singapore income tax treatment of certain income from its properties.

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, and for this purpose, a distribution made within three months from the end of the financial year is regarded as being distributed in the same period. In other words, for Specified Taxable Income of LREIT relating to the financial year ended 30 June 2022, such Specified Taxable Income would have to be distributed by 30 September 2022 to meet the 90% requirement. In addition, 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 had 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.

Notes to the Financial Statements

3 Significant accounting policies continued

3.11 Income tax expense continued

Tax Transparency Treatment continued

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 1948; 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.

A Qualifying Non-resident Fund is a non-resident fund that qualifies for tax exemption under Section 13D, 13U or 13V of the Income Tax Act 1947 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 MoF 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.

Notes to the Financial Statements

3 Significant accounting policies continued

3.12 Distribution policy

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 costs, finance and other income, fair value of derivative financial instruments and income tax expense as these are centrally managed 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.

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, interpretations and amendments to standards are effective for annual periods beginning after 1 July 2021 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 LREIT's statement of financial position.

- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts*
- *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)*
- *Reference to the Conceptual Framework (Amendments 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)*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
- *Annual Improvements to IFRSs 2018 – 2020*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to IAS 8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

Notes to the Financial Statements

4 Investment properties

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
At 1 July	**1,419,857**	1,442,598	**983,000**	1,008,000
Purchase price for new acquisitions[1]	**2,079,000**	–	**2,079,000**	–
Acquisition costs	**78,697**	–	**78,697**	–
Capital expenditure	**2,648**	2,525	**2,597**	2,525
Currency translation differences	**(38,033)**	8,159	**–**	–
Net change in fair value of investment properties	**51,163**	(33,425)	**(22,294)**	(27,525)
At 30 June	**3,593,332**	1,419,857	**3,121,000**	983,000

[1] This relates to the acquisition of a 99-year leasehold interest in Jem.

Measurement of fair value

(i) Fair value hierarchy

Investment properties are stated at fair value as at 30 June and are based on the valuations performed by independent professional valuers, Cushman & Wakefield VHS Pte. Ltd., Jones Lang LaSalle Property Consultants Pte Ltd and Colliers Valuation Italy S.r.l. (2021: CBRE Pte. Ltd. and Savills Advisory Services Limited).

The fair value measurement for investment properties has been categorised as Level 3 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, capitalisation rate and/or adjusted price per square metre. 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, discounted cash flow analysis and/or direct comparison method in arriving at the open market value as at the reporting date.

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. The direct comparison method provides an indication of value by comparing the investment property with identical or similar properties where reliable sales evidence is available.

Notes to the Financial Statements

4 Investment properties 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 flow analysis	• Discount rate of 5.65% to 7.00% (2021: 6.15% to 6.75%)	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Terminal capitalisation rate of 3.50% to 5.00% (2021: 4.40% to 5.25%)	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
Capitalisation method	• Capitalisation rate of 3.50% to 4.50% (2021: 4.25%)	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).
Direct comparison method	• Adjusted price per square metre	The estimated fair value would increase (decrease) if adjusted price per square metre was higher (lower).

5 Investment property under development

	Group		LREIT	
	2022 S$'000	**2021** S$'000	**2022** S$'000	**2021** S$'000
At 1 July	**5,521**	–	**5,521**	–
Recognition of right-of-use asset	**–**	2,521	**–**	2,521
Development expenditure capitalised	**3,048**	859	**3,048**	859
Net change in fair value of investment property under development recognised in profit or loss	**(2,048)**	2,141	**(2,048)**	2,141
Net change in fair value of right-of-use asset	**(416)**	–	**(416)**	–
At 30 June	**6,105**	5,521	**6,105**	5,521

Measurement of fair value

(i) Fair value hierarchy

Investment property under development is stated at fair value as at 30 June and is based on the valuation performed by independent professional valuer, Jones Lang LaSalle Property Consultants Pte Ltd (2021: CBRE Pte. Ltd.), who has the appropriate recognised professional qualifications and 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 based on inputs to the valuation techniques used (see note 2.4).

Notes to the Financial Statements

5 Investment property under development continued

Measurement of fair value continued

(ii) Valuation techniques

In determining the fair value of investment property under development as at 30 June 2022, the valuer has 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 (see note 4).

The key assumptions include market rental growth rates, market-corroborated discount rate and capitalisation rate.

In relation to the fair value of investment property under development as at 30 June 2021, 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 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
2022		
Discounted cash flow analysis	• Discount rate of 7.50%	The estimated fair value would increase (decrease) if discount rate was lower (higher).
Capitalisation method	• Capitalisation rate of 5.00%	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).
2021		
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).

Notes to the Financial Statements

6 Investment in associates

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Investment in associates	14,511	–	–	–

The investment in associates relate to LREIT's 37.8% indirect interest in ARIF3 and 25.0% indirect interest held through a subsidiary, Lendlease Jem Partners Fund Limited ("**LLJP**") which the Group has 53.0% interest in. The 25.0% interest held by LLJP are in two entities, LL JV Ltd ("**LLJV**") and Triple Eight JV Limited ("**TEJV**"). Prior to the Group's acquisition of Jem, ARIF3 and LLJP had 75.0% and 25.0% indirect interest in Jem, respectively.

On 4 August 2021, the Group acquired 53.0% of the shares in LLJP which holds 25.0% direct interest in LLJV and TEJV with a net purchase consideration of approximately S$158.0 million.

On 9 September 2021, 17 September 2021 and 21 September 2021, the Group acquired a total of additional 19.8% of the shares in ARIF3 with a purchase consideration of approximately S$169.3 million. With the acquisition, the Group's equity interest in ARIF3 increased from 5.0% to 24.8% and ARIF3 was reclassified as "investment in associates" from "equity instrument at fair value".

On 22 April 2022, the Group acquired an additional 13.05% of the shares in ARIF3 with a purchase consideration of approximately S$118.1 million.

As at 30 June 2022, the Group assessed the carrying amount of its investment in associates and recognised an impairment loss of approximately S$564,000 on its investment in associates, where the recoverable amounts of the relevant associates were estimated based on the Group's share of the net assets of the associates as at the date of statement of financial position which approximates their fair values. The fair value measurement is categorised as Level 3 on the fair value hierarchy.

