Manulife US REIT

CHARTING THE COURSE

ANNUAL REPORT 2023

About Manulife US REIT

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

Its investment strategy is principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets. MUST's portfolio comprises 10 freehold office properties in Arizona, California, Georgia, New Jersey, Virginia and Washington, D.C. metropolitan statistical area. The portfolio has a combined asset value of US$1.4 billion as at 31 December 2023.

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

Contents

MISSION

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

VISION

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

STABILISATION

The execution of MUST's Recapitalisation Plan, approved by Unitholders on 14 December 2023, will help to stabilise the REIT as market conditions improve in the next few years.

RECOVERY

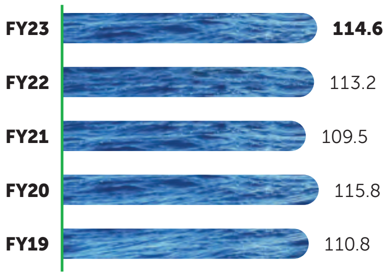
Under the Recapitalisation Plan, the longer runway will allow the Manager to assess MUST's capital requirements - investing in assets that it plans to keep and maximising the value of assets it plans to sell.

GROWTH

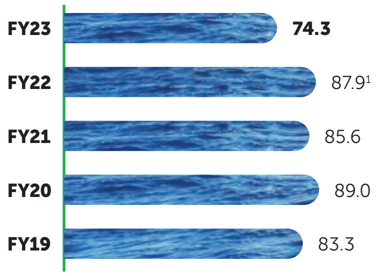
As the REIT reaches a more stable footing, the Manager plans to pivot into assets that offer better return potential and are less capital intensive.

FY2023 FINANCIAL AND PORTFOLIO HIGHLIGHTS

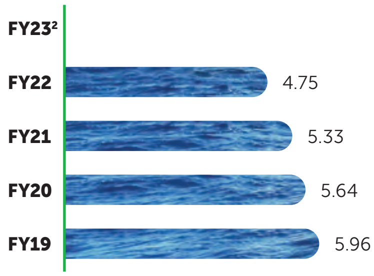
Net Property Income (NPI)
(US$ million)
114.6



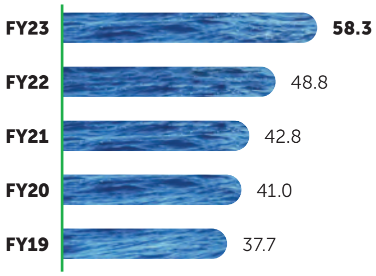
Income Available for Distribution
(US$ million)
74.3



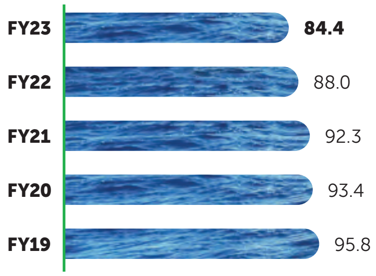
Distribution Per Unit (DPU)
(US cents)
-



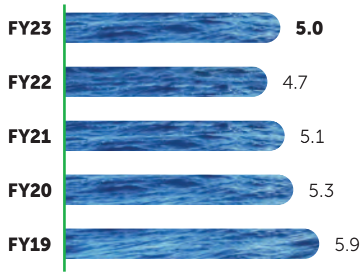
Aggregate Leverage
(%)
58.3



Occupancy Rate
(%)
84.4



Weighted Average Lease Expiry (WALE) by NLA
(years)
5.0



Key Financial Indicators	FY2023	FY2022	FY2021	FY2020	FY2019
Gross borrowings (US$ million)	925.7	1,032.7	975.0	856.5	816.9
Aggregate leverage (%)	58.3	48.8	42.8	41.0	37.7
Weighted average cost of debt (%)	4.15[3]	3.74	2.82	3.18	3.37
Weighted average debt maturity (years)	3.3	2.8	2.4	2.3	2.8
Interest coverage ratio (times)	2.4	3.1	3.4	3.5	3.8
Market capitalisation (US$ billion)	0.1	0.5	1.2	1.2	1.6

Portfolio	FY2023	FY2022	FY2021	FY2020	FY2019
Assets under Management (AUM) (US$ billion)	1.4	1.9	2.2	2.0	2.1
WALE by Net Lettable Area (NLA) (years)	5.0	4.7	5.1	5.3	5.9
Occupancy rate (%)	84.4	88.0	92.3	93.4	95.8

FY2023 Distributions

Manulife US REIT's distribution policy is to distribute at least 90.0% of its annual distributable income on a semi-annual basis. Pursuant to the Recapitalisation Plan and the Master Restructuring Agreement, Manulife US REIT will be halting distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

1 US$3.8 million was retained for general corporate and working capital purposes in 2H2022 and the distribution amount to Unitholders for FY22 was US$84.0 million.

2 Pursuant to the recapitalisation plan set out in the circular to Unitholders dated 29 November 2023 (Recapitalisation Plan) and entry into the master restructuring agreement (Master Restructuring Agreement), Manulife US REIT will be halting distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions (as defined herein) are achieved earlier. Early Reinstatement Conditions include reducing gearing to below 50% if the interest coverage ratio (ICR) is above 2.5 times, and below 45% if ICR is below 2.5 times, and there are no potential events of default continuing for at least one financial quarter.

3 Excluding the Sponsor-Lender loan exit premium. Including the Sponsor-Lender loan exit premium, the weighted average cost of debt would be approximately 4.55%.

Open
(3 January 2023)
US$0.300

Close
(29 December 2023)
US$0.080

High
(27 & 31 January, 8 February 2023)
US$0.330

Low
(22 September 2023)
US$0.041

Number of Units in Issue
as at 31 December 2023
1,776.6m units

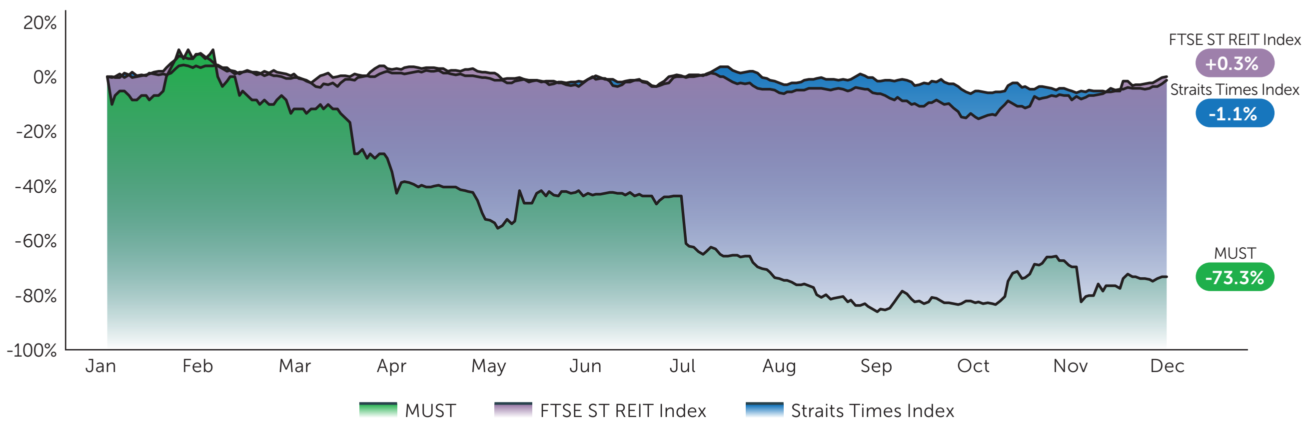
Market Capitalisation
as at 31 December 2023
US$142.1m

Total Trading Volume
in FY2023
2,717.4m units

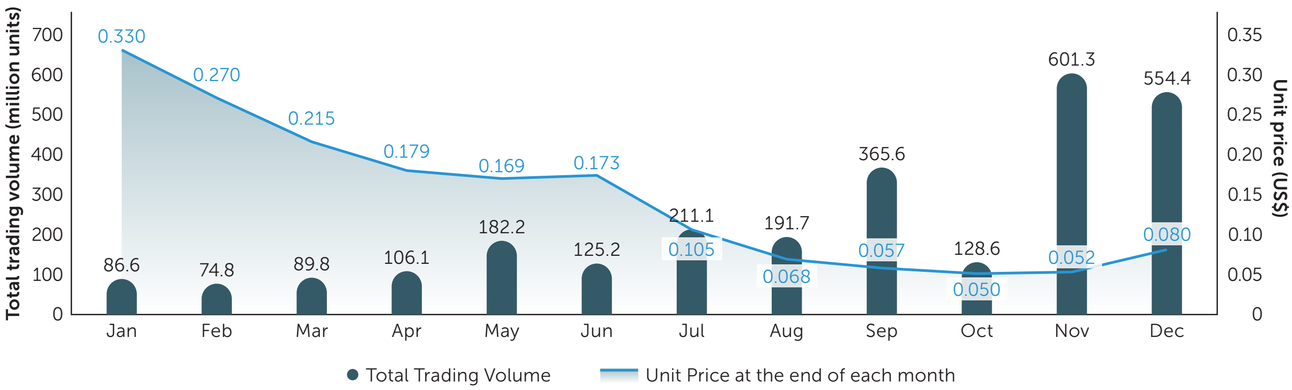
Average Daily Trading
Volume in FY2023
11.0m units

Unit Price Performance

Relative Price Performance in 2023 (%)



Monthly Trading Performance in 2023



IN CONVERSATION WITH CHAIRMAN & CEO

Chairman Marc Feliciano and CEO Tripp Gantt share their views on a year of charting a forward course for the REIT amid great challenges and volatility.

Dear Unitholders

On behalf of the Board of Directors and Manager, we are pleased to present MUST's Annual Report for its financial year ended 31 December 2023 (FY2023).

Q How would you describe 2023 for MUST?

A Chairman: 2023 has been the most challenging year for MUST since its listing. Still, we are thankful that we ended the year with a positive outcome at the Extraordinary General Meeting (EGM), having obtained Unitholders' overwhelming endorsement for the Recapitalisation Plan.

The headwinds that we faced in 2022 continued at a faster pace in 2023. The value of the properties in MUST's portfolio declined by 14.6% at mid-year 2023, which resulted in the breach of a financial covenant. While we saw a deceleration in the pace of interest rate hikes in 2023, there were still four rate increases, taking the federal funds rate from 4.25%-4.50% to 5.25%-5.50% from February to July 2023. This had an impact on MUST's borrowing costs and valuations. Ultimately, these factors and the continued weakness in the U.S. office leasing market contributed to the 73.3% decline in the unit price of MUST, which ended the year at US$0.08. Further, the portfolio declined by another 8.0% by year-end 2023 relative to the mid-year valuations.

My priority when I joined the Board as Chairman on 26 October 2023 was very clear. I wanted to be an effective conduit to extend tangible and meaningful Sponsor support to MUST – not just for a waiver of the financial covenant breach, but for a more sustainable solution that would give the REIT a longer runway to continue operating. Following a few months of significant negotiations among the Manager, Sponsor and Lenders, we finally reached an agreement on a holistic funding

US$132.2m

Total proceeds from the dispositions of Tanasbourne and Park Place in 2023

US$137.0m

Six-year unsecured Sponsor-Lender loan extended to MUST

plan to stabilise MUST. This comprised the Sponsor's acquisition of Park Place for US$98.7 million and a US$137.0 million Sponsor-Lender loan. We also sought and obtained Unitholder's approval for a Disposition Mandate which will enable us to raise net sales proceeds of at least US$328.7 million by 30 June 2025. For this, the Manager performed a thorough property analysis, dividing the portfolio into three tranches as we look to sell assets in 2024 and beyond. Furthermore, the existing debt maturities were extended by an additional year which required the approval of all 12 Lenders. We continue to be grateful to all our Lenders and Unitholders for approving this Recapitalisation Plan. It is an important first step in the stabilisation, recovery and, ultimately, growth of MUST.

Now that we have obtained Unitholders' mandate, the real work – execution of the Recapitalisation Plan – begins in 2024, through 2025. We will continue updating our stakeholders on developments with our operations and dispositions, providing transparency through timely disclosures while creating greater accountability with the goal of regaining the confidence of our Unitholders.

Q While the Lenders have agreed to certain concessions, how are you managing your capital to ensure sufficient liquidity in the medium term and to reduce your gearing to a more optimal level?

A CEO: Our top priority this year will be on ensuring sufficient operating liquidity. This will be achieved through continuing to maintain a proactive and prudent capital management approach, limiting spending to essential Capital Expenditure (Capex) only while we work on executing our disposition plan. Disposition proceeds, along with the retained distributions, will in turn help to generate capital to fund new leasing and address upcoming debt maturities in 2025.

As at 31 December 2023, our bank ICR and unencumbered gearing ratio of 2.7x and 63.2% remain within our relaxed financial covenants of 1.5x and 80.0%, respectively. There remains no breach in our MAS aggregate leverage of 58.3%, as this was due to portfolio valuation movements beyond the control of the Manager. Pursuant to the Recapitalisation Plan, when MUST uses cash holdings to pay down an additional US$50.0 million of debt by 31 March 2024, the aggregate leverage and unencumbered gearing ratio will be approximately 57.0% and 60.0%, respectively.

With its loan maturities extended by one year under its Master Restructuring Agreement, MUST does not have any refinancing requirements in 2024. Our debt maturity profile is also well spread out over the next five years, with a weighted average debt maturity of about 3.3 years. To mitigate against interest rate risk exposure, 91.3% of our gross borrowings have fixed rates as at end-December 2023. Our average borrowing cost has also improved slightly to 4.15%, from 4.38% as at end-September 2023, following the retirement of US$235.0 million of floating rate loans. While it appears we have a moderating interest rate environment working in our favour in 2024, these factors will also enable us to minimise refinancing risks and insulate against short-term market liquidity crunches which may increase funding cost.

Q How did MUST's portfolio perform in 2023, and what are your portfolio plans in 2024?

A CEO: We will be laser-focused on executing dispositions this year in line with the Recapitalisation Plan, following on the heels of our dispositions of Tanasbourne and Park Place to our Sponsor in April and December 2023, respectively. As part of our negotiations with Lenders, we have agreed to pursue asset dispositions to raise at least US$328.7 million through June 2025 to reposition the portfolio and strengthen our balance sheet. Our properties have been prioritised based on occupancy risk, total return potential, Capex requirements and other factors. We are actively marketing certain assets and targeting asset disposals of ~US$100.0 million by 2Q/3Q2024. We will provide more updates when there are further material developments.

On market performance in 2023, according to statistics from JLL, in the second half, the U.S. office market began to see the first consistent signs of recovery since rate hikes began in early 2022. Active tenant requirement volume increased for three consecutive quarters to end the year 20.0% higher, and even though overall leasing activity fell by 9.0% year-on-year (YoY), larger quarter-on-quarter (QoQ) jumps in 2Q2023 and 4Q2023 created positive momentum moving into 2024. JLL expects leasing activity to increase by 10.0%-20.0% in 2024.

This improvement in performance is roughly in line with what we have observed in our portfolio, which ended the year at an 84.4% occupancy, a slight improvement from a same-store occupancy of 83.9% three months prior. Over the course of 2023, a total of ~740,000 sq ft of leases were executed, representing 14.7% of the portfolio NLA, and nearly double the leasing volume we signed in 2022. These leases averaged a positive rent reversion of 8.2%. 18.5% of the leases by NLA are due to expire in 2024, with another 11.6% coming due in 2025. As at end December 2023, MUST's WALE stood at 5.0 years.

Notably this year, we have secured a 65-month renewal for Kilpatrick Townsend, the largest tenant at our Peachtree property in Midtown Atlanta and MUST's fourth largest tenant, at a significant positive rental reversion. Kilpatrick Townsend's renewal comes hand in hand with MUST's commitment to undertake a renovation of the ground floor and common spaces of the building, with completion expected in 2025. We have already received increased leasing enquiries since announcement of the refurbishment.

The portfolio valuation declined 22.0% in 2023 to US$1.4 billion, due to higher average discount rates and terminal capitalisation rates reflecting risks such as lack of debt availability, net selling of U.S. offices, and weak submarket fundamentals, as well as higher vacancy levels and leasing cost assumptions driven by weak leasing activity across the U.S. office market. This was largely in line with the National Council of Real Estate Investment Fiduciaries (NCREIF) Office Subindex, a U.S. office benchmark, which declined 21.8% YoY.

In FY2023, MUST reported a 2.7% increase in gross revenue to US$208.0 million, while net property income rose 1.3% YoY to US$114.6 million. Distributable income declined 15.5% YoY to US$74.3 million, mainly attributed to lower rental and recoveries income due to higher vacancies and property expenses, higher finance costs as a result of rising interest rates, and the divestment of Tanasbourne and Park Place as part of our capital recycling efforts. This was partially offset by higher lease termination fees and carpark income. Pursuant to the Recapitalisation Plan, we will be halting distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions as defined in the circular are achieved earlier.

Q How did MUST engage stakeholders in 2023 amidst the fast-developing events, volatile unit price performance and negative sentiment?

A CEO: The rapid turn of events in 2023 was truly a test of MUST's IR professionalism. Both the management and IR teams did their best to remain calm and empathetic in their communication with investors throughout as they provided clear, factual answers to the investment community against the backdrop of share price volatility and negative investor sentiment.

For instance, in March when news leaked about a potential transaction between a strategic partner and MUST, followed by the publication of an open activist letter, the Manager swiftly issued several clarifications on SGXNet and an email response to the activist investor. It then followed up with other market players who had also received the same letter to clarify the inaccuracies contained within.

On 18 July, when we announced the 14.6% decline in our mid-year portfolio valuation, resulting in a financial covenant breach and halt in distributions, we immediately met with media, analysts and investors to address their queries. Thereafter, the management team and Sponsor worked tirelessly on negotiations with Lenders to waive the breach as well as to address any resultant tax issues. The Manager also continued to proactively engage its stakeholders to provide interim updates on these developments, in order to eliminate inaccurate market talk and bring further clarity to the situation. Regulators were also kept updated throughout of the latest developments and the Manager's proposed course of action to ensure that this was in line with good corporate governance.