Details of the associates are as follows:

Name of associates	Country of constitution/ Principal place of business	Principal activity	Equity interest held by the Group 2022 %	2021 %
Lendlease Asian Retail Investment Fund 3 Limited[1]	Bermuda	Investment holding	37.8	5.0[2]
LL JV Ltd	Mauritius	Investment holding	25.0	–
Triple Eight JV Limited	Mauritius	Investment holding	25.0	–

1 ARIF3 consolidates and holds 75.0% direct interest in both LLJV and TEJV.
2 The 5.0% interest in ARIF3 was classified as equity instrument at fair value. Refer to Note 8 for details.

Notes to the Financial Statements

6 Investment in associates continued

The following table summarises the financial information of each of the Group's material associates based on their respective consolidated financial statements prepared in accordance with IFRS.

	ARIF3 S$'000	LLJV S$'000	TEJV S$'000	Total S$'000
Revenue from date of acquisition[1] to period ended 30 June 2022	73,982	15,626	69,412	
Profit after tax/total comprehensive income from date of acquisition[1] to period ended 30 June 2022	13,701	1,623	19,583	
Attributable to NCI	3,893	–	–	
Attributable to investee's shareholders	9,808	1,623	19,583	
Non-current assets	–	–	–	
Current assets	85,074	21,957	56,917	
Current liabilities	(50,144)	(14,825)	(34,929)	
Non-current liabilities	–	–	–	
Net assets	34,930	7,132	21,988	
Attributable to NCI	7,280	–	–	
Attributable to investee's shareholders	27,650	7,132	21,988	
Group's interest in net assets of investee at beginning of the period, excluding goodwill	–	–	–	–
Transfer from equity instrument at fair value	44,921	–	–	44,921
Carrying amount of interest in associates acquired as part acquisition of subsidiary	–	85,581	212,958	298,539
Acquisition costs and other adjustments	4,049	(1,167)	510	3,392
Acquisition during the period	287,434	–	–	287,434
Group's share of total comprehensive income	17	406	4,896	5,319
Dividends paid	(188,356)	(63,975)	(106,600)	(358,931)
Return of share capital[2]	(142,286)	(19,062)	(106,268)	(267,616)
Impairment of investment in associate	–	(162)	(402)	(564)
Group's interest in net assets of investee at end of the period, excluding goodwill	5,779	1,621	5,094	12,494
Goodwill	–	579	1,438	2,017
Group's interest in net assets of investee at 30 June 2022	5,779	2,200	6,532	14,511

1 Date of acquisition relates to 9 September 2021 and 4 August 2021 for ARIF3 and LLJV/TEJV respectively.
2 Return of share capital consists of non-cash promissory notes of approximately S$262,953,000 for the purchase of Jem.

Notes to the Financial Statements

7 Investment in subsidiaries

	LREIT	
	2022 S$'000	2021 S$'000
Unquoted equity, at cost		
At 1 July	**435,245**	435,245
Additions	**17,249**	–
Impairment loss	**(3,828)**	–
At 30 June	**448,666**	435,245

The increase in unquoted equity at cost was due to the additional subscription of shares in wholly-owned subsidiary, Lendlease Global Commercial (SGP) Pte. Ltd. to acquire 53.0% of the shares in LLJP and 37.8% shares in ARIF3.

During the year, LREIT undertook an impairment assessment of its investment in subsidiaries for indicators of impairment. Based on the assessment, LREIT recognised an impairment loss of S$3,828,000 (2021: Nil) on its investment in a subsidiary. The recoverable amount of the subsidiary was determined using the fair value less costs to sell approach and was estimated taking into consideration the fair values of the underlying assets and fair values of the liabilities to be settled of the subsidiary. The fair value measurement was categorised as Level 3 based on the inputs in the valuation techniques used.

Details of the subsidiaries directly or indirectly held by LREIT is as follow:

		Ownership interest held by LREIT	
Name of subsidiaries	**Principal place of business/ Country of incorporation**	**2022** %	**2021** %
Lendlease Global Commercial (IT) Pte. Ltd.[1]	Singapore	**100**	100
Lendlease Global Commercial (SGP) Pte. Ltd.[1]	Singapore	**100**	100
Lendlease Global Commercial Italy Fund[2]	Italy	**100**	100
Lendlease Jem Partners Fund Limited[1]	Bermuda	**53.0**	–

1 Audited by KPMG LLP Singapore
2 Audited by KPMG 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.

Lendlease Jem Partners Fund Limited

Lendlease Jem Partners Fund Limited, a partially-owned fund, was acquired on 4 August 2021. Its principal activity is that of an investment holding company.

Notes to the Financial Statements

8 Equity instrument at fair value

	Group		LREIT	
	2022 S$'000	**2021** S$'000	**2022** S$'000	**2021** S$'000
At 1 July	**44,591**	–	**44,591**	–
Acquisition of equity instrument	**–**	45,533	**–**	45,533
Net change in fair value	**330**	(942)	**330**	(942)
Transfer to investment in associate	**(44,921)**	–	**(44,921)**	–
Equity instrument – at FVTPL	**–**	44,591	**–**	44,591

Equity instrument at fair value relates to LREIT's 5.0% stake in ARIF3, prior to the reclassification to investment in associates.

On 9 September 2021, 17 September 2021 and 21 September 2021, the Group acquired additional 19.8% of the shares in ARIF3 with a purchase consideration of approximately S$169.3 million. With the acquisition, the Group's equity interest in ARIF3 increased from 5.0% to 24.8% and ARIF3 was reclassified as "investment in associates" from "equity instrument at fair value".

Information about the equity instrument's fair value measurement is included in note 30.

9 Trade and other receivables

		Group		LREIT	
	Note	**2022** S$'000	**2021** S$'000	**2022** S$'000	**2021** S$'000
Current					
Trade receivables		**4,938**	3,114	**4,938**	3,114
Impairment losses		**(2,079)**	(2,375)	**(2,079)**	(2,375)
Net trade receivables		**2,859**	739	**2,859**	739
Non-trade receivables due from related parties	(a)	**7,734**	72	**7,734**	72
Non-trade receivables due from subsidiary	(a)	**–**	–	**1,742**	–
Grant receivables	(b)	**–**	22	**–**	22
Net VAT/GST receivables	(c)	**6,084**	5,781	**818**	–
Other receivables		**143**	50	**–**	–
		16,820	6,664	**13,153**	833
Non-current					
Net VAT/GST receivables	(c)	**1,479**	7,311	**–**	–

Notes to the Financial Statements

9 Trade and other receivables continued

(a) The non-trade receivables due from related parties and subsidiary 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 29.

Impairment losses

The movements in impairment losses recognised in respect of trade receivables during the year are as follows:

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
At 1 July	2,375	116	2,375	116
(Reversal of impairment) /Impairment losses during the year	(296)	2,259	(296)	2,259
At 30 June	2,079	2,375	2,079	2,375

The Manager believes that no allowance for impairment losses is necessary in respect of the remaining trade receivables as 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.

10 Other non-current assets

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Prepaid lease incentives	1,294	869	1,294	869

Notes to the Financial Statements

11 Derivative financial instruments

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Current asset				
Foreign currency forward contracts	**2,330**	–	**2,330**	–
Interest rate derivatives[1]	**85**	–	**85**	–
	2,415	–	**2,415**	–
Non-current asset				
Foreign currency forward contracts	**103**	128	**103**	128
Interest rate derivatives[1]	**9,877**	–	**9,877**	–
	9,980	128	**9,980**	128
Current liability				
Foreign currency forward contracts	**–**	207	**–**	207
Non-current liability				
Interest rate derivatives[1]	**–**	2,322	**–**	2,322

[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 by contracting the currency rate forward for expected foreign currency payments or receipts in future.

As at 30 June 2022, the Group had foreign currency forward contracts with total notional amount of approximately S$36,826,000 (2021: S$44,164,000). Under the contracts, the Group contracted to pay fixed rate for Euro to receive Singapore Dollar. The contracted exchange rates range from 1.48 to 1.64 (2021: 1.57 to 1.64).

(ii) Interest rate derivatives

The Group uses interest rate derivatives to manage the exposure to interest rate movements on floating rate interest-bearing bank borrowings by hedging the interest expense on a portion of interest-bearing bank borrowings from floating rates to fixed rates.

As at 30 June 2022, the Group had interest rate swap and options with total notional amount of approximately S$972,431,000 (2021: S$652,989,000). Under the interest rate swap and options contract, the Group contracted to pay fixed interest rates of 0.06% to 2.41% (2021: 0.06% to 1.64%) and receives interest at floating rate.

Notes to the Financial Statements

12 Cash and cash equivalents

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Cash at banks and on hand	49,230	49,264	32,373	32,768
Fixed deposit with financial institution	–	200,000	–	200,000
	49,230	249,264	32,373	232,768

The weighted average effective interest rate relating to fixed deposit for the year ended 30 June 2022 for the Group and LREIT is 0.48% (2021: 0.25%) per annum.

13 Other current assets

	Group		LREIT	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Deposits	1,362	566	1,362	566
Prepayments	1,867	578	1,550	250
Prepaid lease incentives	1,646	1,479	1,646	1,479
Others	1,923	287	1,923	287
	6,798	2,910	6,481	2,582

Notes to the Financial Statements

14 Trade and other payables

	Note	Group 2022 S$'000	Group 2021 S$'000	LREIT 2022 S$'000	LREIT 2021 S$'000
Current					
Trade payables		**393**	428	**334**	406
Trade amount due to related parties		**12,203**	7,306	**12,212**	7,306
Non-trade payables due to related parties	(a)	**1,700**	226	**1,700**	226
Non-trade payables due to subsidiary	(a)	**–**	–	**100**	–
Accrued expenses		**14,006**	5,009	**13,829**	5,000
Rental received in advance		**8,924**	5,209	**5,932**	1,961
Deposits		**14,789**	6,227	**14,771**	6,227
Interest payable		**2,818**	1,141	**2,818**	1,141
Other payables		**1,287**	1,847	**128**	730
		56,120	27,393	**51,824**	22,997
Non-current					
Deposits		**15,146**	5,300	**15,146**	5,300

(a) The non-trade payables due to related parties and subsidiary are recharges and expenses incurred for services which are unsecured, interest-free and repayable on demand.

The Group's and LREIT's exposures to liquidity and currency risks related to trade and other payables are disclosed in note 29.

15 Loans and borrowings

	Group 2022 S$'000	Group 2021 S$'000	LREIT 2022 S$'000	LREIT 2021 S$'000
Current				
Unsecured interest-bearing bank borrowings	**299,297**	–	**299,297**	–
Less: Unamortised transaction costs	**(1,543)**	–	**(1,543)**	–
	297,754	–	**297,754**	–
Non-current				
Unsecured interest-bearing bank borrowings	**1,180,837**	553,692	**1,180,837**	553,692
Less: Unamortised transaction costs	**(28,691)**	(11,119)	**(28,691)**	(11,119)
	1,152,146	542,573	**1,152,146**	542,573

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 29.

Notes to the Financial Statements

15 Loans and borrowings continued

Terms and debt repayment schedule

Terms and conditions of the interest-bearing bank borrowings are as follows:

	Nominal interest rate %	Financial year of maturity	Group and LREIT Face value S$'000	Group and LREIT Carrying amount S$'000
2022				
S$ floating rate bank borrowings	**SOR[1] + margin**	**2023 – 2025**	**109,297**	**108,903**
S$ floating rate bank borrowings	**SORA[2] + margin**	**2023 – 2027**	**956,000**	**931,744**
€ floating rate bank borrowings	**EURIBOR[3] + margin**	**2024**	**414,837**	**409,253**
			1,480,134	**1,449,900**
2021				
S$ floating rate bank borrowings	SOR[1] + margin	2023	99,297	98,178
€ floating rate bank borrowings	EURIBOR[3] + margin	2024	454,395	444,395
			553,692	542,573

1 Swap Offer Rate.
2 Singapore Overnight Rate Average.
3 Euro Interbank Offered Rate.

Reconciliation of changes in liabilities arising from financing activities

	At 1 July 2021 S$'000	Financing cash flows: Proceeds from loans and borrowings S$'000	Financing cash flows: Repayment of loans and borrowings S$'000	Financing cash flows: Payment of lease liability S$'000	Financing cash flows: Payment of financing expenses S$'000	Non-cash changes: Borrowing costs expensed S$'000	Non-cash changes: Foreign exchange movement S$'000	Other changes S$'000	At 30 June 2022 S$'000
Unsecured interest-bearing bank borrowings	542,573	1,221,000	(255,000)	–	(26,305)	7,190	(39,558)	–	1,449,900
Lease liability	2,521	–	–	(336)	–	–	–	(80)	2,105
Interest payable	1,141	–	–	–	(7,035)	8,712	–	–	2,818
	546,235	1,221,000	(255,000)	(336)	(33,340)	15,902	(39,558)	(80)	1,454,823

	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	Other changes S$'000	At 30 June 2021 S$'000
Unsecured interest-bearing bank borrowings	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

Notes to the Financial Statements

16 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 2022 S$'000	2021 S$'000
Right-of-use asset			
– Included within investment property under development	5	2,105	2,521
Lease liability			
– Non-current		1,871	2,105
– Current		234	416
		2,105	2,521

(ii) **Amounts recognised in the statements of profit or loss and other comprehensive income**

	Note	Group and LREIT 2022 S$'000	2021 S$'000
Net change in fair value of right-of-use assets (included within net change in fair value of investment property under development)	5	(416)	–

(iii) **Amounts recognised in the consolidated statements of cash flows**

	Group 2022 S$'000	2021 S$'000
Payment on lease liability	(336)	–

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.