Eventually, when we were able to announce the Recapitalisation Plan on 29 November, the Manager swung into swift action, launching targeted approaches for different categories of our investors. For example, two luncheons were conducted, targeting MUST's top institutional investors as well as investors that held units through custodians and nominees. The latter is not commonly practised among Singapore REITs (SREITs). We also organised a dialogue session with the Securities Investors Association (Singapore) (SIAS) for our retail investors. Many other presentations were also made to brokers, trading representatives, relationship managers as well as private banking clients. We went the extra mile to contact the largest Unitholders in our retail base to remind them to submit their votes and guide them through the paperwork. Within a short span of 10 days, we engaged close to 570 investors, analysts and media.

We believe that the clear mandate of ~98.0% of votes obtained for all three resolutions at the December EGM was a testament to the Manager's consistent and strategic engagement efforts throughout the year. This was an even more impressive achievement, given the lack of precedence of an SREIT reaching a successful negotiation outcome with Lenders and Unitholders in an event of default situation.

Q **Now that the Recapitalisation Plan has been approved by Unitholders, what's the next step for MUST? What can Unitholders expect from here?**

A **Chairman:** Our focus in 2024 will be on an asset disposition strategy to maximise proceeds in order to further reduce indebtedness and fund Capex. We will endeavour to do so while taking advantage of the longer runway created through the Recapitalisation Plan. Hopefully, this will lead to greater asset liquidity and improved pricing relative to book values. We will also continue to reinvest in our properties where and when we believe it is accretive to values. We must optimise across these factors to ensure that we have sufficient liquidity to operate the portfolio, while being able to address our next debt maturity in 2025.

On behalf of the Board and the Management team, we would like to express our gratitude to the Unitholders for their approval of the Recapitalisation Plan and the clear mandate for execution in 2024 and beyond.

Marc Feliciano
Chairman

Tripp Gantt
Chief Executive Officer

CREATING VALUE

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

Capital Management

Optimise capital structure and increase financial flexibility

Inorganic Growth

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

Organic Growth

Sustainable distributions through proactive leasing while maintaining optimal occupancy levels

Growing Responsibly

Building a sustainable business while striving for ESG excellence

STABILISATION, RECOVERY, GROWTH

Tanasbourne, Hillsboro, Oregon

Park Place, Chandler, Arizona

Following a 10.9% decline in MUST's end-2022 portfolio valuation resulting in a gearing increase to ~49.0%, the Manager became laser-focused on exploring funding and strategic options to improve its financial flexibility. In April 2023, it completed the disposition of its Portland, Oregon asset, Tanasbourne, to the Sponsor at US$33.5 million, the higher of two independent valuations.

In July 2023, a further 14.6% decline in portfolio valuation resulted in the REIT breaching a financial covenant. As the Lenders were entitled to demand for immediate repayment of all outstanding loan amounts, all the REIT's loans were reclassified to current liabilities. In line with the MAS' Property Fund Appendix, the Manager had to halt distributions. The Manager alongside its Sponsor ramped up negotiations with its Lenders for not only a waiver of the breach, but also a longer-term liquidity plan.

In November 2023, the Manager announced the Recapitalisation Plan. After these resolutions were successfully passed with a strong mandate from Unitholders at an EGM conducted in December, the Sponsor proceeded to complete its purchase of Park Place in Chandler, Arizona for US$98.7 million, the higher of two independent valuations, and extended a Sponsor-Lender loan of US$137.0 million to the REIT.

The Recapitalisation Plan includes a Disposition Mandate that would allow the Manager to prioritise assets for sale without conducting an EGM for each sale. The Plan effectively paves a runway until 2025 for the stabilisation and recovery of the REIT. Thereafter, MUST aims to return to a growth trajectory and eventually resume distributions and execute a pivot strategy.

KEY EVENTS

2023

February 2023
- FY2022 DPU of 4.75 US cents

April 2023
- Sold Tanasbourne to Sponsor for US$33.5 million
- Held physical Annual General Meeting (AGM) on 20 April 2023

July 2023
- Conducted MUST Insights with JLL U.S. for stakeholders
- Valuation decline of 14.6% (vs 31 December 2022), resulting in the breach of a financial covenant

August 2023
- Distributable income of US$37.9 million; Dividends halted for 1H2023 due to the breach of a financial covenant
- Organised Corporate Social Responsibility (CSR) activity with elderly from Methodist Welfare Services (MWS)

September 2023
- Conducted upcycling workshop with students from MWS Christalite Student Care Centre

October 2023
- GRESB[1]:
  - Real Estate Assessment: 5 Star for the sixth year
  - Public Disclosure: 'A' grade, 2nd out of 10 U.S. office peers
- Appointment of Mr Marc Feliciano as Chairman of the Board

November 2023
- Announced Recapitalisation Plan to revitalise and reinforce the REIT
- Targeted week-long EGM roadshow with investment community

December 2023
- Resolutions passed at EGM for sale of Park Place to Sponsor, Sponsor-Lender loan and Disposition Mandate, with ~98.0% of votes secured
- Completed Park Place disposition and repaid US$235.0 million of existing debt using proceeds and Sponsor-Lender loan

2024

January 2024
- Valuation decline of 8.0% (vs 30 June 2023)

February 2024
- Distributable income of US$74.3 million for FY2023; Dividends halted till 31 December 2025 unless Early Reinstatement Conditions are met

1 The GRESB Real Estate Assessment offers both a real estate and a development benchmark, which includes components covering management, portfolio performance and development activities, while the Public Disclosure enables investors to measure the material sustainability disclosures of listed property companies, REITs, and infrastructure companies.

BOARD OF DIRECTORS

MARC LAWRENCE FELICIANO, 53

Chairman
Non-Executive Director

Academic and Professional Qualifications
- Bachelor in Business Administration (with concentration in Taxation and Finance) and Master in Professional Accounting, University of Texas at Austin, U.S.A.

Date of First Appointment as a Director[1]
- 18 September 2023

Length of Service as a Director (as at 31 December 2023)
- 3 months

Board Committee Served on
- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
Global Head of Real Estate, Private Markets, Manulife Investment Management

Past Directorships or Principal Commitments held over the Preceding Three Years
NIL

Experience
- Over 30 years in public and private real estate investment management in the U.S.A., which includes significant workout experience

1 Date of Appointment as Chairman on 26 October 2023.

KOH CHER CHIEW FRANCIS, 72

Independent Non-Executive Director
Lead Independent Director

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

Date of First Appointment as a Director
21 October 2019

Date of Last Reappointment as a Director
30 June 2022

Length of Service as a Director (as at 31 December 2023)
4 years and 2 months

Board Committee Served on
- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- Singapore Management University (SMU) (Emeritus Professor of Finance)
- China Taiping Insurance (Singapore) Pte. Ltd. (Independent Non-Executive Director)
- Drs Koh & Partners Pte. Ltd. (Secretary, Non-Executive Director)
- The Singapore Chinese Girls' School (Non-Executive Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Eunoia Junior College (Member, College Advisory Committee)
- Singapore College of Insurance (Member, Board of Governors)

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

VERONICA JULIA MCCANN, 63

Independent Non-Executive Director

Academic and Professional Qualifications
- CIMA, University of Central London
- Chartered Institute of Management Accountants, Fellow Member
- Chartered Global Management Accountants, Member

Date of First Appointment as a Director
- 17 June 2015

Date of Last Reappointment as a Director
- 30 June 2022

Length of Service as a Director (as at 31 December 2023)
- 8 years and 6 months

Board Committee Served on
- Audit and Risk Committee (Chairman)

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- Advanced MedTech Holdings Pte. Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
NIL

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

CHOO KIAN KOON, 72

Independent Non-Executive Director

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

Date of First Appointment as a Director
- 9 June 2017

Date of Last Reappointment as a Director
- 15 June 2023

Length of Service as a Director (as at 31 December 2023)
- 6 years and 6 months

Board Committee Served on
- Nominating and Remuneration Committee (Chairman)

Present Directorships in other Listed Companies
- Pan Hong Holdings Group Ltd. (Director)

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

Past Directorships or Principal Commitments held over the Preceding Three Years
NIL

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

BOARD OF DIRECTORS

KAREN TAY KOH, 63

Independent
Non-Executive Director

Academic and Professional Qualifications
- Bachelor of Arts, Economics, University of Cambridge, U.K.
- Master of Arts, University of Cambridge, U.K.
- Masters in Public Administration and International Tax Program (Certificate) Harvard University, U.S.A. Kennedy School & Law School

Date of First Appointment as a Director
- 10 November 2020

Date of Last Reappointment as a Director
- 15 June 2023

Length of Service as a Director (as at 31 December 2023)
- 3 years and 1 month

Board Committee Served on
- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Member)[1]

Present Directorships in other Listed Companies
- Banyan Tree Holdings Limited (Director)

Present other Principal Commitments
- Lernen Midco 2 Limited (Director)
- K3 Venture Partners Pte. Ltd. (Director)
- HSBC Bank (Singapore) Limited (Director)
- BC Platforms AG (Director, Senior Advisor and Chair of Asia Advisory Board)
- D'Amore Mckim College of Business, Northeastern University (Member of Advisor Board, Centre for Emerging Markets)
- The Red Pencil Singapore (Director and Deputy Chairman)
- HealthCura Pte. Ltd. (Executive Director)
- Nutmeg Management Pte. Ltd. (Executive Director)

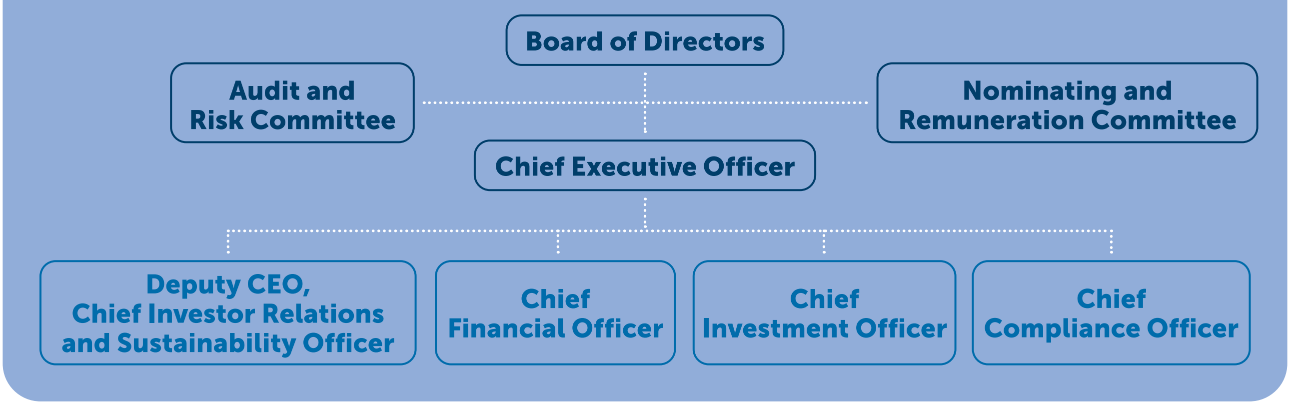
Past Directorships or Principal Commitments held over the Preceding Three Years
NIL

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

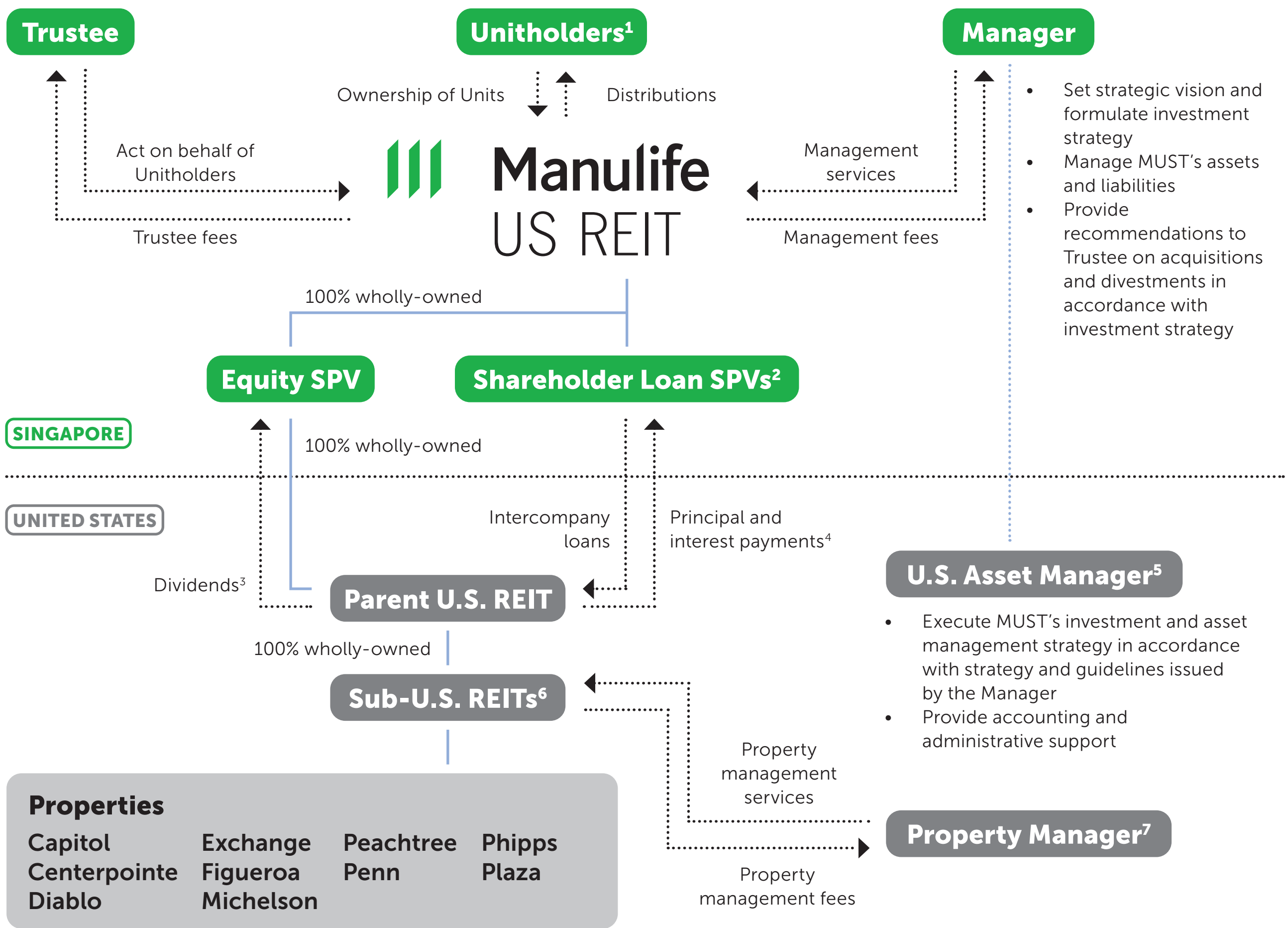
1 Date of Appointment on 1 March 2024.

ORGANISATION CHART/ TRUST AND TAX STRUCTURE

ORGANISATION CHART



TRUST AND TAX STRUCTURE



1 No single investor to hold more than 9.8% (including the Sponsor) - 'Widely Held' (No more than 50% of shares can be owned by five or fewer individuals) rule for REITs in U.S.
2 Each shareholder loan SPV has extended an intercompany loan to the Parent U.S. REIT.
3 Subject to 30% withholding tax.
4 Principal repayments are not subject to U.S. withholding taxes. Interest payments that are finally distributed to Unitholders are not subject to U.S. withholding taxes, assuming Unitholders qualify for portfolio interest exemption and provide appropriate tax certifications, including an appropriate IRS Form W-8.
5 The U.S. Asset Manager is a subsidiary of the Sponsor.
6 Each Sub-U.S. REIT holds an individual property.
7 The Property Manager has entered into a master property management agreement with the Parent U.S. REIT and a property management agreement with each Sub-U.S. REIT.

MANAGEMENT TEAM

TRIPP GANTT
Chief Executive Officer

Mr Tripp Gantt is the Chief Executive Officer (CEO) of the Manager. He works with the Board to determine the strategy for MUST as well as with other members of the management team to execute MUST's investment strategy. Mr Gantt is also responsible for the overall day-to-day management and operations of MUST, working with the Manager's investment, asset management, financial, legal and compliance personnel in meeting the strategic, investment and operational objectives of MUST.

Mr Gantt is a real estate investment professional with almost 25 years of experience. Prior to joining the Manager, Mr Gantt was with the Washington State Investment Board (WSIB), a leading U.S. pension fund with an AUM of approximately US$25 billion in real estate. In his role at WSIB, Mr Gantt devised and implemented investment strategies for its international real estate portfolio.

During his 16-year tenure at WSIB, Mr Gantt managed the origination and execution of real estate investments in operating companies and strategic partnerships in the U.S. and globally, including industrial, logistics, multifamily, retail, office, hospitality and self-storage. He was also responsible for strategic initiatives in risk management and real estate technology, and has oversight of ESG and sustainability matters.

Prior to joining WSIB in 2005, Mr Gantt's experience included roles as an independent real estate consultant, an Associate Project Manager with Heartland LLC, and a Land Acquisitions Manager at Scatter Creek Holdings. He began his real estate career at PGP Valuation as a commercial real estate analyst and appraiser. Mr Gantt holds a Bachelor's degree in Geography and Urban Studies from Georgia State University.