Notes to the Financial Statements

16 Leases continued

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 30 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 2022 was S$95,354,000 (2021: S$73,998,000) respectively.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group	
	2022 S$'000	2021 S$'000
Operating leases under IFRS 16		
Less than one year	**193,469**	70,270
One to two years	**157,265**	51,689
Two to three years	**126,772**	36,411
Three to four years	**86,076**	27,498
Four to five years	**75,813**	26,218
More than five years	**524,586**	150,752
	1,163,981	362,838

Notes to the Financial Statements

17 Non-controlling interests

On 4 August 2021, the Group acquired 53.0% equity interest in LLJP, and LLJP became a subsidiary from that date. The following subsidiary of the Group has material NCI.

	Ownership interest held by NCI	
	2022 %	2021 %
Lendlease Jem Partners Fund Limited[1]	47.0	–

[1] Held by Lendlease Global Commercial (SGP) Pte. Ltd..

The following table summarises the financial information of the Group's subsidiary with material NCI based on their respective financial statements prepared in accordance with IFRS.

	LLJP 2022 S$'000
Revenue from date of acquisition to period ended 30 June 2022	–
Profit after tax from date of acquisition to period ended 30 June 2022	3,847
Profit attributable to NCI from date of acquisition to period ended 30 June 2022	1,543
Non-current assets	7,280
Current assets	1,632
Current liabilities	(180)
Net assets	8,732
Net assets attributable to NCI	3,839
Cash flows used in operating activities	(1,082)
Cash flows generated from investing activities	175,267
Cash flows used in financing activities[1]	(173,447)
Net increase in cash and cash equivalents	738

[1] Includes dividends paid to NCI

Notes to the Financial Statements

18 Units in issue and perpetual securities

(i) Units in issue

	Note	Group and LREIT 2022 No. of units '000	Group and LREIT 2021 No. of units '000
Units issued:			
Units issued at 1 July		**1,180,996**	1,171,795
Issue of new units:			
Units issued as payment of Manager's base fees	(a)	**4,829**	4,072
Units issued as payment of Manager's performance fees	(a)	**3,611**	2,750
Units issued as payment of Manager's acquisition fees	(b)	**25,699**	631
Units issued as payment of property management fees	(c)	**1,824**	1,748
Consideration units	(d)	**162,867**	–
Private placement units	(e)	**551,723**	–
Preferential offering units	(f)	**345,577**	–
At the end of the financial year		**2,277,126**	1,180,996
Units to be issued:			
Manager's base fees		**3,999**	2,439
Manager's performance fees		**4,330**	3,611
Property management fees[1]		**1,534**	1,019
Issued and issuable units at end of the financial year		**2,286,989**	1,188,065

[1] Estimated based on the 10-day volume weighted average price as at 30 June 2022.

During the financial year ended 30 June 2022, there were the following issuances of units:

(a) 8,439,368 (2021: 6,821,373) units at an issue price ranging from S$0.7996 to S$0.8746 (2021: S$0.6912 to S$0.7423) per unit as payment of the base fee of the Manager's fees incurred for the period from January 2021 to December 2021 (2021: April 2020 to December 2020) and the performance fee of the Manager's fees for the period from July 2020 to June 2021 (2021: October 2019 to June 2020);

(b) 3,683,816 and 22,014,961 (2021: 631,431) units at an issue price of S$0.8891 and S$0.7749 (2021: S$0.721) per unit as payment of the acquisition fee of the Manager's fees in respect of the acquisition of 53.0% interest in LLJP and 19.8% interest in ARIF3, and the acquisition of 13.05% interest in ARIF3 and Jem (2021: acquisition of 5.0% interest in ARIF3) respectively;

(c) 1,823,885 (2021: 1,748,012) units at an issue price ranging from S$0.8710 to S$0.9000 (2021: S$0.7326 to S$0.7700) per unit as payment for property management service provided by the property manager in respect of the Singapore Properties for the period from January 2021 to December 2021 (2021: April 2020 to December 2020);

(d) 162,867,300 units at an issue price of S$0.7250 per unit as consideration units in respect of the acquisition of 13.05% interest in ARIF3;

(e) 551,723,000 units at an issue price of S$0.7250 per unit in connection with the private placement exercise to raise funds for the payment of the purchase consideration in respect of the acquisition of Jem; and

(f) 345,577,449 units at an issue price of S$0.7200 per unit in connection with the preferential offering exercise to raise funds for the payment of the purchase consideration in respect of the acquisition of Jem.

Notes to the Financial Statements

18 Units in issue and perpetual securities continued

(ii) Perpetual securities

On 4 June 2021, LREIT issued S$200.0 million perpetual securities ("**Perpetual Securities Series 001**"). On 11 April 2022, LREIT issued S$200.0 million perpetual securities ("**Perpetual Securities Series 002**"), (collectively, the "**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 001 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 002 will confer a right to receive distribution payments at a rate of 5.25% per annum with the first distribution rate reset date falling on 11 April 2025 and resets occurring every three 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 2022, the S$399.4 million (2021: S$198.9 million) presented in the statements of financial position of the Group and LREIT represent the carrying value of the S$400.0 million (2021: 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.

19 Gross revenue

	Group	
	2022 S$'000	**2021** S$'000
Rental income	**95,354**	73,998
Turnover rent	**1,583**	1,276
Other property income	**4,725**	3,377
	101,662	78,651

For the year ended 30 June 2022, grant income of S$54,000 (2021: S$2,913,000) and grant expense of Nil (2021: S$2,442,000) 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.

Other property income mainly comprises S$1,989,000 (2021: S$1,240,000) of car park income and S$1,443,000 (2021: S$668,000) of electricity income.