CAROLINE FONG
Deputy CEO,
Chief Investor Relations and
Sustainability Officer

Ms Caroline Fong is the Deputy CEO, Chief Investor Relations (IR) and Sustainability Officer at MUST. She works with the CEO and his senior leadership team to help formulate and execute MUST's investment strategies, including working with the investment, asset management, financial and legal/compliance personnel in meeting the strategic investment objectives of MUST. She focuses on capital markets, exploring strategic opportunities, alternative capital sources and business development. She is also responsible for sustainability, IR, corporate and digital communications and the equity capital market requirements of MUST.

Ms Fong has close to 20 years of experience in IR, capital markets, real estate and regulations. Prior to joining the Manager, Ms Fong was Associate Director, IR and Corporate Finance, in Temasek Holdings and Head of IR and Corporate Communications in ESR-LOGOS REIT. At ESR-LOGOS REIT, Ms Fong helped profile the REIT to be the best performing industrial REIT and second best performing SREIT in 2013.

In addition, Ms Fong was formerly Head of IR for CapitaLand Mall Asia, where she was responsible for the equity story of the company's retail businesses and its three REITs. She was also part of the core team who successfully dual-listed the firm in Hong Kong. Early in her career, Ms Fong was Associate Director, Listings, at the Singapore Exchange, where she advised companies on corporate governance and the regulatory framework for public-listed companies in Singapore.

Ms Fong holds a Master's in Finance and Investment from Nottingham University Business School, U.K. and a Bachelor of Science (Honours) in Banking and Finance from the University of London, U.K.

ROBERT WONG
Chief Financial Officer

Mr Robert Wong is the Chief Financial Officer (CFO). He is responsible for the formulation and execution of MUST's financial strategies, capital and funding management, financial risk management, as well as the treasury, tax and finance operations of MUST.

Mr Wong has over 20 years of experience in the finance and accounting professions, mainly in the real estate investment management industry. Prior to his current appointment, he was Director, Finance and Operations at ARA LOGOS Logistics Trust. He was responsible for all aspects of financial and statutory reporting and compliance with SGX-ST and the Monetary Authority of Singapore (MAS), including financing and treasury activities, evaluating investment opportunities, risk management and compliance functions.

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

PATRICK BROWNE
Chief Investment Officer

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

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

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

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

DAPHNE CHUA
Chief Compliance Officer

Ms Daphne Chua is the Chief Compliance Officer. As the key liaison with the regulators, she is responsible for overseeing and managing regulatory filings on behalf of MUST and assisting MUST in complying with the applicable provisions of the Securities and Futures Act (SFA) and all other relevant legislations.

Ms Chua has over 20 years of experience in the field of compliance for a variety of global financial institutions with operations in Singapore. She has developed compliance and related policies and procedures by implementing local and international industry best practices. In addition, Ms Chua has worked closely with various boards of directors and senior management, both in Singapore and internationally, in ensuring compliance with relevant laws and regulations, internal policies and procedures.

Prior to joining the Manager in 2015, Ms Chua held a number of compliance positions including those for J.P. Morgan Asset Management, Manulife Asset Management, Credit Suisse Private Banking and Morgan Stanley in Singapore. Ms Chua holds a Bachelor of Accountancy (with a Minor in Banking & Finance) (Honours) from Nanyang Technology University, Singapore.

CHOONG CHIA YEE
Head of Finance

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

Mr Choong has over 25 years of experience in accounting, finance, strategic planning, budgeting, tax, initial public offering, audit, regulatory reporting and compliance. Prior to joining the Manager in November 2016, Mr Choong was Vice President, Finance at Mapletree Logistics Trust and he held several positions in CapitaLand Mall Asia. He has extensive experience with corporate entities that have widespread international operations.

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

FINANCIAL REVIEW

	FY2023 (US$'000)	FY2022 (US$'000)	Change (%)
Gross revenue	208,025	202,559	2.7
Property operating expenses	(93,419)	(89,396)	4.5
Net property income	**114,606**	**113,163**	**1.3**
Interest income	617	46	>100
Manager's base fee	(7,833)	(8,787)	(10.9)
Trustee's fee	(267)	(304)	(12.2)
Other trust expenses	(2,970)	(2,397)	23.9
Finance expenses	(46,020)	(33,935)	35.6
Net income before tax and fair value changes	**58,133**	**67,786**	**(14.2)**
Net fair value change in derivatives	(15,653)	48,008	N.M.
Net fair value change in investment properties	(438,561)	(263,631)	66.4
Loss on disposal of investment properties	(908)	-	N.M.
Net loss before tax	**(396,989)**	**(147,837)**	**>100**
Tax income	17,026	18,116	(6.0)
Net loss	**(379,963)**	**(129,721)**	**>100**
Income available for distribution to Unitholders	74,292	87,870	(15.5)
Distribution amount to Unitholders (after retention)	**-**	**84,049**	**(100.0)**
DPU (after retention) (US cents)	**-**	**4.75**	**(100.0)**

N.M.: Not meaningful

	FY2023	FY2022
Total operating expenses[1] (US$'000)	104,502	100,875
Net assets[2] (US$'000)	608,635	1,020,316
Total operating expenses as percentage of net asset value as at the end of the financial year (%)	17.2	9.9

Net Property Income

Gross revenue for FY2023 increased 2.7% from FY2022, mainly contributed by lease termination fees at Exchange and Plaza, and higher parking income. This was partially offset by the divestment of Tanasbourne and Park Place, as well as lower rental and recoveries income as a result of higher portfolio vacancy rate.

Property operating expenses for FY2023 increased 4.5% from FY2022, mainly due to an increase in operating expenses such as non-cash amortisation of leasing commission, repair and maintenance, property taxes, insurance premiums and utilities.

As a result, the net property income for FY2023 was US$114.6 million, an increase of 1.3% from FY2022.

Net Loss

Other trust expenses for FY2023 increased 23.9% from FY2022, mainly due to accounting write-off of professional fees related to the multicurrency debt issuance programme as it is unlikely for the programme to be utilised in view of the existing aggregate leverage of MUST.

Finance expenses for FY2023 increased 35.6% from FY2022, largely due to loans being refinanced at higher interest rates across FY2022 and FY2023, as well as higher interest cost on the unhedged loans.

Fair value loss on derivatives of US$15.7 million recognised in FY2023 was attributable to the fair valuation of interest rate swaps entered into to hedge against interest rate exposures.

1 Refers to all operating expenses (including fees, charges and reimbursable costs paid/payable to the Manager and interested parties), excluding net foreign exchange gains or losses and finance expenses.

2 Net assets as at 31 December 2023 and 31 December 2022, respectively.

Fair value loss on investment properties for FY2023 was US$438.6 million as a result of the decline in valuations, adjusted for Capex and other costs related to the investment properties. Loss on disposal of investment properties arose from the divestment of Tanasbourne and Park Place, completed on 11 April 2023 (U.S. time) and 15 December 2023 (U.S. time) respectively, as a result of the transaction costs incurred.

Tax income of US$17.0 million was mainly due to the recognition of deferred tax income on fair value loss of investment properties, partially offset by deferred tax expense from tax depreciation, as well as withholding taxes in FY2023.

Due to the effects of the above, MUST recorded a net loss of US$380.0 million, compared to the net loss of US$129.7 million for FY2022.

Income Available for Distribution

After adjusting for net fair value loss and other distribution adjustments, income available for distribution to Unitholders for FY2023 was US$74.3 million, 15.5% lower than FY2022. This was mainly due to higher finance expenses, the Manager's base fee and property management fees for the period from 1 July 2023 to 31 December 2023 being payable in cash, and withholding taxes, partially offset by the higher net property income.

However, pursuant to the Recapitalisation Plan and the Master Restructuring Agreement, MUST will be halting distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

Portfolio and Net Asset Value (NAV)

Excluding Tanasbourne and Park Place which were divested in April 2023 and December 2023 respectively, the portfolio value of MUST declined by 22.0% or US$398.7 million to US$1,411.8 million in FY2023. The decline in valuation was largely due to higher discount rates and terminal capitalisation rates reflecting risks posed by the volatile macroeconomic environment as well as idiosyncratic risks at the property level (i.e., higher vacancy and/or weak submarket fundamentals) and continued weakening of occupancy performance across the U.S. office market due to a slowdown in demand and leasing activity, which is leading to higher vacancy levels and higher concession package assumptions needed to attract new tenants or retain tenants, giving rise to higher leasing costs.

The decline in valuations was a key contributing factor which resulted in net assets attributable to Unitholders decreasing by 40.3% from US$1,020.3 million as at 1 Jan 2023 to US$608.6 million, which translated to NAV per Unit of US$0.33 as at 31 December 2023.

Key Financial Indicators	As at 31 December 2023	As at 31 December 2022
Gross borrowings (US$ million)	925.7	1,032.7
Aggregate leverage[1] (%)	58.3	48.8
Weighted average cost of debt (%)	4.15[2]	3.74
Weighted average debt maturity (years)	3.3	2.8
Interest coverage ratio[3] (times)	2.4	3.1
Unencumbered properties as % of total portfolio[4] (%)	100.0	89.2

Capital Management and Recapitalisation Plan

The Manager continues to maintain a proactive and prudent approach towards capital management, building on strong and diversified banking relationships with reputable banks.

In December 2022, MUST obtained a US$105.0 million unsecured sustainability-linked facility which was utilised in March 2023 to refinance the Phipps mortgage facility. Post refinancing, all properties are unencumbered. On 11 April 2023 (U.S. time), MUST also completed the divestment of Tanasbourne to the Sponsor for a consideration of US$33.5 million, with net proceeds retained to provide additional liquidity.

Due to a decline in the portfolio valuation in June 2023, MUST breached a financial covenant in relation to the unencumbered gearing ratio under its existing loans. The breach of the financial covenant triggered a cross default across all of MUST's loan facilities and interest rate swaps. In response to the breach, MUST made a good faith repayment of US$9.0 million to lower the unencumbered gearing ratio below the limit of 60.0% in August 2023.

1 Based on gross borrowings as percentage of total assets.
2 Excluding the Sponsor-Lender loan exit premium. Including the Sponsor-Lender loan exit premium, the weighted average cost of debt would be approximately 4.55%.
3 Computed by dividing the trailing 12-month earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12-month interest expense and borrowing-related fees as set out in the Code on Collective Investment Schemes (CIS Code) issued by MAS. As MUST does not have any distributions for hybrid securities, its interest coverage ratio is equivalent to its adjusted interest coverage ratio.
4 Based on appraised values.

FINANCIAL REVIEW

Following heavy negotiations among the Manager, the Sponsor and the Lenders, the Recapitalisation Plan was put together and the EGM was held on 14 December 2023 for Unitholders to approve the divestment of Park Place, the Sponsor-Lender loan, and the Disposition Mandate. The Master Restructuring Agreement was also executed, under which the breach of financial covenant and cross-default has been waived. In addition, all loan maturities of existing facilities were extended by one year and the financial covenants have been temporarily relaxed.

With Unitholders' approval, the divestment of Park Place to the Sponsor was completed on 15 December 2023 (U.S. time) and US$98.0 million of the net proceeds were used to repay debt on 22 December 2023. On the same day, the Sponsor-Lender loan was used to refinance US$137.0 million of existing debt, which further reduced MUST's bank loan exposure. As at 31 December 2023, MUST had a cash balance of US$127.1 million, of which US$50.0 million will be used to pay down additional debt by 31 March 2024.

As part of the Recapitalisation Plan, the Manager and Lenders have performed a thorough portfolio analysis and identified certain Tranche 1 and Tranche 2 Assets for sale pursuant to the Disposition Mandate. The adoption of the Disposition Mandate will provide the Manager with a competitive edge as a seller and the flexibility to execute further dispositions to repay debt, fund Capex to rejuvenate the remaining assets held by MUST and strengthen its portfolio.

The following table summarises the change in financial covenants as a result of the Recapitalisation Plan:

		Financial Covenants	
	As at 31 December 2023	Post-Recapitalisation Plan[3]	Pre-Recapitalisation Plan
Unencumbered gearing ratio[1]	63.2%	80.0%	60.0%
Bank ICR[2]	2.7 times	1.5 times	2.0 times

Debt Maturity Profile

As at 31 December 2023, the total gross outstanding debt of MUST was US$925.7 million with an aggregate leverage of 58.3%, an increase from 48.8% as at 31 December 2022, mainly due to the decline in portfolio valuation. The Manager recognises that the higher aggregate leverage will increase the risk profile of MUST.

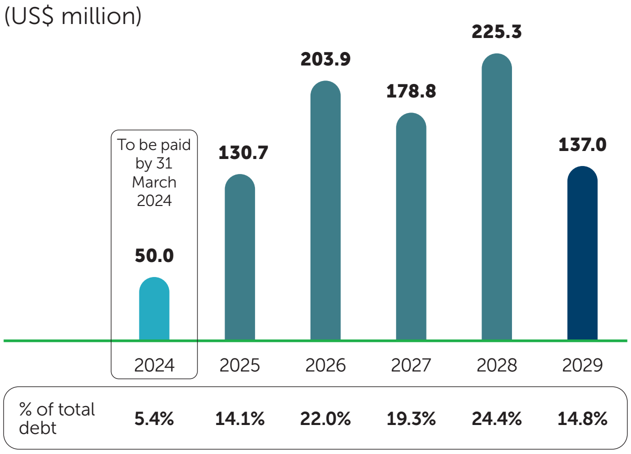
The Property Funds Appendix states that the aggregate leverage limit is not considered to be breached if exceeding the limit is due to circumstances beyond the control of the Manager. As a decline in the valuation of investment properties has resulted in the aggregate leverage of Manulife US REIT exceeding 50.0%, there is no breach of the aggregate leverage limit as defined by the Property Funds Appendix. However, the Manager will not be able to incur additional indebtedness. Accordingly, MUST would have to fund Capex, tenant improvement allowances and leasing costs with available cash, cash from operations and through proceeds from further dispositions pursuant to the Disposition Mandate.

With the loan maturities extended by one year under the Master Restructuring Agreement, MUST does not have any refinancing requirements in 2024. MUST's debt maturity profile remains well-staggered with a weighted average debt maturity of approximately 3.3 years as at 31 December 2023.

As at 31 December 2023, 91.3% of the gross borrowings have fixed rates or have been hedged with derivative financial instruments, which reduces short-term interest rate risk. The debt maturity profile is also well-staggered over five years with no more than 24.4% of debt maturing in any year. The net fair value of the derivatives represents 5.5% of the net assets of MUST as at 31 December 2023.

Debt Maturity Profile as at 31 December 2023

(US$ million)



● Trust-level term loans and RCF
● Sponsor-Lender loan

1 Unencumbered gearing ratio refers to the ratio of consolidated total unencumbered debt to consolidated total unencumbered assets as defined in MUST's facility agreements.
2 As defined in the facility agreements, the bank ICR is the ratio of consolidated EBITDA (excluding effects of any fair value changes of derivatives and investment properties, base and property management fees paid in Units), to consolidated interest expense (excluding non-cash amortisation of upfront transaction costs and the Sponsor-Lender loan exit premium).
3 Under the Master Restructuring Agreement, all loan maturities of the existing facilities have been extended by one year and financial covenants have been temporarily relaxed up to the earlier of 31 December 2025 and when the Early Reinstatement Conditions are achieved.

OPERATIONAL REVIEW

Manulife US REIT's portfolio encompasses 10 high-quality office buildings located in key U.S. markets with an NLA of 5.0 million sq ft, a long WALE of 5.0 years and a stable occupancy rate of 84.4% as at 31 December 2023.

Positive Signs Emerging for Broader Leasing Activity

2023 ended with three consecutive quarters of growth of active tenant lease requirements in the U.S. Active requirements grew 6.6% and 20.4% QoQ and YoY, respectively[1]. The green shoots, driven by factors including a resilient U.S. economy and firmer return-to-office mandates, are a welcomed sign for the U.S. office market.

According to JLL, with notable policy shifts in 2023, nearly 90.0% of private employers in the U.S. now mandate office attendance. While it is challenging to measure the impact this has on the national office market, 2023's rate of sublease additions declined in the second, third and fourth quarters after peaking in 1Q2023[1], indicating that tenants had removed sublease space from the market. Additionally, the Kastle Back to Work Barometer, a widely cited measure of in-person office attendance in the U.S., showed gradual increases of in-person activity at office buildings over the course of 2023. More specifically, Kastle notes that law firms are meaningfully outpacing the broader U.S. tenant base with an average occupancy of 78.1% versus 53.0% for all industries[2].

Tenant flight to quality has been another consistent theme in the U.S. office market since the onset of the COVID-19 pandemic. As a result, buildings constructed since 2015 have experienced 127.0 million sq ft of occupancy gain while the overall U.S. office market collectively lost 200.0 million sq ft of occupancy. In 2023, 13.1% of all leasing volume took place in these newer buildings despite them comprising just 9.5% of overall stock[1]. Amidst cause for optimism, challenges also persisted in 2023:

- Annual leasing volume in 2023 remained at ~72.0% of pre-pandemic levels.[1]
- Negative net absorption still plagued the market. The fourth quarter of 2023 saw negative 13.4 million sq ft of net absorption, pushing up the national vacancy rate to 21.4%.[1]
- U.S. valuations declined 21.8%[3] during the year due to ongoing weakness in the office leasing market, the increase in the Federal Reserve's policy rates and lack of office transaction volume, which recorded a ~60.0% YoY decline in activity.[1]

Resetting MUST's Foundation in 2023

MUST faced numerous challenges in 2023, but on the back of a Recapitalisation Plan which was supported overwhelmingly by Unitholders, the Manager now seeks to stabilise the REIT for recovery and growth down the road.

MUST's 2023 operational performance largely mirrored the broader U.S. office market. Its portfolio occupancy ended 2023 at 84.4%. While outperforming the U.S. Class A office average occupancy rate of 81.8%[1], MUST still experienced occupancy losses, resulting in a decline from an occupancy of 88.0% at end-2022. That said, leasing volume doubled from the previous year to approximately 740,000 sq ft in 2023, making up 14.7% of the portfolio NLA. Notably, the Manager has executed leases with four of its top 10 tenants, including a renewal with The William Carter Company at Phipps, two expansions with Hyundai Capital at Michelson, a renewal with Kilpatrick Townsend at Peachtree, and a new lease with The Children's Place at Plaza[4].