Notes to the Financial Statements

20 Property operating expenses

	Group	
	2022 S$'000	2021 S$'000
Property maintenance expenses	5,227	3,981
Property management fees	2,378	1,826
Property management reimbursements[1]	2,174	1,525
Property related tax	9,414	7,478
Marketing	1,999	1,488
Utilities	2,241	1,411
Others	2,721	4,024
	26,154	21,733

1 Relates to reimbursement of staff costs paid/payable to the property manager.

Others mainly comprise S$928,000 (2021: S$830,000) of leasing fees expenses, Nil (2021: S$2,259,000) of expected credit loss, and grant income of Nil (2021: S$258,000) and grant expense of Nil (2021: S$258,000) in relation to the relief for eligible tenants as part of the COVID-19 relief measures.

21 Manager's base and performance fee

	Group	
	2022 S$'000	2021 S$'000
Base fee[1]	6,025	3,933
Performance fee[2]	3,949	2,923
	9,974	6,856

1 Relates to cash of S$783,000 (2021: Nil) and units of S$5,242,000 (2021: S$3,933,000) paid/payable for Manager's base fee.
2 Relates to cash of S$514,000 (2021: Nil) and units of S$3,435,000 (2021: S$2,923,000) paid/payable for Manager's performance fee.

Notes to the Financial Statements

22 Other trust expenses

	Group	
	2022 S$'000	**2021** S$'000
Auditor's remuneration		
– audit fees	**284**	258
– non-audit fees[1]	**-**	109
Valuation fees	**183**	79
Consultancy and other professional fees	**239**	218
Other expenses[2]	**3,633**	1,897
	4,339	2,561

[1] Non-audit fees amounting to S$901,000 (2021: Nil) have been capitalised as transaction costs into the respective investments acquired during the financial year. Included in non-audit fees are S$465,000 (2021: S$89,000) of audit-related fees.

[2] Other expenses for the financial year ended 30 June 2022 comprise mainly acquisition costs for investment in associates, investment in subsidiary and the acquisition of Jem.

23 Net foreign exchange gain/(loss)

	Group	
	2022 S$'000	**2021** S$'000
Realised foreign exchange gain/(loss)	**398**	(795)
Unrealised foreign exchange gain/(loss)	**39,455**	(8,424)
	39,853	(9,219)

Notes to the Financial Statements

24 Net finance costs

	Group	
	2022 S$'000	2021 S$'000
Finance income		
Interest income	259	51
Finance expenses		
Interest expense on bank borrowings	(8,712)	(4,764)
Financing fees[1]	(7,350)	(5,276)
Total finance expenses	(16,062)	(10,040)
Net finance cost	(15,803)	(9,989)

[1] Includes amortisation of debt-related transaction costs and other finance costs.

25 Tax expense

	Group	
	2022 S$'000	2021 S$'000
Current tax expense	–	–
Reconciliation of effective tax rate		
Profit/(Loss) before tax	152,682	(1,339)
Less: Share of profit of associates	(5,319)	–
Profit/(Loss) before share of profit of associates and tax	147,363	(1,339)
Tax using Singapore tax rate of 17% (2021: 17%)	25,052	(228)
Income not subject to tax	(27,975)	(6,303)
Non-tax deductible items	11,042	11,741
Others	(68)	152
Tax transparency	(8,051)	(5,362)
	–	–

Notes to the Financial Statements

26 Earnings per unit

Basic earnings per unit is calculated by dividing the total profit/(loss) for the financial year after tax, before distribution, by the weighted average number of units issued during the financial year.

	Group	
	2022 S$'000	**2021** S$'000
Profit/(Loss) after tax attributable to Unitholders	**140,386**	(1,937)
Basic and diluted earnings per unit		
Weighted average number of units at end of the financial year ('000)	**1,428,170**	1,176,277
Basic earnings per unit (cents)	**9.83**	(0.16)

Diluted earnings per unit is the same as basic earnings per unit as there is no potential dilutive units during the financial year.

27 Capital commitments

As at the reporting date, the Group and LREIT had the following commitments:

	Group and LREIT	
	2022 S$'000	**2021** S$'000
Capital expenditure contracted but not provided for in the financial statements	**1,639**	2,333

28 Related parties

In the normal course of the operations of LREIT, the Manager's fees and Trustee's fee have been paid or are payable to the Manager and the Trustee respectively. Other management fees have been paid or are payable to 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	
	2022 S$'000	**2021** S$'000
Property management fees paid and payable to property manager	**2,304**	1,671
Property management reimbursements paid and payable to property manager	**2,174**	1,525
Leasing commission paid and payable to property manager	**1,360**	736
Tenancy design review fees paid and payable to property manager	**167**	91
Acquisition of investment property from related parties	**2,079,000**	–
Acquisition fees paid and payable to the Manager	**20,335**	455

Notes to the Financial Statements

29 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.

As at 30 June 2022, the Group's aggregate leverage was 40.0% (2021: 32.0%) with an interest coverage ratio ("**ICR**") of 9.2 times (2021: 8.9 times) in accordance with the requirements in the interest-bearing bank borrowing facilities. The Group has an ICR of 4.2 times (2021: 4.7 times) and an adjusted ICR of 2.5 times in accordance with the Appendix 6 of the CIS Code issued by MAS. 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 tenants engaged in a wide variety of 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.

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.

Notes to the Financial Statements

29 Financial risk management continued

Credit risk continued

Expected credit loss assessment for individual tenants continued

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
2022				
Not past due	11	–	11	–
Past due 1 – 30 days	2,563	(207)	2,563	(207)
Past due 31 – 90 days	681	(482)	681	(482)
Past due more than 90 days	1,683	(1,390)	1,683	(1,390)
	4,938	(2,079)	4,938	(2,079)
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)

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.

Notes to the Financial Statements

29 Financial risk management continued

Liquidity risk continued

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.

		Cash flows			
	Carrying amount S$'000	Contractual cash flows S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000
Group					
30 June 2022					
Non-derivative financial liabilities					
Unsecured interest-bearing bank borrowings[1]	**1,449,900**	**(1,596,101)**	**(329,492)**	**(1,266,609)**	**–**
Trade and other payables[2]	**59,524**	**(59,524)**	**(44,378)**	**(15,145)**	**(1)**
Lease liability	**2,105**	**(2,272)**	**(270)**	**(1,080)**	**(922)**
Derivative financial (asset)/liabilities, at fair value					
Interest rate derivatives (net-settled)	**(9,962)**	**12,949**	**4,291**	**8,658**	**–**
Forward currency exchange contracts (gross-settled)	**(2,433)**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(36,826)**	**(26,200)**	**(10,626)**	**–**
– inflow	**–**	**39,678**	**28,728**	**10,950**	**–**
	1,499,134	**(1,642,096)**	**(367,321)**	**(1,273,852)**	**(923)**
30 June 2021					
Non-derivative financial liabilities					
Unsecured interest-bearing bank borrowings	542,573	(559,731)	(2,773)	(556,958)	–
Trade and other payables[2]	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 contracts (gross-settled)	(128)	–	–	–	–
– (outflow)	–	(22,162)	–	(22,162)	–
– inflow	–	22,649	–	22,649	–
	573,838	(591,328)	(26,088)	(564,024)	(1,216)

1 The contractual cash flows assume no interest savings from sustainability-linked bank borrowings of S$836.0 million.

2 Excludes interest payable and rental received in advance. (FY2021: Excludes interest payable, rental received in advance and grant payables.)

Notes to the Financial Statements

29 Financial risk management continued

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 2022					
Non-derivative financial liabilities					
Unsecured interest-bearing bank borrowings[1]	1,449,900	(1,596,101)	(329,492)	(1,266,609)	–
Trade and other payables[2]	58,220	(58,220)	(43,074)	(15,145)	(1)
Lease liability	2,105	(2,272)	(270)	(1,080)	(922)
Derivative financial (asset)/liabilities, at fair value					
Interest rate derivatives (net-settled)	(9,962)	12,949	4,291	8,658	–
Forward currency exchange contracts (gross-settled)	(2,433)	–	–	–	–
– (outflow)	–	(36,826)	(26,200)	(10,626)	–
– inflow	–	39,678	28,728	10,950	–
	1,497,830	(1,640,792)	(366,017)	(1,273,852)	(923)
30 June 2021					
Non-derivative financial liabilities					
Unsecured interest-bearing bank borrowings	542,573	(559,731)	(2,773)	(556,958)	–
Trade and other payables[2]	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 contracts (gross-settled)	(128)	–	–	–	–
– (outflow)	–	(22,162)	–	(22,162)	–
– inflow	–	22,649	–	22,649	–
	572,690	(590,180)	(24,940)	(564,024)	(1,216)

1 The contractual cash flows assume no interest savings from sustainability-linked bank borrowings of S$836.0 million.
2 Excludes interest payable and rental received in advance. (FY2021: Excludes interest payable, rental received in advance and grant payables.)

Notes to the Financial Statements

29 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.

As at 30 June 2022, the Group had S$836.0 million sustainability-linked loans where the sustainability targets are linked with science-based emissions reductions. Upon meeting the targets, the Group will be awarded interest savings.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("**IBORs**") with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives.

The Group's main IBOR exposure as at 30 June 2022 was indexed to SOR and EURIBOR. The alternative reference rate for SOR is SORA. SOR will cease to be published or representative on 30 June 2023 and will be replaced with the alternative interest rate benchmark SORA from 1 July 2023. The calculation methodology of EURIBOR changed in 2019, allowing market participants to continue to use EURIBOR for both existing and new contracts and the Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

The Manager monitors and manages the Group's transition to SORA. The Manager evaluates the extent to which contracts reference SOR cash flows, whether such contracts will need to be amended as a result of interest rate benchmark reform and how to manage communication about interest rate benchmark reform with counterparties.

Non-derivative financial liabilities

The Group's IBOR exposures to non-derivative financial liabilities as at 30 June 2022 relate to the facilities amounting to S$109.3 million indexed to SOR.

Notes to the Financial Statements

29 Financial risk management continued

Interest rate risk continued

Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from SOR to SORA by reviewing the total amounts of contracts that have yet to transition to SORA and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to interest rate benchmark reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback clause at 30 June 2022. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their nominal amounts.

	Group and LREIT	
	Total amount of unreformed contracts S$'000	Amount with appropriate fallback clause S$'000
30 June 2022		
Financial assets		
Interest rate derivatives	–	198,594
Financial liabilities		
Unsecured interest-bearing bank borrowings	108,903	–

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	
	2022 S$'000	2021 S$'000
Fixed rate instruments		
Interest rate derivatives	(873,134)	(553,692)
Variable rate instruments		
Unsecured interest-bearing bank borrowings	(1,480,134)	(553,692)
Interest rate derivatives	873,134	553,692
	(607,000)	–

Notes to the Financial Statements

29 Financial risk management continued

Interest rate risk continued

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.

Cash flow sensitivity analysis for variable rate instruments

A 100 basis point ("**bp**") movement in interest rate at the reporting date would increase/(decrease) profit or loss (before any tax effect) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group S$'000	LREIT S$'000
2022		
100 bp increase	**(6,070)**	**(6,070)**
100 bp decrease	**6,070**	**6,070**
2021		
100 bp increase	–	–
100 bp decrease	–	–

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.

Notes to the Financial Statements

29 Financial risk management continued

Foreign currency risk continued

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	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Cash and cash equivalents	15,902	17,377	746	959
Trade and other receivables[1]	144	50	–	–
Trade and other payables[2]	(1,201)	(1,140)	–	–
Derivative financial instruments	6,307	(534)	6,307	(534)
Loans and borrowings	(409,253)	(444,395)	(409,253)	(444,395)
Net exposure	(388,101)	(428,642)	(402,200)	(443,970)

1 Excludes net VAT receivable
2 Excludes rental received in advance

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
2022		
5% strengthening	(19,405)	(20,110)
5% weakening	19,405	20,110
2021		
5% strengthening	(21,432)	(22,199)
5% weakening	21,432	22,199

Notes to the Financial Statements

30 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.

(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	
	2022 %	2021 %	2022 %	2021 %
Unsecured interest-bearing bank borrowings	1.85	0.52	1.85	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 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

30 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. 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 approximation of fair value.