MUST's portfolio valuation experienced a 22.0% decline in 2023. Its mid-year valuation decline resulted in the breach of a financial covenant. To improve its financial flexibility and optimise its portfolio, the Manager disposed two properties, Tanasbourne and Park Place, to the Sponsor at US$33.5 million and US$98.7 million, respectively. Both assets were sold at the higher of two independent valuations obtained, with divestment fees waived by the Manager. The sale of Park Place was done as part of the Recapitalisation Plan negotiated with MUST's Lenders which also included a US$137.0 million loan from the Sponsor and a Disposition Mandate that would allow the Manager to prioritise assets for sale without conducting an EGM for each sale.

The Manager has classified MUST's assets in order of priority and focus for disposition, and identified four Tranche 1 assets - Centerpointe, Diablo, Figueroa and Penn - as the key focus of its disposition strategy. Tranche 2 assets - Capitol, Exchange, Peachtree and Plaza - are those which the Manager may explore selling, while Tranche 3 assets - Phipps and Michelson - are considered the Manager's best quality assets which are not the current focus for disposition. The Recapitalisation Plan was passed by Unitholders at an EGM on 14 December 2023.

Divestments

Property	City, State	Divestment Consideration (US$ million)	Buyer	Completion Date (U.S. time)
Tanasbourne	Hillsboro, Oregon	33.5[5]	John Hancock Life Insurance Company (U.S.A.)[7]	11 April 2023
Park Place	Chandler, Arizona	98.7[6]	John Hancock Life Insurance Company (U.S.A.)[7]	15 December 2023
Total		132.2		

1 JLL U.S. Office Outlook 4Q 2023.
2 Kastle Systems, as at 20 February 2024.
3 Source: National Council of Real Estate Investment Fiduciaries (NCREIF), NCREIF Property Index.
4 Executed in early 2024.
5 The divestment consideration was based on the higher of the two valuations obtained. Using the income capitalisation approach, which consists of the discounted cash flow method and direct capitalisation method, JLL Valuation & Advisory Services, LLC (JLL) valued the Property at US$33.5 million as at 31 December 2022 and Colliers International Valuation & Advisory Services, LLC (Colliers) valued the Property at US$32.4 million as at 15 March 2023.
6 The divestment consideration was based on the higher of the two valuations obtained. Using the income capitalisation approach which consists of the discounted cash flow method and direct capitalisation method, as well as the sales comparison approach, JLL valued the Property at US$98.7 million as at 30 June 2023 and Colliers valued the Property at US$94.0 million as at 15 November 2023.
7 An indirect wholly-owned subsidiary of the Sponsor, The Manufacturers Life Insurance Company.

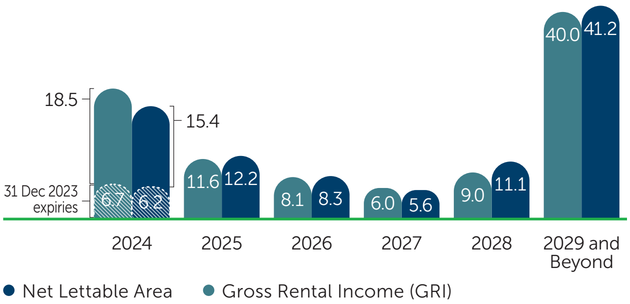
OPERATIONAL REVIEW

Proactive Management to Minimise Risk

In 2023, the Manager continued to proactively manage the portfolio with a focus on driving leasing and stabilising occupancy. As a result of its proactive leasing efforts, combined with the quality of the portfolio assets and tenants, MUST recorded several positive outcomes despite the challenging office market:

- Executed ~740,000 sq ft of leases at +8.2% reversion, representing 14.7% of NLA, mainly from the Legal, Retail Trade, and Finance and Insurance sectors
- Maintained well-spread lease expiry profile

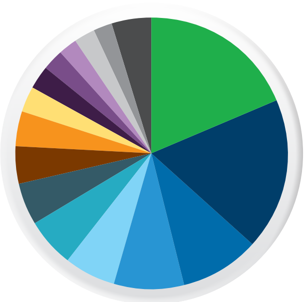
Lease expiry profile as at 31 Dec 2023 (%)



Well-Diversified Tenant Mix

The portfolio continues to enjoy a well-diversified tenant roster with ~20 trade sectors represented. The top three largest trades – Legal, Finance and Insurance, and Retail Trade – made up approximately 46.2% of the portfolio's GRI as at end December 2023.

Trade sector by GRI (%)



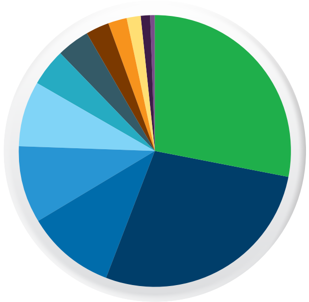
Legal	18.7
Finance and Insurance	18.2
Retail Trade	9.3
Real Estate	8.4
Information	6.2
Public Administration	5.9
Consulting	5.0
Administrative and Support Services	4.4
Grant Giving	4.0
Health Care	3.3
Arts, Entertainment, and Recreation	2.7
Transportation and Warehousing	2.5
Professional, Scientific, and Technical Services	2.3
Advertising	2.3
Accounting	2.3
Other	4.6

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

Trade Sectors of Leases Signed in 2023

Of the leases signed during 2023, more than 13 different trade sectors were represented, including the portfolio's largest sectors, Legal, Retail Trade, and Finance and Insurance. The new leases, renewals and tenant expansions executed in FY2023 had a WALE by NLA of 7.4 years and accounted for 18.7% of GRI[1].

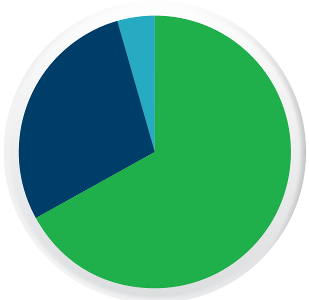
2023 Leasing Trade Sector by GRI (%)



Legal	28.0
Retail Trade	28.0
Finance and Insurance	10.4
Arts, Entertainment, and Recreation	9.2
Public Administration	7.9
Consulting	4.3
Real Estate	3.9
Construction	2.8
Manufacturing	2.3
Health Care	1.7
Information	1.1
Accounting	0.4
Accommodation and Food Services	0.0

Passing Rent and Portfolio Rental Escalations by GRI

The portfolio's average passing rent as at 31 December 2023 and expiring rents in 2024 are US$42.77 psf and US$34.46 psf, respectively. Average in-place rents continue to be below the market average.



Average rental escalation across portfolio in FY2023

2.2% p.a.

Annual escalations of 2.7% p.a.	67.0%
Mid-term/periodic escalations	28.7%
No escalations (88% govt leases)	4.2%

Top 10 Tenants by GRI (%)

The portfolio's top 10 tenants contributed 35.1% of the portfolio's GRI as at 31 December 2023. Most of these anchor tenants include headquarters, listed companies as well as government agencies. This reflects the portfolio's high quality and stability as well as low tenant concentration risk within MUST's portfolio. The total number of tenants was 176 as at 31 December 2023.

	Tenant	% of Portfolio GRI
1	The William Carter Company	4.8
2	TCW Group	4.4
3	The Children's Place	3.6
4	United Nations Foundation	3.5
5	Hyundai Capital America	3.4
6	US Treasury	3.3
7	Amazon Corp	3.2
8	Kilpatrick Townsend	3.0
9	ACE American	3.0
10	Quest Diagnostics	2.8
Total % of Portfolio GRI		35.1

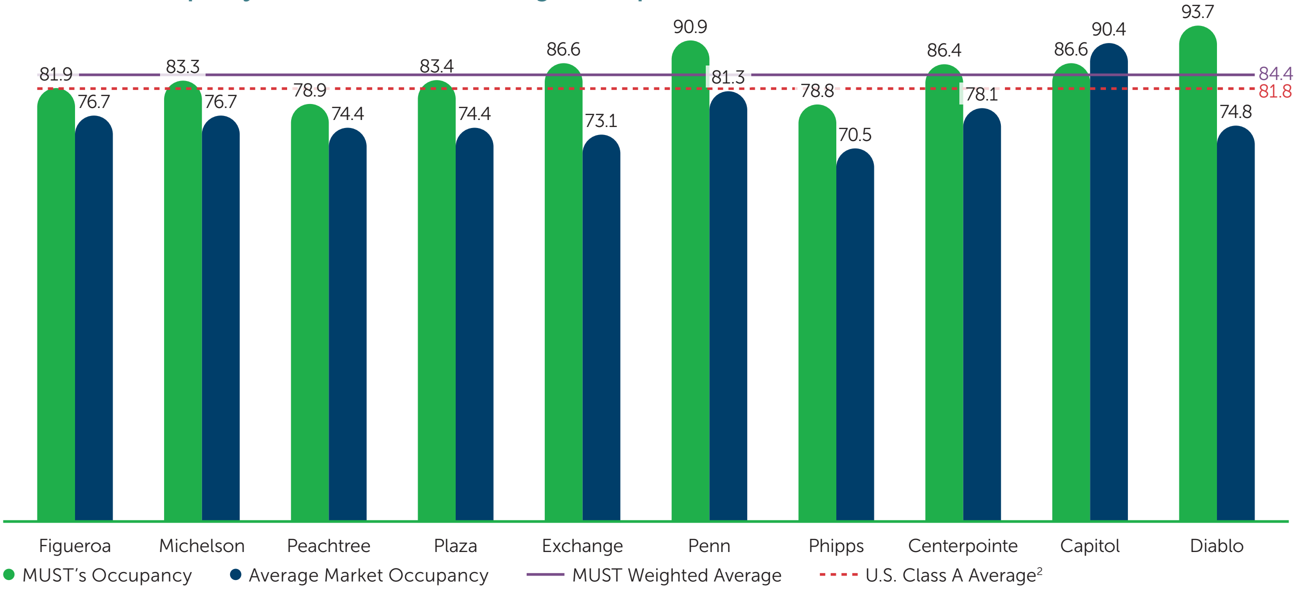
Note: Amounts may not sum to 35.1% for top 10 tenants table due to rounding.

1 For the leases executed and commenced in FY2023, totalling ~207,000 sq ft, the WALE is 6.1 years.

Healthy Portfolio Occupancy Rate

As at 31 December 2023, occupancy at MUST's assets mostly exceeded occupancy in MUST's submarkets[1].

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



Portfolio Valuation Decline in Line with Broader Market

MUST's portfolio experienced a 22.0% decline in market valuation in 2023. This was in line with the NCREIF Office Subindex, a widely referenced U.S. office benchmark, which recorded a 21.8% decline in valuation in 2023. MUST's valuation decline was due to higher average discount and terminal capitalisation rates, reflecting market and property-level risks such as lack of debt availability, net selling of U.S. offices and weak submarket fundamentals. In addition, high vacancy levels and leasing cost assumptions continue to be driven by weak leasing activity across the U.S. office market. Tranche 1 assets contributed to ~39.3% of the total portfolio valuation decline in 2023. Tranche 1 assets also experienced a steeper valuation decline than the other two tranches of assets.

Property, Location	Valuation				Direct Cap Rates
	31 December 2023[3] (US$ m)	31 December 2022 (US$ m)	Change (%)	Change by Tranche	31 December 2023 (%)
Figueroa, Los Angeles	139.0	211.0	-34.1%		8.00
Penn, Washington, D.C.	108.0	156.0	-30.8%	Tranche 1	7.25
Diablo, Tempe	52.0	63.5	-18.1%	-29.5%	7.00
Centerpointe, Washington, D.C.[4]	75.8	101.0	-25.0%		8.25
Plaza, New Jersey	58.0	92.0	-37.0%		7.00
Exchange, New Jersey	234.0	290.0	-19.3%	Tranche 2	7.75
Capitol, Sacramento	158.0	190.0	-16.8%	-20.1%	7.75
Peachtree, Atlanta	171.0	205.0	-16.6%		7.75
Michelson, Irvine	240.0	292.0	-17.8%	Tranche 3	7.25
Phipps, Atlanta	176.0	210.0	-16.2%	-17.1%	6.50
Total/Weighted Average	**1,411.8**	**1,810.5**	**-22.0%**		**7.46**

Going Forward – Stabilisation, Recovery, Growth

While headwinds persist in the U.S. office market, there is reason to be optimistic heading into 2024. MUST's Sponsor demonstrated strong support through its two asset acquisitions from MUST as well as its extension of a Sponsor-Lender loan to the REIT. The Recapitalisation Plan gives the Manager more time and flexibility to execute business plans and selective modernisation works at the property level, as well as to dispose of properties that are unlikely to be long-term strategic fits to the portfolio, so as to drive positive value and returns for Unitholders.

1 Source: All submarket data as at 10 Jan 2024 from CoStar Market Analysis & Forecast Reports.
2 JLL U.S. Office Outlook 4Q 2023.
3 All valuations by JLL except for Diablo's valuation which was done by Colliers.
4 Centerpointe is located in Fairfax Center, a submarket within Fairfax County, Virginia, in the Washington, D.C. metro area.

PORTFOLIO OVERVIEW

UNITED STATES OF AMERICA

Capitol

Location
400 Capitol Mall, Sacramento, CA

NLA
502,454 sq ft

Occupancy
86.6%

WALE by NLA
5.4 years

Latest Valuation
US$158.0 million

Centerpointe

Location
4000 & 4050 Legato Road, Fairfax, VA

NLA
421,188 sq ft

Occupancy
86.4%

WALE by NLA
3.1 years

Latest Valuation
US$75.8 million

Diablo

Location
2900 South Diablo Way, Tempe, AZ

NLA
355,385 sq ft

Occupancy
93.7%

WALE by NLA
2.0 years

Latest Valuation
US$52.0 million

Exchange

Location
10 Exchange Place, Jersey City, NJ

NLA
737,611 sq ft

Occupancy
86.6%

WALE by NLA
4.4 years

Latest Valuation
US$234.0 million

Figueroa

Location
865 South Figueroa Street, Los Angeles, CA

NLA
715,024 sq ft

Occupancy
81.9%

WALE by NLA
3.4 years

Latest Valuation
US$139.0 million

Michelson

Location
3161 Michelson Drive, Irvine, CA

NLA
535,003 sq ft

Occupancy
83.3%

WALE by NLA
5.7 years

Latest Valuation
US$240.0 million

Peachtree

Location
1100 Peachtree Street NE, Atlanta, GA

NLA
559,176 sq ft

Occupancy
78.9%

WALE by NLA
6.2 years

Latest Valuation
US$171.0 million

Penn

Location
1750 Pennsylvania Avenue NW, Washington, D.C.

NLA
278,063 sq ft

Occupancy
90.9%

WALE by NLA
3.6 years

Latest Valuation
US$108.0 million

Phipps

Location
3438 Peachtree Road NE, Atlanta, GA

NLA
475,778 sq ft

Occupancy
78.8%

WALE by NLA
8.8 years

Latest Valuation
US$176.0 million

Plaza

Location
500 Plaza Drive, Secaucus, NJ

NLA
466,496 sq ft

Occupancy
83.4%

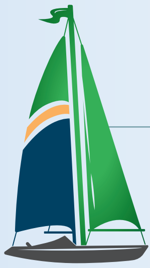
WALE by NLA
3.9 years

Latest Valuation
US$58.0 million

PORTFOLIO OVERVIEW

CAPITOL

400 Capitol Mall, Sacramento, CA



Occupancy
86.6%

Valuation
US$158.0M

NLA
502,454SQ FT

Land Tenure	**Freehold**
Building Completion	**1992**
Acquisition Date	**29 October 2019**
Purchase Price	**US$198.8 million (US$397 psf)**
WALE by NLA	**5.4 years**
No. of Tenants	**38**

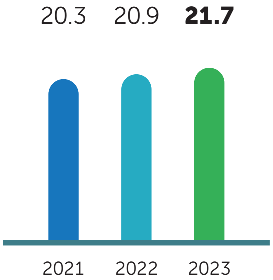
Capitol is a freehold 29-storey Class A office building located at 400 Capitol Mall, Sacramento, California, and is a 15-minute drive to Sacramento International Airport. The property is the tallest building in Sacramento, towering 423 feet high and is uniquely positioned in the CBD. It is within walking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

TOP THREE TENANTS BY GRI (%)

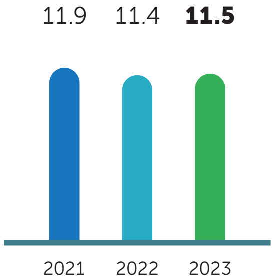
11.3	**11.1**	**9.2**
WeWork	Weintraub Tobin Chediak Coleman & Gordin	Orrick Herrington & Sutcliffe

Class A · Energy Star · LEED Gold · WiredScore Gold · Fitwel Viral Response Certified · BOMA 360 · WELL · SmartScore

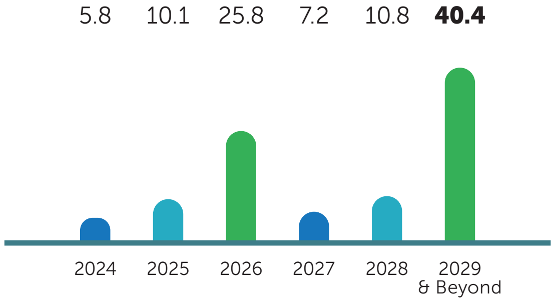
Gross Revenue
(US$ million)



Net Property Income
(US$ million)

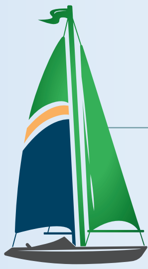


Lease Expiry Profile by NLA
(%)



CENTERPOINTE

4000 & 4050 Legato Road, Fairfax, VA



Occupancy
86.4%

Valuation
US$75.8M

NLA
421,188SQ FT

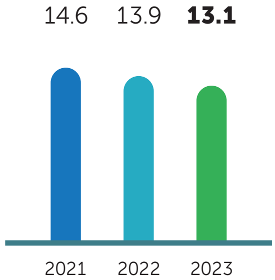
Land Tenure	**Freehold**
Building Completion	**1987/1989**
Acquisition Date	**10 May 2019**
Purchase Price	**US$122.0 million (US$290 psf)**
WALE by NLA	**3.1 years**
No. of Tenants	**18**

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

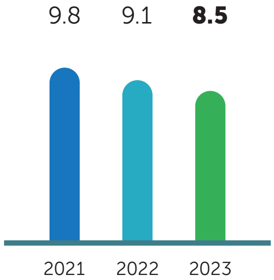
TOP THREE TENANTS BY GRI (%)

25.1	**21.1**	**19.2**
ASM Research	Edelman Financial Services	Board of Supervisors for Fairfax County

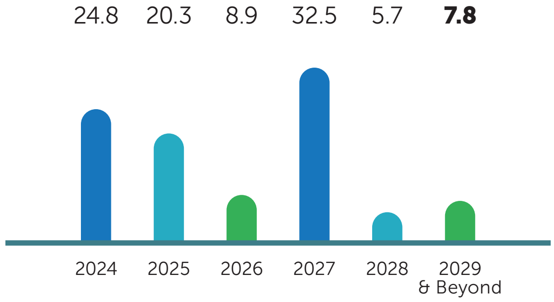
Gross Revenue
(US$ million)



Net Property Income
(US$ million)



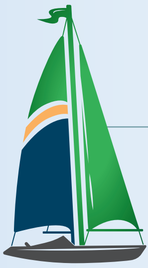
Lease Expiry Profile by NLA
(%)



PORTFOLIO OVERVIEW

DIABLO

2900 South Diablo Way, Tempe, AZ



Occupancy
93.7%

Valuation
US$52.0M

NLA
355,385SQ FT

Land Tenure	**Freehold**
Building Completion	**1980 - 1998**
Acquisition Date	**20 December 2021**
Purchase Price	**US$61.8 million (US$174 psf)**
WALE by NLA	**2.0 years**
No. of Tenants	**7**

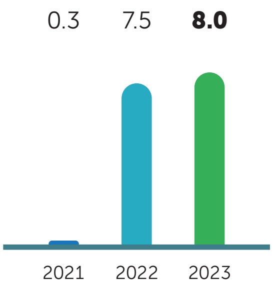
Diablo is a five-building collaborative office campus in Tempe, Phoenix that caters to the expanding creative, technology, education and healthcare tenants in the broader Phoenix market. The property features large, flexible floorplates, an on-site café and fitness centre, indoor and outdoor amenity areas, ample parking, and excellent visibility and frontage along the I-10 freeway.

TOP THREE TENANTS BY GRI (%)

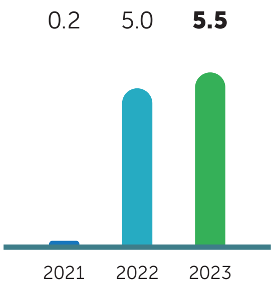
32.1	**28.3**	**24.2**
Conduent Commercial Solutions	Smart Embedded Computing	Computershare Loan Services

Class B

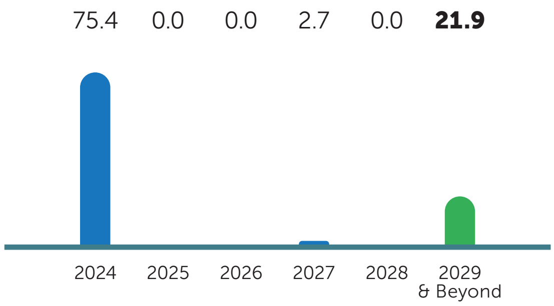
Gross Revenue
(US$ million)



Net Property Income
(US$ million)



Lease Expiry Profile by NLA
(%)



EXCHANGE

10 Exchange Place, Jersey City, NJ

Occupancy
86.6%

Valuation
US$234.0M

NLA
737,611SQ FT

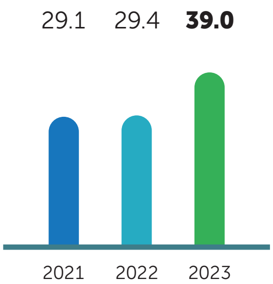
Land Tenure	**Freehold**
Building Completion	**1988**
Acquisition Date	**31 October 2017**
Purchase Price	**US$315.1 million (US$431 psf)**
WALE by NLA	**4.4 years**
No. of Tenants	**23**

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

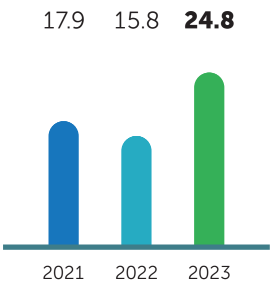
TOP THREE TENANTS BY GRI (%)

20.1	18.7	13.5
Amazon Corp	ACE American	Rabo Support Services

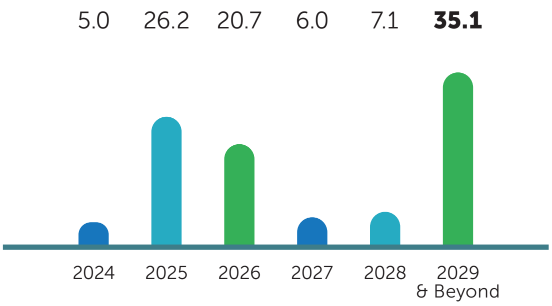
Gross Revenue
(US$ million)



Net Property Income
(US$ million)



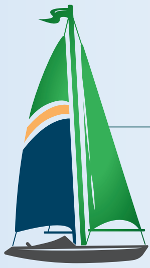
Lease Expiry Profile by NLA
(%)



PORTFOLIO OVERVIEW

FIGUEROA

865 South Figueroa Street, Los Angeles, CA



Occupancy
81.9%

Valuation
US$139.0M

NLA
715,024SQ FT

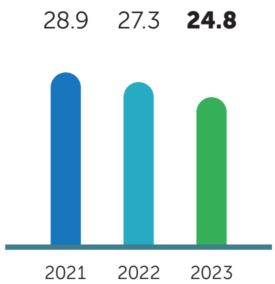
Land Tenure	**Freehold**
Building Completion	**1991**
Acquisition Date	**19 May 2016**
Purchase Price	**US$284.7 million (US$410 psf)**
WALE by NLA	**3.4 years**
No. of Tenants	**24**

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

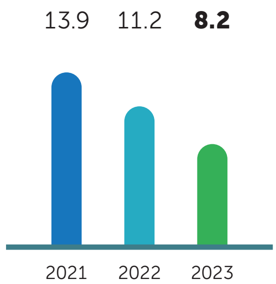
TOP THREE TENANTS BY GRI (%)

32.6	**14.0**	**12.5**
TCW Group	Allen Matkins	Quinn Emanuel Trial Lawyers

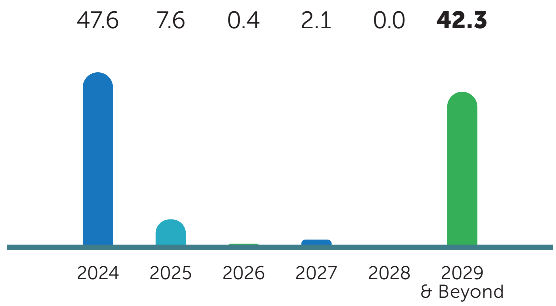
Gross Revenue
(US$ million)



Net Property Income
(US$ million)

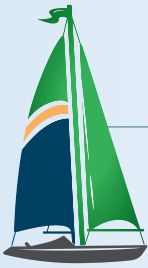


Lease Expiry Profile by NLA
(%)



MICHELSON

3161 Michelson Drive, Irvine, CA



Occupancy
83.3%

Valuation
US$240.0M

NLA
535,003SQ FT

Land Tenure	**Freehold**
Building Completion	**2007**
Acquisition Date	**19 May 2016**
Purchase Price	**US$317.8 million (US$597 psf)**
WALE by NLA	**5.7 years**
No. of Tenants	**18**

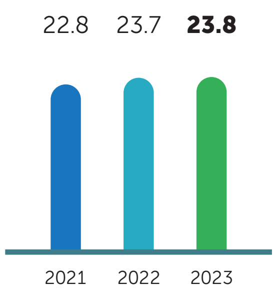
Michelson is a 19-storey Trophy-quality office building located in Irvine, Orange County, California, within a mile of John Wayne International Airport. The property is surrounded by hotels, high-end residential properties, restaurants and other retail offerings. On-site amenities include a café, penthouse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

TOP THREE TENANTS BY GRI (%)

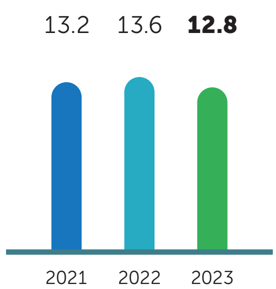
24.4	**18.5**	**12.3**
Hyundai Capital America	Gibson Dunn	Fitness International

Trophy · Energy Star · LEED Gold · WiredScore Gold · fitwel ★★ · Fitwel Viral Response Certified 2021 Distinction

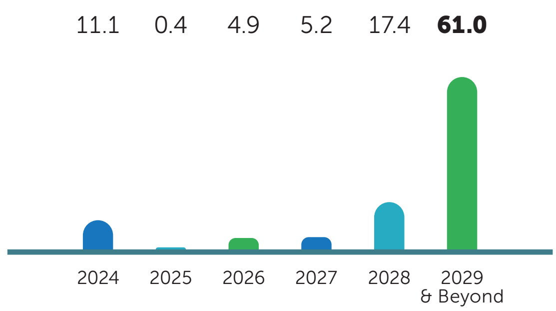
Gross Revenue
(US$ million)



Net Property Income
(US$ million)



Lease Expiry Profile by NLA
(%)



PORTFOLIO OVERVIEW

PEACHTREE

1100 Peachtree Street NE, Atlanta, GA

Occupancy
78.9%

Valuation
US$171.0M

NLA
559,176SQ FT

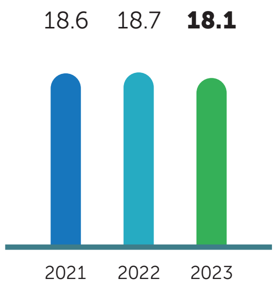
Land Tenure	**Freehold**
Building Completion	**1991**
Acquisition Date	**19 May 2016**
Purchase Price	**US$175.0 million (US$315 psf)**
WALE by NLA	**6.2 years**
No. of Tenants	**24**

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

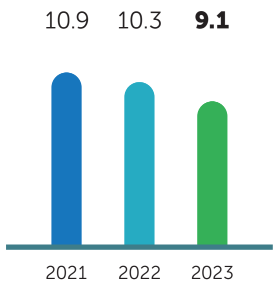
TOP THREE TENANTS BY GRI (%)

30.7	**10.3**	**9.5**
Kilpatrick Townsend	Triage Consulting Group	Jackson Spalding

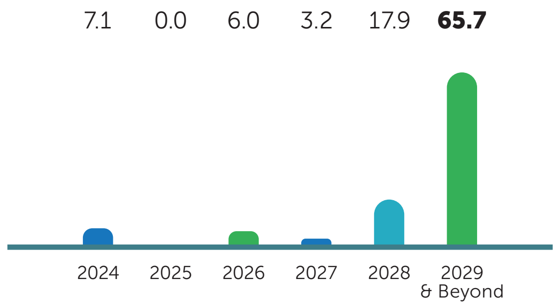
Gross Revenue
(US$ million)



Net Property Income
(US$ million)



Lease Expiry Profile by NLA
(%)



PENN

1750 Pennsylvania Avenue NW,
Washington, D.C.

Occupancy
90.9%

Valuation
US$108.0M

NLA
278,063SQ FT

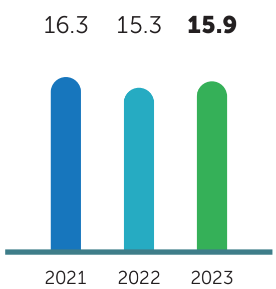
Land Tenure	**Freehold**
Building Completion	**1964**
Acquisition Date	**22 June 2018**
Purchase Price	**US$182.0 million (US$646 psf)**
WALE by NLA	**3.6 years**
No. of Tenants	**8**

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

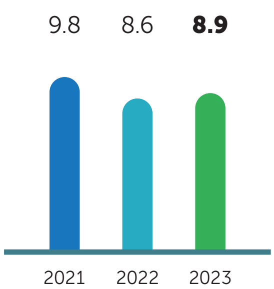
TOP THREE TENANTS BY GRI (%)

43.4	41.0	5.1
United Nations Foundation	US Treasury	Board of Regents of the University of Texas

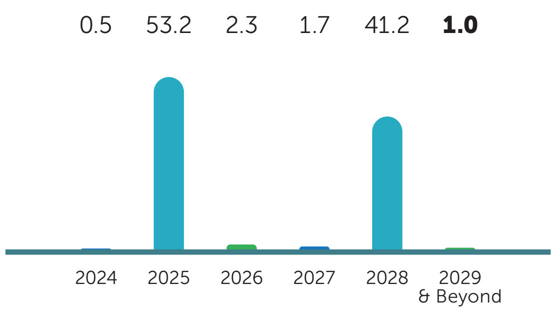
Gross Revenue
(US$ million)



Net Property Income
(US$ million)



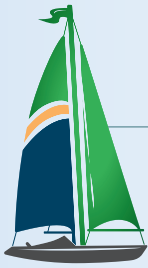
Lease Expiry Profile by NLA
(%)



PORTFOLIO OVERVIEW

PHIPPS

3438 Peachtree Road NE, Atlanta, GA



Occupancy
78.8%

Valuation
US$176.0M

NLA
475,778SQ FT

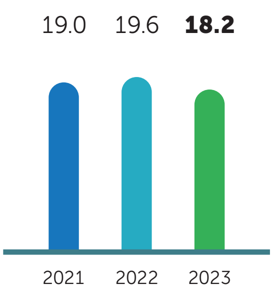
Land Tenure	**Freehold**
Building Completion	**2010**
Acquisition Date	**22 June 2018**
Purchase Price	**US$205.0 million (US$431 psf)**
WALE by NLA	**8.8 years**
No. of Tenants	**10**

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

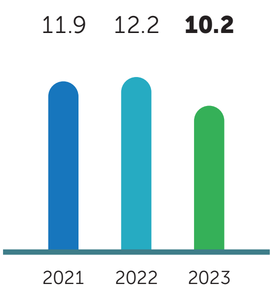
TOP THREE TENANTS BY GRI (%)

54.6	**23.5**	**9.2**
The William Carter Company	CoStar Group	Northwestern Mutual

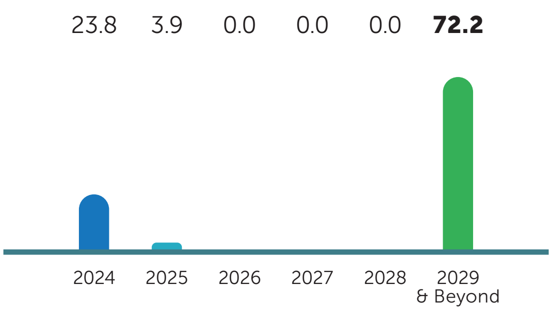
Gross Revenue
(US$ million)



Net Property Income
(US$ million)

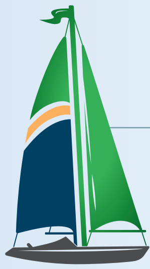


Lease Expiry Profile by NLA
(%)



PLAZA

500 Plaza Drive, Secaucus, NJ



Occupancy
83.4%

Valuation
US$58.0M

NLA
466,496SQ FT

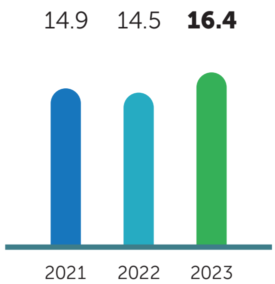
Land Tenure	**Freehold**
Building Completion	**1985**
Acquisition Date	**19 July 2017**
Purchase Price	**US$115.0 million (US$249 psf)**
WALE by NLA	**3.9 years**
No. of Tenants	**6**

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

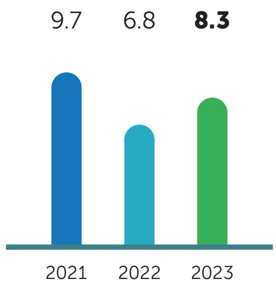
TOP THREE TENANTS BY GRI (%)

47.2	36.4	14.3
The Children's Place	Quest Diagnostics	Hartz Mountain Industries

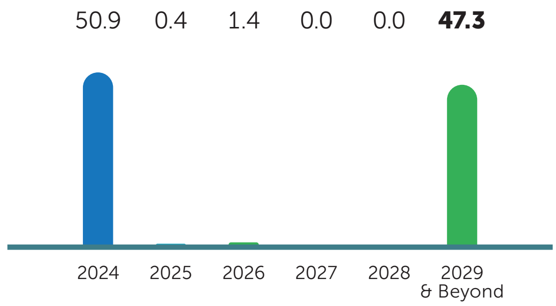
Gross Revenue
(US$ million)



Net Property Income
(US$ million)



Lease Expiry Profile by NLA
(%)



INDEPENDENT MARKET REPORT

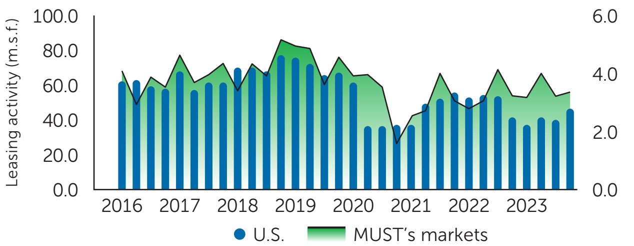
By JLL as at 31 December 2023

EXECUTIVE SUMMARY

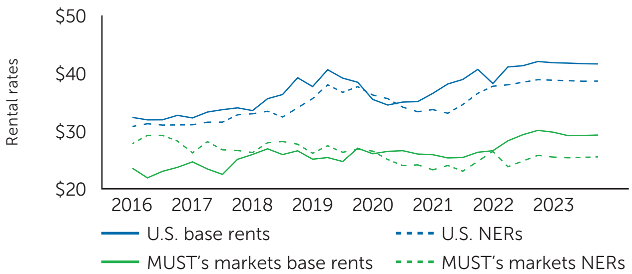
- In the second half of 2023, the U.S. office market began to see the first consistent signs of recovery since rate hikes began in early 2022: active tenant requirement volume increased for three consecutive quarters to end the year 20% higher, and though overall leasing activity fell by 9% YoY, larger QoQ jumps in Q2 and Q4 created positive momentum moving into 2024.
- Sublease additions peaked in Q1 2023 and have consistently declined throughout the year as macroeconomic conditions stabilized and public equity prices recovered. By year-end, additions have fallen below the post-pandemic monthly average and sublease vacancy rates declined by 5 basis points in the fourth quarter.
- Newer construction and highly amenitized trophy assets have generated positive net absorption in every quarter since the pandemic and attracted an outsized share of leasing in 2023. High-end product continues to see measured rent growth in base and net effective rents, while the rest of the market has marginally softened.
- Overallocation of core capital to the office sector and increases in capital costs have driven new development activity to all time lows. The construction pipeline has fallen from nearly 150 million s.f. in 2019 to just over 60 million s.f. at year-end, with only 10 million s.f. of groundbreakings during the year.
- Nearly 90% of private employers in the U.S. now mandate office attendance with shifts in policies in 2023.
- Manulife US REIT's markets see themes consistent with the overall U.S. but have experienced less volatility in the past 18 months and are not yet seeing the same acceleration in demand that has occurred in other areas.