		Carrying amount	
	Note	At amortised cost S$'000	FVTPL S$'000
Group			
30 June 2022			
Financial assets not measured at fair value			
Trade and other receivables[1]	9	**10,736**	–
Other non-current assets	10	**1,294**	–
Cash and cash equivalents	12	**49,230**	–
Other current assets[2]	13	**3,569**	–
		64,829	–
Financial assets measured at fair value			
Derivative financial asset	11	–	**12,395**
Financial liabilities not measured at fair value			
Trade and other payables[3]	14	–	–
Loans and borrowings	15	–	–
Lease liability	16	–	–
		–	–
30 June 2021			
Financial assets not measured at fair value			
Trade and other receivables[1]	9	861	–
Other non-current assets	10	869	–
Cash and cash equivalents	12	249,264	–
Other current assets[2]	13	1,766	–
		252,760	–
Financial assets measured at fair value			
Equity instrument at fair value	8	–	44,591
Derivative financial asset	11	–	128
		–	44,719
Financial liabilities not measured at fair value			
Trade and other payables[3]		–	–
Loans and borrowings	15	–	–
Lease liability	16	–	–
		–	–
Financial liabilities measured at fair value			
Derivative financial liabilities	11	–	(2,529)

1 Excludes net GST/VAT receivables. (FY2021: Excludes grant receivables and net VAT receivables.)
2 Excludes deposits and prepayments.
3 Excludes rental received in advance. (FY2021: Excludes rental received in advance, grant payables and net GST payables.)

Notes to the Financial Statements

		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
–	**10,736**				
–	**1,294**				
–	**49,230**				
–	**3,569**				
–	**64,829**				
–	**12,395**	**–**	**12,395**	**–**	**12,395**
(62,342)	**(62,342)**				
(1,449,900)	**(1,449,900)**	**–**	**(1,586,023)**	**–**	**(1,586,023)**
(2,105)	**(2,105)**				
(1,514,347)	**(1,514,347)**				
–	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)

Notes to the Financial Statements

30 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 2022			
Financial assets not measured at fair value			
Trade and other receivables[1]	9	**12,335**	**–**
Other non-current assets	10	**1,294**	**–**
Cash and cash equivalents	12	**32,373**	**–**
Other current assets[2]	13	**3,569**	**–**
		49,571	**–**
Financial assets measured at fair value			
Derivative financial asset	11	**–**	**12,395**
Financial liabilities not measured at fair value			
Trade and other payables[3]	14	**–**	**–**
Loans and borrowings	15	**–**	**–**
Lease liability	16	**–**	**–**
		–	**–**
30 June 2021			
Financial assets not measured at fair value			
Trade and other receivables[1]	9	811	–
Other non-current assets	10	869	–
Cash and cash equivalents	12	232,768	–
Other current assets[2]	13	1,766	–
		236,214	–
Financial assets measured at fair value			
Equity instrument at fair value	8	–	44,591
Derivative financial asset	11	–	128
		–	44,719
Financial liabilities not measured at fair value			
Trade and other payables[3]		–	–
Loans and borrowings	15	–	–
Lease liability	16	–	–
		–	–
Financial liabilities measured at fair value			
Derivative financial liabilities	11	–	(2,529)

1 Excludes net GST receivables. (FY2021: Excludes grant receivables.)
2 Excludes deposits and prepayments.
3 Excludes rental received in advance. (FY2021: Excludes rental received in advance, grant payables and net GST payables.)

Notes to the Financial Statements

		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
–	12,335				
–	1,294				
–	32,373				
–	3,569				
–	49,571				
–	12,395	–	12,395	–	12,395
(61,038)	(61,038)				
(1,449,900)	(1,449,900)	–	(1,586,023)	–	(1,586,023)
(2,105)	(2,105)				
(1,513,043)	(1,513,043)				
–	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)

Notes to the Financial Statements

31 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 retail and office buildings 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 2022			
Gross revenue	76,278	25,384	101,662
Property operating expenses	(23,585)	(2,569)	(26,154)
Total segment net property income	52,693	22,815	75,508
Unallocated items:			
Manager's base fees			(6,025)
Manager's performance fees			(3,949)
Other management fee			(1,256)
Trustee's fee			(303)
Other trust expenses			(4,339)
Net foreign exchange gain			39,853
Finance income			259
Finance cost			(16,062)
Profit before tax, change in fair value, impairment and share of profit			83,686
Fair value (losses)/gains of investment properties & investment property under development	(24,342)	73,457	49,115
Share of profit of associates	5,319	–	5,319
Fair value gains of equity instrument	330	–	330
Impairment in investment in associates	(564)	–	(564)
Unallocated item:			
Fair value gains of derivative financial instruments			14,796
Profit before tax			152,682
Segment assets	3,207,221	494,743	3,701,964
Segment liabilities	1,519,082	4,189	1,523,271

Notes to the Financial Statements

31 Operating segment continued

	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	(25,384)	(5,900)	(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

Notes to the Financial Statements

32 Financial ratios

	Group	
	2022 %	2021 %
Expenses to weighted average net assets[1]		
– Expense ratio including performance-related fee	**0.99**	1.01
– Expense ratio excluding performance-related fee	**0.74**	0.73
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.

33 Acquisition of subsidiary

On 4 August 2021, the Group acquired 53.0% of the shares in LLJP which held 25.0% indirect interest in Jem.

The cash outflows and net assets of subsidiary acquired are provided below:

	2022 S$'000
Investment in associates	**298,539**
Cash and cash equivalents	**877**
Prepayments	**11**
Trade and other payables	**(457)**
Non-controlling interests	**(140,516)**
Net assets acquired	**158,454**
Goodwill arising from acquisition allocated to investment in associates	**2,017**
Total purchase consideration, including acquisition fees	**160,471**
Acquisition fees settled by way of issuance of Units	**(1,582)**
Cash of subsidiary acquired	**(877)**
Cash outflow on acquisition of subsidiary	**158,012**

Notes to the Financial Statements

34 Subsequent events

On 26 July 2022, the Manager announced that LREIT has entered into a sustainability-linked facility agreement of S$100 million with a tenor of five years to refinance its loan of S$99.3 million that will mature in the financial year ending June 2023.

On 8 August 2022, the Manager announced a distribution of 1.3128 Singapore cents per unit under LREIT stock counter, Lendlease Reit (SGX Ticker: JYEU), amounting to approximately S$27.8 million in respect of the period from 31 March 2022 to 30 June 2022, and a distribution of 0.9808 Singapore cents per unit under the temporary stock counter, Lendlease Reit A (SGX Ticker: W6TU), amounting to approximately S$1.6 million in respect of the period from 22 April 2022 to 30 June 2022.