MUST's Market Performance Relative to U.S. Average

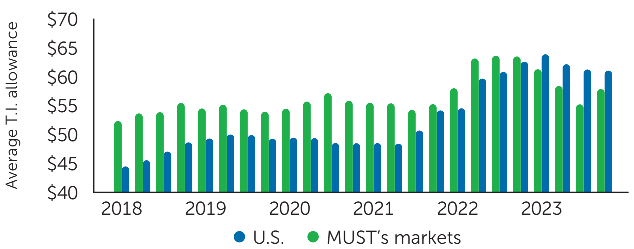
Leasing volume



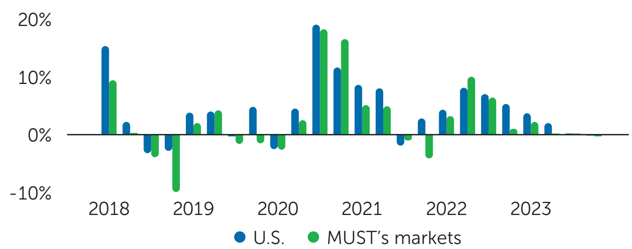
Base and net effective rental rates (NERs)



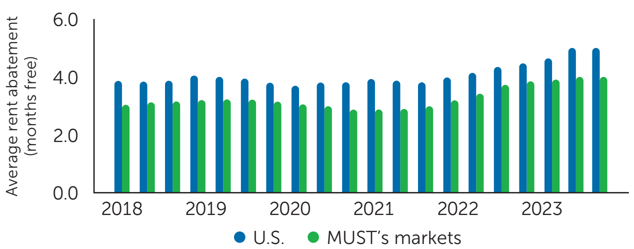
Leasing concessions



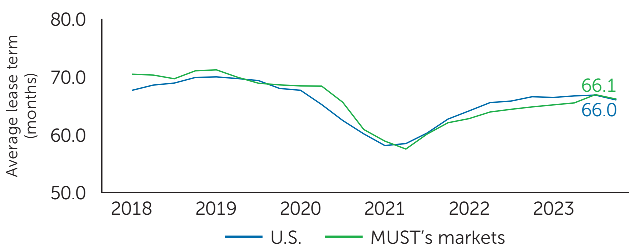
Sublease availability QoQ change



Average months of free rent



Average lease term



U.S. ECONOMY OVERVIEW

In 2023, the economic picture largely improved, as progress towards target inflation rates began to chip away at the prospect of continued monetary policy interventions and the economy has avoided tilting into a significant recession. The improvement in the macroeconomic picture in the U.S. is increasing the likelihood of interest rate cuts over the short term, with rate cuts now expected in early-to-mid 2024.

Headline CPI growth has been in flux in recent months, dropping below 3% in June, but climbing to almost 3.7% in September before declining again in October. Personal Consumption Expenditures (PCE), which measures a more comprehensive scope of expenditures, continued to decline through Q4 and reached 2.6% YoY growth as at November.

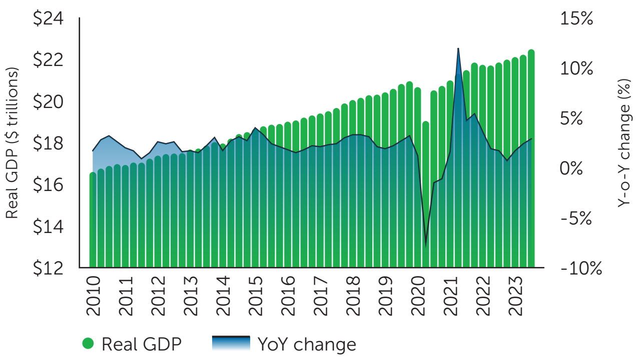
The labor market is similarly showing signs of tentative improvement—office-using employment in the private sector increased by 90,000 jobs since January, with gains in Finance and Professional Services overshadowing losses in the Information sector, but that was overshadowed by 553,000 jobs gained in the government sector over the past three months.

While private sector employment remains neutral, valuations are beginning to recover. The S&P 500 index saw equity prices grow by 11.2% during the fourth quarter while the NASDAQ composite index grew by 13.6%. S&P 500 companies registered 2.3% growth in revenues in CY 2023, which is forecast to more than double in 2024, reaching 5.5%.

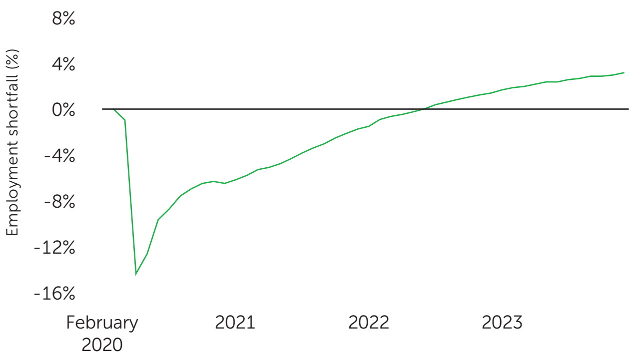
The improving economic metrics are improving the interest rate outlook: investors now expect that rates will meaningfully decline by mid-year. Reduced costs of capital and improved valuation will drive more offensive strategies with respect to firms' office portfolios.

JLL Property Clock

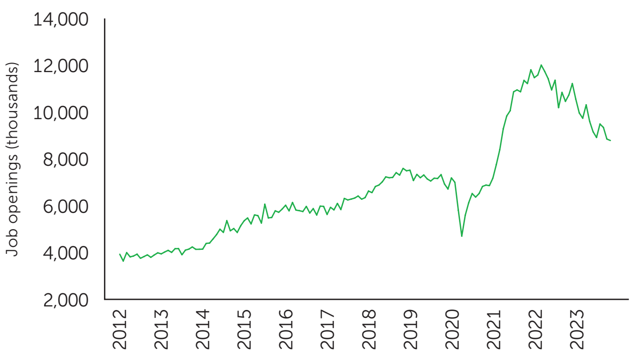
Likelihood of 'soft landing' increasing



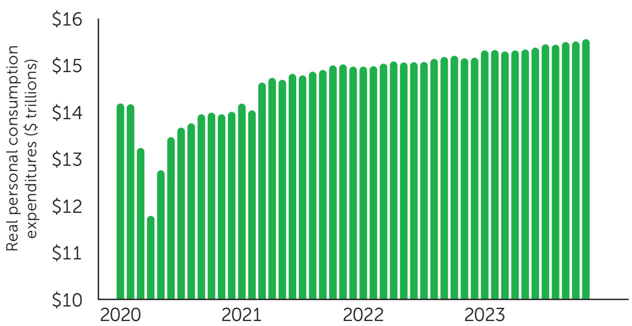
Job growth slowing but remains positive



Job openings declining as employers gain leverage



Consumer spending continues to slowly grow



INDEPENDENT MARKET REPORT

By JLL as at 31 December 2023

U.S. OFFICE OVERVIEW

Improvement in economic landscape and growing momentum in return-to-office are driving consistent growth in office demand over the year. Active requirements increased for the third consecutive quarter, growing 6.6% in Q4 and 20.4% YoY. Despite the improvement, demand remains about 30% below pre-pandemic levels. The growth in tenants in the market drove a significant uptick in leasing activity in Q4, growing 14.1% QoQ to 46.4 million s.f., the highest level since Q2 2022. Slower activity early in the year brought 2023's gross leasing activity to 72% of pre-pandemic levels, but Q4's activity reflected 81% of a typical pre-pandemic quarter.

A major contributor to the uptick in lease volume at year-end was a return of larger leases, transactions that had largely been placed on hold as interest rates were rising that have gradually returned to the market in recent months. Overall, more than 50 lease transactions over 100,000 s.f. closed in the fourth quarter, the highest volume recorded at quarter-end this year. From an industry perspective, most major sectors are approaching pre-pandemic levels of transaction activity over the past year with a few notable exceptions. Leasing activity is expected to increase by 10-20% in 2024.

Another promising sign for the office market has been the peak and decline of sublease vacancy rates in the final months of the year. As interest rates began to increase in mid-2022 and layoffs impacted certain industries, sublease additions began to increase dramatically in the fourth quarter of 2022, peaking in December but remaining elevated through the first half of 2023. New sublease additions have steadily declined in 2023 and fell by 18.1% QoQ in Q4, with December declining to less than half the monthly average since 2020. Though some tenants may have been delaying decisions in the final months of the year and may place additional space on the market in Q1, the strong performance of equities over the past quarter and past year bode well for the continued normalization of the sublease market—sublease levels have historically declined during a recovery in public equity prices. As a result of slowing additions and an acceleration of backfill activity lifted by large sublease transactions, sublease vacancy rates declined for the first time since late 2021, falling 5 bps to 3% at year-end. Though sublease vacancy rates are declining, the U.S. is still registering negative net absorption and increasing overall vacancy rates as companies downsize expiring leases. Q4 saw 13.4 million s.f. of negative net absorption, an improvement from Q3 but still leading to an increase in vacancy, with overall vacancy growing 37 bps to 21.4%.

While some surveys are indicating more expansionary activity in 2024, some tenants may continue to downsize older leases that were in place before workplace shifts that occurred during the pandemic. Despite the downsizing activity, tenants who are relocating or expanding are often seeking high-end space to upgrade, which is leading to a significant bifurcation in the market according to asset age and quality. Over the course of the pandemic, while the broader office market has seen over 200 million s.f. of occupancy loss, buildings constructed since 2015 have collectively generated 127 million s.f. of occupancy gain. This is slated to continue in 2024, as 13.1% of leasing volume took place in these newer buildings in the past year despite these buildings comprising just 9.5% of inventory.

Overall asking rents increased 0.4% annually to $39.75, however, recent increases in asking rents are driven more by the addition of higher-rent space in new construction than by organic rent growth holistically across assets. Same-asset asking rents grew by just 5 bps QoQ and have now only grown 1.4% in the past year while asking rents have grown 2.3% overall. New construction and other trophy assets have resisted the softening of rental rates, with trophy assets in gateway markets seeing 4.6% growth in same-asset asking rent QoQ and non-gateway trophy assets growing by 2.7% QoQ.

Despite the outperformance of new construction and trophy product over the past three years, the pipeline of new supply is falling dramatically. Office groundbreakings fell to the lowest volume in decades in Q4, with just 1.2 million s.f. of new construction beginning, rounding out a year of just over 10 million s.f. of groundbreakings. Throughout 2023, 46.6 million s.f. of office was completed, and an additional 62 million s.f. remains under construction, but this reflects a decline of nearly 85 million s.f. from the pipeline just four years ago. Deliveries are expected to decline to roughly 35 million s.f. in 2024, 15 to 20 million s.f. in 2025, and potentially under 10 million s.f. in 2026 in the absence of an imminent acceleration in construction starts. With new construction averaging over 35 million s.f. of positive net absorption per year since the pandemic, this is likely to create supply constraints at the top end of the market which will intensify in coming quarters, and drive spillover demand into the Class A market more broadly.

At the same time deliveries are slated to precipitously decline, the U.S. is seeing an acceleration of inventory removals as a wave of conversion and redevelopment projects reimagine aging or transitional office buildings. For the third consecutive year, a record volume of office inventory was converted to other uses, reaching 18.8 million s.f. of conversions in 2023, and a total of 24.1 million s.f. of inventory removals altogether. In the context of the slowing construction pipeline, it is likely that by 2025, inventory removals will surpass deliveries, leading to net inventory removal in the U.S.

Capital markets activity remains limited, with $43 billion in investment volume in 2023, a 60% decline YoY and a level comparable to activity in 2010. Delinquency rates on office CMBS debt have increased sharply over the course of the year to roughly 6.2%, but current levels remain far from the previous peak of 10.5% during the Global Financial Crisis. With interest rates expected to decline in early-to-mid 2024 and loan spreads beginning to soften among many lenders, improvement in the pricing environment will likely drive more investment activity in 2024.

Macroeconomic risks persist, but indicators are improving and helping to alleviate cyclical headwinds. Tenant demand has shown consistent growth, and despite record vacancy rates nationally, new construction and trophy buildings are seeing vacancy decline, and soon will not have a pipeline delivering additional competitive assets to the market. At the same time, the sublease market, which had been an attractive option for economic-minded tenants who still sought higher-quality space, is thinning. These pressures will force tenants to consider a broader array of space options and will encourage capital deployment as rates ease to transform older office assets to a product that responds to today's demand.

ATLANTA (BUCKHEAD AND MIDTOWN)

- Vacancy in Buckhead and Midtown surpassed 25% after significant sublease additions from technology companies drove negative net absorption.
- Buckhead and Midtown continue to attract significant lease transactions, executing seven lease transactions over 50,000 s.f. in 2023, with the five largest all being non-technology tenants.
- Atlanta will still see several developments in Midtown deliver over the next several years, but groundbreakings are slowing and development activity in Buckhead has taken a pause.
- With larger leasing activity accelerating, the metro is expected to begin to see inbound demand from companies relocating out of higher cost-of-living metro areas over the next two years.

Overall market statistics		Forecast
2023 net absorption (s.f.)	-4,369,746	▲
Under construction (s.f.)	2,436,380	▼
Total vacancy (%)	23.9%	▲
Sublease vacancy (s.f.)	3,444,261	▲
Asking rent ($ p.s.f.)	$33.42	▲
Concessions	Rising	▲

Office Market Trends

With the cyclical headwinds of 2023 bearing an outsized impact on the technology industry, Buckhead and Midtown saw volatility in the past year, but resilience relative to other significant technology nodes in the U.S. Buckhead and Midtown saw less than 500,000 s.f. of sublease additions over the course of the year, and while vacancy has risen, additions have begun to normalize, and the overall impact was minimal relative to peer markets like Austin.

Leasing activity remained fairly resilient YoY, increasing nearly 10% while national leasing volume decreased by almost 10%. Leasing activity diversified from the technology dominance of past years, with the largest lease signed by apparel company Carter's in Buckhead, and Midtown's four largest leases coming from professional services companies or telecom.

Despite the sharp slowdown in development nationally, Atlanta still has 2.4 million s.f. under construction, the 15th largest pipeline among major markets, and more than half that space is being developed in Midtown. Because of the continued competition from new space, aging Midtown assets may struggle to maintain occupancy levels in 2024 if absorption remains negative.

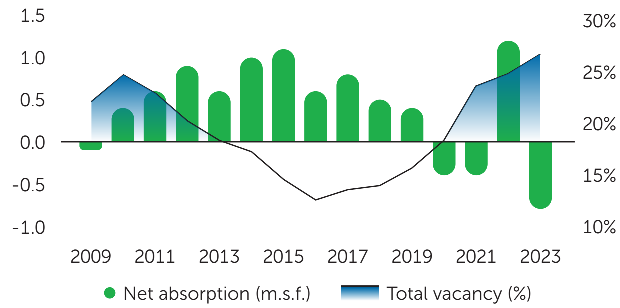
Table refers to overall market, while charts refer to MUST's submarkets.

Rents continue to grow at a healthy pace, with Atlanta seeing the 6th fastest rent growth nationally YoY. The minimal sublease additions have allowed direct rental rates to continue to increase across most properties due to limited low-cost alternatives for tenants

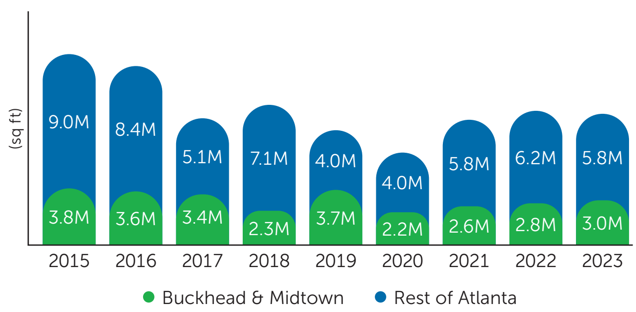
Outlook

Atlanta's strong inbound demand over the past five years has left the metro with one of the more significant construction pipelines at year-end, but groundbreakings are slowing and deliveries are slated to decline. Some of Atlanta's large occupiers have instituted aggressive return-to-office mandates, such as UPS's increase to a five-day requirement in 2024, which will help limit future rightsizing activity. As occupier activity accelerates, Midtown and Buckhead stand to benefit from continued tenant migration into peripheral urban submarkets, and the growth of technology in Midtown.