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$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) FY2022 S$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)[1] FY2022 S$'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		9,974	N.A.
– Acquisition fee		20,335	N.A.
– Property management and leasing fees and reimbursable amounts (in relation to 313@somerset and Jem)		18,593	N.A.
– Management fees in respect of Lendlease Global Commercial Italy Fund		750	N.A.
– Portal licence fees for access to the Lendlease Plus rewards portal and related recharges		291	N.A.
– Project and construction management fees (Grange Road property)		1,665	N.A.
– Project and construction management fees (Jem)[2,3]		1,921	N.A.
– Acquisition of 17.8% interest in Lendlease Asian Retail Investment Fund 3 Limited[3,4]		151,375	N.A.
– Investment advisory and administrative services in respect of Lendlease Asian Retail Investment Fund 3 Limited and Lendlease Jem Partners Fund Limited[3,4]		8,534	N.A.
– Acquisition of 13.05% interest in Lendlease Asian Retail Investment Fund 3 Limited[5]		115,993	N.A.
– Acquisition of Jem[5]		2,079,000	N.A.
RBC Investor Services Trust Singapore Limited	Trustee of LREIT		
– Trustee's fees		303	N.A.

1 Lendlease Global Commercial REIT does not have a Unitholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.

2 Unitholders' approval obtained on 26 July 2021 in connection with the acquisition of 53.0% interest in Lendlease Jem Partners Fund Limited and 5.0% to 19.8% interest in Lendlease Asian Retail Investment Fund 3 Limited which hold Jem.

3 Development management fees and project and construction management fees in relation to Jem, and investment advisory and administrative services fees in relation to Lendlease Asian Retail Investment Fund 3 Limited, Lendlease Jem Partners Fund Limited and their subsidiaries are not directly payable by LREIT and there will be no double-counting of fees.

4 For the avoidance of doubt, the amount excludes the value of the acquisition of 2.0% interest in Lendlease Asian Retail Investment Fund 3 Limited from Lendlease International Pty Ltd which was entered into on 7 June 2021 and which was previously disclosed in the Annual Report for FY2021.

5 Based on the agreed purchase price of the acquisition, for which Unitholders' approval was sought and received on 7 March 2022.

Interested Person Transactions

The payments of the Manager's management fees and acquisition fees, 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 Lendlease Global Commercial REIT ("**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 FY2022 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 28 to the financial statements.

Issuance of LREIT Units

During FY2022, LREIT issued:

(i) an aggregate of 25,698,777 new Units amounting to S$20.33 million as payment for the Manager's acquisition fees;

(ii) an aggregate of 4,828,829 new Units ("**Management Base Fee Units**") amounting to S$4.05 million as payment for the base fee element of the Manager's management base fees;

(iii) an aggregate of 3,610,539 new Units ("**Management Performance Fee Units**") amounting to S$2.92 million as payment for the performance fee element of the Manager's management performance fees; and

(iv) an aggregate of 1,823,885 new Units ("**Property Management Fee Units**") amounting to S$1.62 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 relating to the properties of LREIT respectively.

Statistics of Unitholdings

As at 8 September 2022

Issued and Fully Paid Units

2,277,125,819 Units issued in LREIT as at 8 September 2022 (voting rights: 1 vote per unit).

There are no treasury units and no subsidiary holdings held.

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	10	0.08	403	0.00
100 – 1,000	1,043	8.13	915,770	0.04
1,001 – 10,000	7,637	59.58	37,481,411	1.64
10,001 – 1,000,000	4,095	31.95	165,720,376	7.28
1,000,001 and above	33	0.26	2,073,007,859	91.04
Total	**12,818**	**100.00**	**2,277,125,819**	**100.00**

Twenty Largest Unitholders

No.	Name	No. of Units	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE. LTD.	610,925,981	26.83
2	CITIBANK NOMINEES SINGAPORE PTE. LTD.	358,080,367	15.73
3	RAFFLES NOMINEES (PTE.) LIMITED	272,006,202	11.95
4	DBS NOMINEES (PRIVATE) LIMITED	236,845,022	10.40
5	HSBC (SINGAPORE) NOMINEES PTE. LTD.	228,286,692	10.03
6	DBSN SERVICES PTE. LTD.	178,450,683	7.84
7	BPSS NOMINEES SINGAPORE (PTE.) LTD.	33,359,319	1.46
8	HPL INVESTERS PTE. LTD.	29,238,753	1.28
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	22,490,016	0.99
10	DB NOMINEES (SINGAPORE) PTE. LTD.	17,778,011	0.78
11	IFAST FINANCIAL PTE. LTD.	10,130,879	0.44
12	PHILLIP SECURITIES PTE. LTD.	9,438,957	0.41
13	OCBC SECURITIES PRIVATE LIMITED	7,257,685	0.32
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	6,907,567	0.30
15	MAYBANK SECURITIES PTE. LTD.	6,078,131	0.27
16	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE. LTD.	5,501,178	0.24
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	5,123,545	0.23
18	ABN AMRO CLEARING BANK N.V.	5,107,143	0.22
19	UOB KAY HIAN PRIVATE LIMITED	4,478,562	0.20
20	HAN KUAN YUAN	3,353,998	0.15
	Total	**2,050,838,691**	**90.07**

Statistics of Unitholdings

As at 8 September 2022

Substantial Unitholders' Unitholdings

(As recorded in the Register of Substantial Unitholders as at 8 September 2022)

	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)	529,280,190	23.24	–	–	529,280,190	23.24
Lendlease LLT Holdings Pty Limited (as trustee of Lendlease LLT Holdings Sub Trust)[2]	–	–	529,280,190	23.24	529,280,190	23.24
Lendlease Responsible Entity Limited (as trustee of Lendlease Trust)[3]	–	–	529,280,190	23.24	529,290,190	23.24
Lendlease Corporation Limited[4]	–	–	595,869,781	26.17	595,869,781	26.17

Unitholdings of the Directors of the Manager

(As recorded in the Register of Directors' Unitholdings as at 21 July 2022)

	Direct Interest		Deemed Interest	
Directors	No. of Units	%[5]	No. of Units	%[5]
Ms Ng Hsueh Ling	2,509,050	0.110	–	–
Dr Tsui Kai Chong	645,000	0.028	–	–
Mrs Lee Ai Ming	645,000	0.028	–	–
Mr Simon John Perrott	114,650	0.005	–	–
Mr Justin Marco Gabbani	568,890	0.025	–	–

1 The percentage of unitholding is calculated based on the total number of 2,277,125,819 Units in issue as at 8 September 2022.

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 of 529,280,190 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 of 529,280,190 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 of 529,280,190 Units. LLC is also deemed interested in 28,129,100 Units which are held directly by its indirect wholly-owned subsidiary, Lendlease GCR Investment Holding Pte. Ltd., and 38,460,491 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 2,277,125,819 Units in issue as at 21 July 2022.

Free Float

Based on information available to the Manager as at 8 September 2022, 73.59% 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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