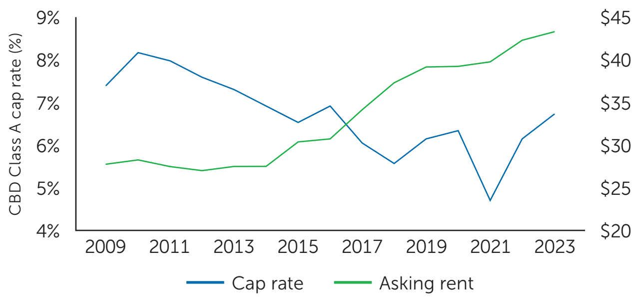
Vacancy increases accelerate with sublease influx



Leasing recovery remains healthy and dominates metro



Cap rates increase tapering; rents continue to grow



INDEPENDENT MARKET REPORT

By JLL as at 31 December 2023

LOS ANGELES (DOWNTOWN)

- Leasing activity was muted metro-wide amid the Writer's Guild strike, and declined slightly YoY.
- Negative net absorption accelerated due to sublease additions and move-outs in the CBD. Vacancy surpassed 25% for the first time on record.
- High-end activity from financial services firms continues to target new developments in Century City, where rents continue to grow for trophy product and have approached $100 p.s.f. Downtown rents continue to soften as more sublease space entered the market.
- Prospects for more vibrant foot traffic in the CBD are improving as the city begins to target safety concerns.
- Los Angeles' construction pipeline is slightly smaller than other gateway markets and no new projects are pending in the CBD.

Overall market statistics		Forecast
2023 net absorption (s.f.)	-5,803,869	▼
Under construction (s.f.)	2,899,000	▼
Total vacancy (%)	26.5%	▶
Sublease vacancy (s.f.)	7,405,731	▶
Asking rent ($ p.s.f.)	$48.01	▶
Concessions	Stable	▶

Office Market Trends

Downtown LA saw nearly 1 million s.f. of negative net absorption in 2023, one of the weakest years on record, as tenants continue to favor other submarkets for new leasing and a wave of sublease additions and move-outs took place. Despite the occupancy loss, sublease additions stabilized by year-end and in Q4 sublease vacancy did not increase.

Leasing activity was weaker across the metro area as media and entertainment companies stepped back during the middle of the year amid the Actors and Writers Guild strike. Legal services firms were more active in the CBD in 2023, with Sheppard Mullin signing the largest private-sector lease of the year for 120,000 s.f. at 2Cal, after Sidley Austin had leased 60,000 s.f. in the same building in Q2.

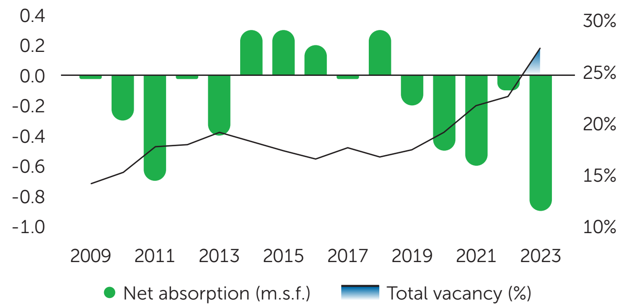
The city government has made safety a priority in 2023, declaring a state of emergency and activating the city's emergency response center to combat issues stemming from large unhoused populations in the downtown area. Improvements in DTLA's safety will help drive foot traffic rebound that has lagged against other gateway markets and driven tenants to prioritize other submarkets.

New supply is declining and remains concentrated outside the CBD in Century City, which is driving tenants seeking high-end space to migrate to the Westside and continued rent growth in that cluster.

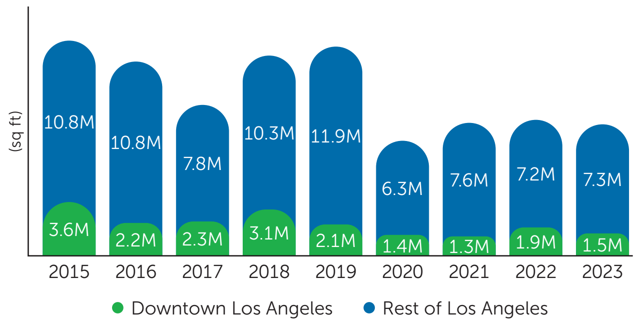
Outlook

The technology sector, which has been an important demand driver in LA, could regain momentum with a potential easing of interest rates in early 2024. Additional tailwinds could emerge in the entertainment industry with the Actors and Writers strike resolved. On the supply side, differentiated and well-capitalized assets will continue to capture a greater share of demand as flight-to-quality remains in focus for many LA office users, but improvement to safety concerns in Downtown LA may drive more cost-conscious tenants to reconsider CBD assets.

Vacancy increases accelerate amid sublease wave



CBD recovery sluggish as tenants target other submarkets



Cap rates beginning to stabilize, rents softening

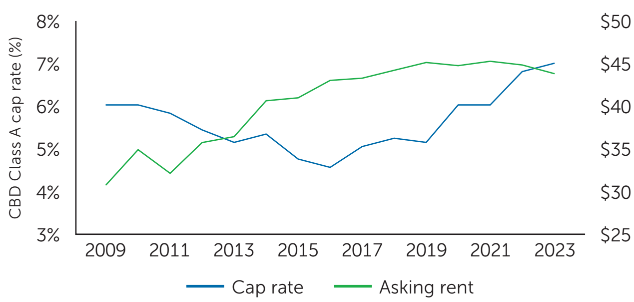


Table refers to overall market, while charts refer to MUST's submarkets.

NEW JERSEY (HUDSON WATERFRONT AND THE MEADOWLANDS)

- Vacancy rates continue to climb more than 200 bps metro-wide as softer demand and move-outs generated by corporate restructuring drove more than 3 million s.f. of occupancy loss.
- A lack of newer buildings in Hudson Waterfront and the Meadowlands is limiting lease volume, but leasing activity declined metro-wide nearly 10%.
- Flight-to-quality migration will continue to generate headlines in the office market as tenants shed outdated workspaces and relocate their operations into newly renovated, amenity-rich buildings. Class A asking rents are expected to maintain their upward trajectory as landlords market their higher-quality availabilities to potential tenants.

Overall market statistics		Forecast
2023 net absorption (s.f.)	-3,331,015	▶
Under construction (s.f.)	374,318	▶
Total vacancy (%)	26.7%	▶
Sublease vacancy (s.f.)	8,229,947	▲
Asking rent ($ p.s.f.)	$30.51	▲
Concessions	Rising	▲

Office Market Trends

Following an uptick in demand that pulled the Northern and Central New Jersey overall vacancy rate lower in Q3, the office market altered course three months later in response to diminished tenant requirements and additional vacancies as tenants pruned excess real estate holdings. The vacancy rate subsequently increased 30 basis points from Q3 to 26.7%. The higher overall vacancy rate was fueled by nearly 579,400 s.f. of negative net absorption, which eroded the 361,860 s.f. absorbed during Q3. The office market posted negative absorption figures during three of the four quarters of 2023.

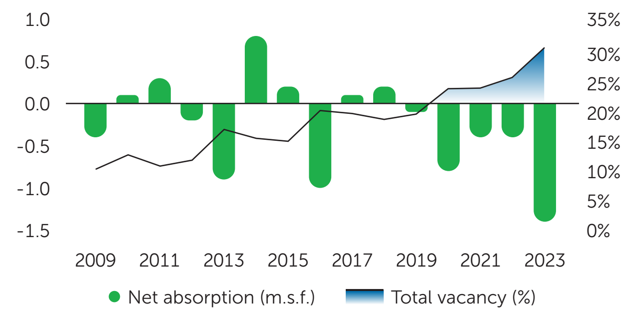
Leasing velocity was restrained during the final three months of 2023, as less than 1.5 million s.f. of deals were completed in the Northern and Central New Jersey office market. This contrasted the 2.4 million s.f. of leases signed during the same period one year ago. Transaction volume was muted; leases greater than 100,000 s.f. were elusive in late 2023. Instead, more than two-thirds of signed deals were in the 10,000 s.f. to 25,000 s.f. range. One of the largest office transactions completed during Q4 involved Marcum LLP and Sompo International collectively subleasing 125,770 s.f. from CIT at 340 Mount Kemble Ave in Morristown. The former AT&T call center facility had been extensively renovated by Onyx Equities. In addition, NJM recently leased approximately 51,230 s.f. at 1 Sylvan Way in Parsippany. The insurance company will be moving from 1599 Littleton Rd, also in Parsippany.

Table refers to overall market, while charts refer to MUST's submarkets.

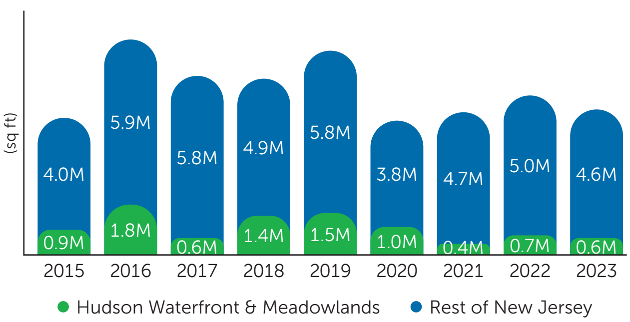
Outlook

Flight-to-quality migration is expected to remain a leading theme of the office market in the coming year, as tenants shed outdated workspaces and relocate their operations into newly renovated buildings that offer premium amenities. This trend will help to accelerate the demolition or conversion of older, vacant buildings to alternative uses. More than 7 million s.f. was removed from the office market during the past five years, including 1.8 million s.f. in 2023. Residential, big-box warehouses, healthcare and retail projects will remain among the leading alternative uses for the state's outdated office buildings, with incentives issued by the federal government helping to move the needle on additional projects.

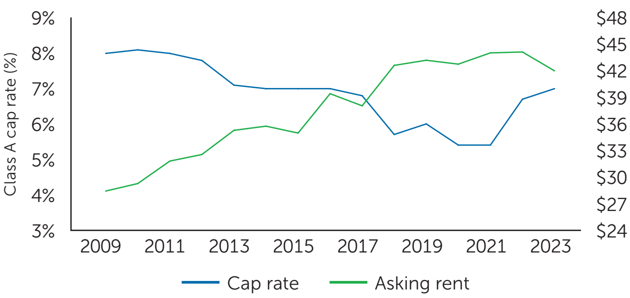
Vacancy rate swells with major move-outs



Leasing activity slows in 2023



Cap rates stabilizing, rents beginning to decline



INDEPENDENT MARKET REPORT

By JLL as at 31 December 2023

NORTHERN VIRGINIA
(FAIRFAX CENTER AND FAIRFAX CITY)

- Leasing activity was limited in 2023 with just seven transactions signed above 10,000 s.f. in Fairfax
- Northern Virginia experienced net occupancy loss of 99,828 s.f. in Q4 but was positive for the year – totaling 1.4 million s.f. – driven by the owner-occupied move-ins of Capital One and Amazon HQ2 earlier in 2023.
- Continued downsizing of existing tenants in Fairfax and lack of occupancy gains from new construction kept absorption negative for the fourth consecutive year in 2023.
- After a surge in sublease listings over the past three years, Northern Virginia saw its second consecutive quarter of decline in sublet availability in Q4.
- Tenant demand is targeting newer buildings and transit-oriented submarkets.

Overall market statistics		Forecast
2023 net absorption (s.f.)	1,383,461	▲
Under construction (s.f.)	1,127,315	▼
Total vacancy (%)	22.2%	▼
Sublease vacancy (s.f.)	1,878,364	▲
Asking rent ($ p.s.f.)	$36.37	▶
Concessions	Rising	▲

Office Market Trends

In a market dominated by flight-to-quality where tenants have largely downsized existing footprints to move into upgraded stock, the Fairfax submarket has struggled to maintain occupancy, posting a fourth consecutive year of occupancy loss and the lowest leasing volume in more than eight years.

While defense spending has seen healthy growth in recent years, leasing from defense companies has not kept pace, breaking an over 20-year relationship between federal budgets and office leasing activity. With return-to-office policies growing in 2023, including among aerospace and defense companies, that relationship could start to be restored in 2024. However, future leasing activity is projected to occur predominantly in submarkets along the transit-oriented spine (Tysons, Rosslyn-Ballston Corridor, and the Toll Road) where a majority of Northern Virginia's Trophy and Class A+ buildings are located.

Fairfax saw limited sublease additions in 2023, with most occupancy losses experienced on a direct basis, the largest being over 30,000 s.f. in move-outs from Oakwood Center.

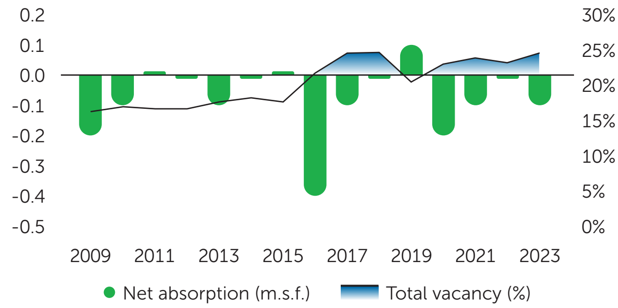
Table refers to overall market, while charts refer to MUST's submarkets.

Although Northern Virginia does not see the same pace of conversion activity as Washington, DC, lack of new development has caused inventory to decline marginally in the past year with one conversion project launching, and additional proposals could help to stabilize vacancy rates more quickly.

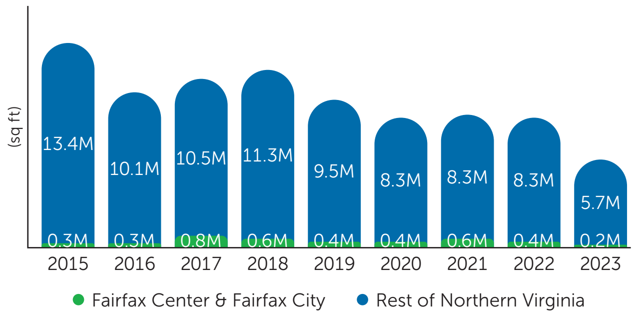
Outlook

The flight-to-quality trend will increasingly drive a bifurcated market. Future leasing activity is projected to occur predominantly in mixed-use submarkets along the demand corridor (Rosslyn-Ballston Corridor, National Landing, Tysons and the Toll Road). Meanwhile, the inventory will continue to decline as a large volume of planned redevelopment projects begins to kick off. Such rightsizing, coupled with a low construction pipeline, should help bring more stability to the market.

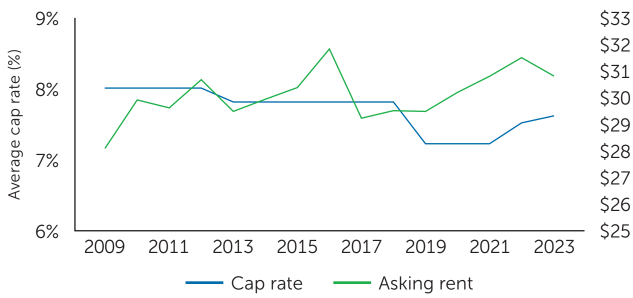
Negative net absorption grows with downsizing activity



Leasing volume remains depressed



Rents falling but remain above pre-pandemic levels



ORANGE COUNTY (IRVINE)

- Leasing activity remains below the five-year average, but increased 10% metro-wide in 2023 and 20% in Irvine.
- Net absorption remained slightly negative in Irvine due to several larger sublease additions in 2023.
- Central County, Fashion Island and South Santa Ana all recorded their first positive net absorption in 2023 as several large financial service tenants took occupancy during the quarter.
- No office groundbreakings were announced in Orange County in the past two years, while an additional 1.7 million s.f. existing office space will be converted after 2023.
- Orange County's strong industrial fundamentals are driving office-to-industrial redevelopments, helping to limit obsolete supply.

Overall market statistics		Forecast
2023 net absorption (s.f.)	-1,375,257	▲
Under construction (s.f.)	0	▼
Total vacancy (%)	17.5%	▲
Sublease vacancy (s.f.)	2,461,669	▲
Asking rent ($ p.s.f.)	$34.48	▼
Concessions	Rising	▲

Office Market Trends

While conditions were fairly stable in 2023 compared to other West Coast markets, an influx of sublease space and generally defensive posturing among tenants led to the fourth consecutive year of occupancy loss for Irvine.

Two leases over 100,000 s.f. helped to boost leasing volume up roughly 20% in Irvine in 2023: Axonics' 119,000 s.f. lease at 15515 Sand Canyon, and Boot Barn's 116,000 s.f. lease at 17100 Laguna Canyon. In an otherwise quiet year for Big Tech, Apple leased 56,000 s.f. at 17800 Laguna Canyon which they intend to occupy in 2024.

Countywide total sublease availability began to decrease in the second half of the year, but Irvine still saw notable additions. A life science tenant in Irvine Spectrum area made 32,000 s.f. available for sublease in October after occupying its new larger space of 147,000 s.f. nearby in July. The result is a temporary uptick in total sublease availability in the area.

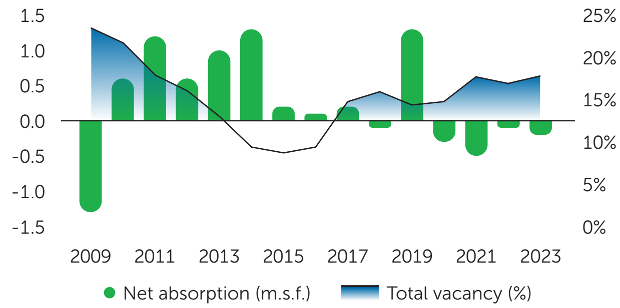
On the supply side, eight additional obsolete office projects across the county, totaling 1.7 million s.f., have been sold for conversion over the course of 2023. Furthermore, the Irvine Company recently pivoted the development of a life science office complex to multi-housing. There has been no new office groundbreaking in Orange County for two years.

Table refers to overall market, while charts refer to MUST's submarkets.

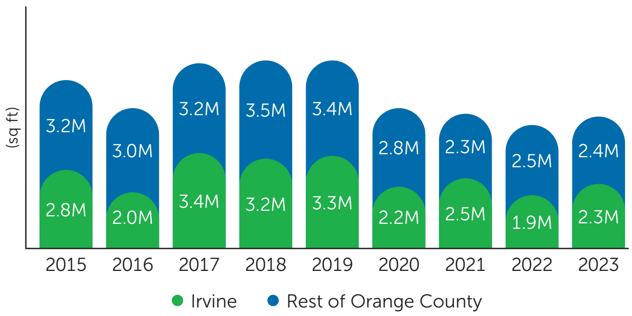
Outlook

Throughout 2023, countywide office leasing activity was hindered due to rising interest rates and economic uncertainty. However, a recent local economic forecast depicted an optimistic outlook for 2024, anticipating lower interest rates, a resilient job market and moderate economic growth, which is likely to boost commercial real estate conditions in Orange County in the near future.

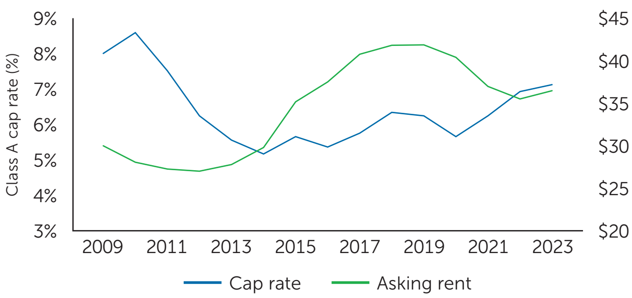
Absorption remains fairly stable despite sublease additions



Irvine leasing grows more than 20% in 2023



Asking rents begin to grow with recent completions



INDEPENDENT MARKET REPORT

By JLL as at 31 December 2023

PHOENIX (TEMPE)

- Tenant requirement volume has yet to make a meaningful recovery in Phoenix and continues to decline through 2023. Leasing activity has grown but is slated to slow.
- Occupancy losses accelerated in Phoenix as companies began to trim space in the sublease market as well as rightsize expiring leases, and the pipeline of new-to-market demand slowed dramatically.
- Phoenix had one of the most intense development pipelines in the past cycle but has seen construction decline for several years consistently. It now has a pipeline less than half the U.S. average.
- Compared to other tech-heavy markets, Phoenix saw a limited influx of sublease space in 2023, but Tempe saw the majority of new additions.

Overall market statistics		Forecast
2023 net absorption (s.f.)	-3,552,788	▼
Under construction (s.f.)	635,856	▼
Total vacancy (%)	25.6%	▲
Sublease vacancy (s.f.)	6,278,671	▲
Asking rent ($ p.s.f.)	$29.42	▶
Concessions	Rising	▲

Office Market Trends

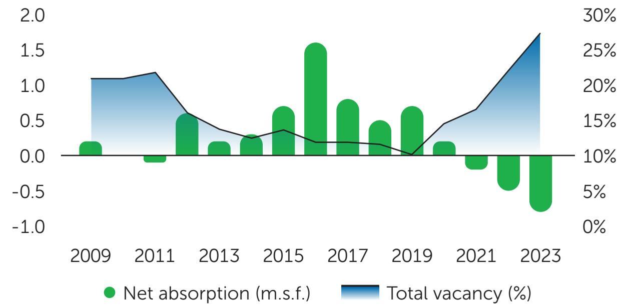
The total vacancy rate in Phoenix was 25.6% by year-end 2023, a moderate increase of 60 basis points from the previous quarter. Negative net absorption continued in the final months of 2023. However, some positive trends persisted. The largest lease of the year was recorded in the fourth quarter, with an individual deal of approximately 136,000 s.f. leased within the Airport Area submarket. Notable leasing activity continued for Class A space, but was concentrated in Central Scottsdale, Scottsdale Airpark and Superstition Corridor submarkets. Additionally, many Class B properties saw renewed interest this quarter, as the supply and availability of highly amenitized, newer properties remained relatively constrained.

Recent office space delivered to the market in the fourth quarter included 150,000 s.f. at Cavasson within the Scottsdale Airpark, following 150,000 s.f. delivered at Rio Yards within Tempe in the previous quarter. Despite these deliveries, new office construction was limited in 2023, reducing some supply side risks in the market. Total asking rent growth decelerated to 0.8% year over year, following an average annual rent growth of 2.3% during the past five years. Further, total average asking rents decreased for the first time, quarter to quarter, since early 2021. The slowdown in asking rent growth was partially attributed to some higher end product taken off the market and landlords offering increased concessions to accommodate incoming tenants and lease renewals.

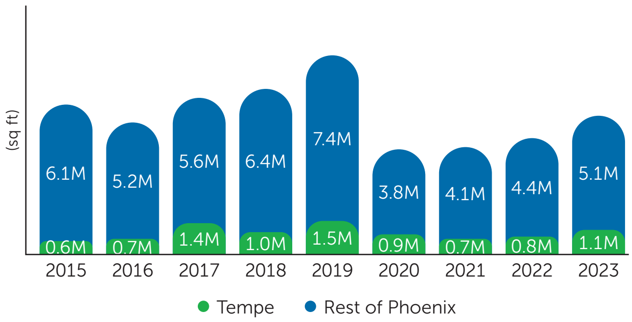
Outlook

Overall, operating fundamentals in the Phoenix office market showed some signs of stabilizing, compared with recent quarters. New supply should continue to outperform, particularly while recent development is scarce. Although some of the largest operations in the market may continue to downsize, pre-built spaces, including sublease listings and spec suites, should generate heightened occupier attention moving forward.

Occupancy loss surges with tech shedding space



Leasing activity grows with large deals in South Tempe



Rents softening quickly amid influx in sublease space

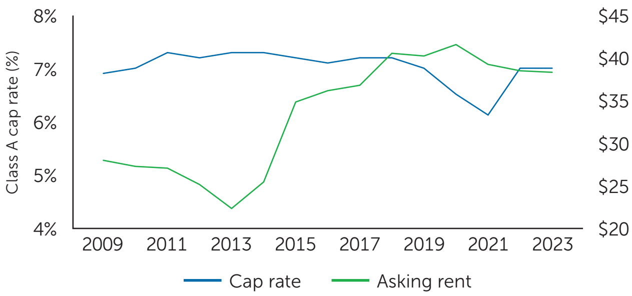


Table refers to overall market, while charts refer to MUST's submarkets.

SACRAMENTO (OVERALL)

- Occupancy loss slowed in 2023 as private sector companies in Sacramento began to implement return-to-office plans and downsizing slowed.
- Sacramento saw a limited influx of sublease space in 2023, and has had one of the most stable vacancy rates of any West Coast market since the pandemic.
- The average lease size across Sacramento declined 30% this year to approximately 8,100 s.f., with both Downtown and the suburban submarkets seeing the average fall below 10,000 s.f.
- Leases signed saw an average term of 88 months in Q4, representing another increase from last quarter. On the year, the average term has increased by 8 months compared to 2022.
- The number of tenants in the market increased by approximately 7% in the second half of the year.

Overall market statistics		Forecast
2023 net absorption (s.f.)	-697,709	▼
Under construction (s.f.)	569,000	▶
Total vacancy (%)	20.7%	▲
Sublease vacancy (s.f.)	770,250	▶
Asking rent ($ p.s.f.)	$26.70	▶
Concessions	Rising	▲

Office Market Trends

The Sacramento office market realized another quarter of negative absorption to end 2023, furthering occupancy losses to 697,709 s.f. year to date. Negative absorption in Q4 totaled approximately 183,300 s.f., representing the 13th consecutive quarter of occupancy losses for the region. Vacancy increased to 20.7% across the market.

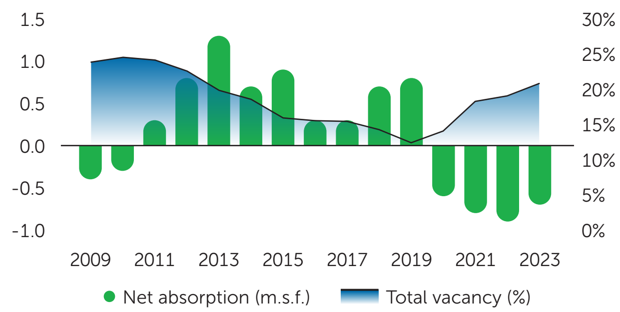
The Highway 50 Corridor saw approximately 560,400 s.f. of occupancy losses in 2023. Vacancy has increased 5% year over year to 31.3%. Downtown's occupancy losses in Q4 were a result of the California Infrastructure and Economic Development Bank vacating its space at 980 9th St, resulting in Class A vacancy rising above 20%. Despite this, Class A assets on Capitol Mall have seen total availability decrease 70 basis points in 2023. After Towerpoint Wealth leased 6,000 s.f. at 500 Capitol Mall, the total vacancy rate remains healthier at 16.5% as at Q4.

Leasing slowed in Q4, primarily driven by a lack of deal volume in the suburban submarkets. Sacramento-wide leasing in Q4 decreased 67% from Q3, though leasing in Downtown actually increased by 0.8% quarter over quarter. Despite this, 2023 gross leasing decreased by 29% and 21% compared to 2022 in Downtown and the suburbs, respectively. However, total deal volume this year outpaced the annual average of leases signed from 2020 to 2022. In 2023, approximately 81% of leases signed were for spaces under 10,000 s.f., an increase from approximately 69% in 2022. This trend ultimately resulted in the decrease year over year in gross leased space.

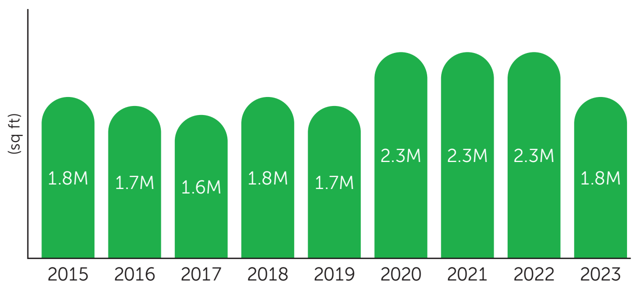
Outlook

Vacancy will rise in the short term once CalSTRS vacates approximately 175,000 s.f. at 100 Waterfront Place in West Sacramento in early 2024. However, Sacramento is expected to see an increase in leasing activity in 2024. There has been a steady increase in the number of tenants in the market since July. Demand remains primarily from tenants looking for less than 10,000 s.f. and from government entities, which account for 51% of the total requirements.

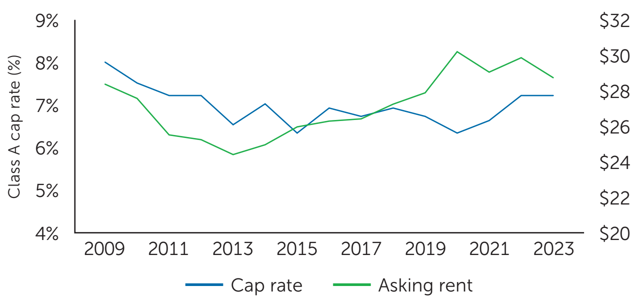
Occupancy losses decelerate as rightsizing efforts slow



Leasing activity stalls in absence of larger activity



Rents are generally softening with little new construction



All data refers to overall market.

INDEPENDENT MARKET REPORT

By JLL as at 31 December 2023

WASHINGTON, D.C. (CBD)

- Washington, D.C. saw decelerating occupancy loss in 2023, with just 232,549 s.f. of negative net absorption.
- The CBD saw positive absorption for the first time since 2015, as sublease additions were limited and move-ins within newer assets drove occupancy gain across the submarket.
- Washington, D.C. has been one of the more active metros nationally for office-to-residential conversions, which is helping to keep a lid on net new supply even as construction delivers.
- Government RTO directives failed to register a substantial increase to government office attendance, but pressure is increasing on agencies in 2024.

Overall market statistics		Forecast
2023 net absorption (s.f.)	-232,549	▼
Under construction (s.f.)	621,886	▼
Total vacancy (%)	18.9%	▲
Sublease vacancy (s.f.)	1,722,005	▲
Asking rent ($ p.s.f.)	$57.91	▶
Concessions	Stable	▶

Office Market Trends

Washington, D.C.'s 18.9% vacancy rate remains historically high, but vacancy plateaued in 2023. Vacancy rates grew an average of 4% each quarter from 2019 to 2021. Average quarterly vacancy growth was just 0.3% in 2023. Annual absorption stabilized as well, declining by 332,000 s.f. in 2023, which is the smallest annual absorption loss since 2019.

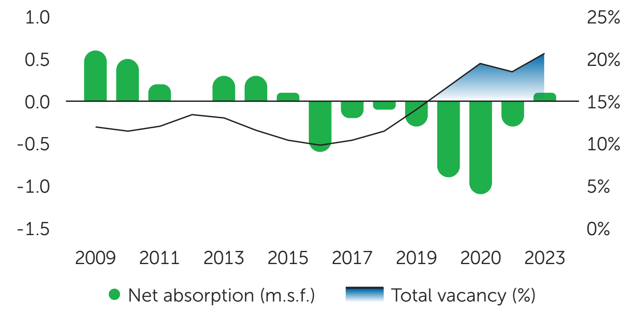
Washington D.C.'s office market performance remains strong at the top of the market and challenged at the bottom. Trophy vacancy is 12.8%, 6.1% points below the market average. Trophy asking rents are $87.77 (full service gross rents), a 35% premium above the rest of the market. In 2023, Trophy/Class A buildings experienced 507,200 s.f. of occupancy gains. At present, two Trophy office buildings are under construction in D.C., and both are more than 50% pre-leased.

Leasing in the CBD favored private sector companies in 2023, with law firms comprising most of the largest transactions of the year. One bright spot for D.C. office demand has been the expansion of out-of-state universities, who are seeking space in D.C. to establish satellite campuses. Texas A&M leased 70,000 s.f. at 1620 L in the second quarter, joining two other out-of-state universities and an additional two non-university education tenants who signed leases for CBD space in 2023.

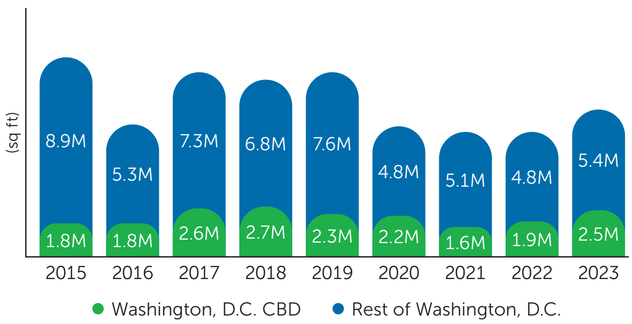
Outlook

While market conditions were stable in 2023, vacancy is anticipated to grow. Over 39.3 million s.f. of leases over 10,000 s.f. will expire in D.C. by 2029, including 8.9 million s.f. of federal leases. Office vacancy will grow further as tenants continue to downsize. Class B/C office buildings, which currently have 19.6% vacancy, will be particularly impacted by the anticipated federal downsizing. The federal government has been slow to mandate office attendance due to union pushback and retention and recruitment concerns, but agencies are under increasing pressure to crystallize policies that limit telework and require some degree of regular office attendance. Conversion incentives issued by the federal government in 2023 will cause some existing government-owned offices to be sold for redevelopment into housing, helping to stabilize vacancy rates in conjunction with a slowing development pipeline.

Negative net absorption is decelerating rapidly



Leasing activity relatively stable in 2023



Rents stable, yield increases tapering in 2023

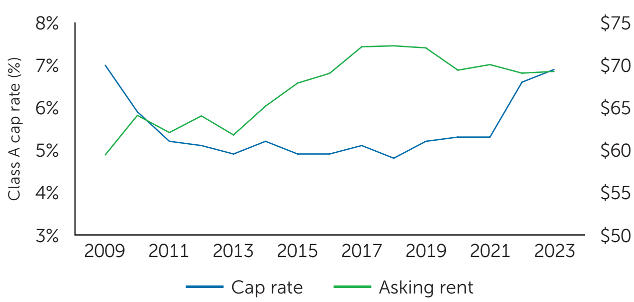


Table refers to overall market, while charts refer to MUST's submarkets.

CAP RATES BY MARKET

CBD Class A Cap Rates by Market

Suburban Class A Cap Rates by Market

INDEPENDENT MARKET REPORT

By JLL as at 31 December 2023

MUST'S MARKETS DATA

Leasing Activity (2023, over 20,000 s.f.)						
Tenant	**Market**	**Submarket**	**Address**	**Class**	**Lease type**	**Size (s.f.)**
Carter's Inc.	Atlanta	Buckhead	3438 Peachtree Rd NE	Trophy	Renewal	209,040
AT&T	Atlanta	Buckhead	1277 Lenox Park Blvd NE	A	New Lease	129,655
Trimont Real Estate Advisors	Atlanta	Buckhead	3560 Lenox Rd NE	Trophy	New Lease	50,110
Kajima Building & Design Group	Atlanta	Buckhead	3414 Peachtree Rd NE	A	New Lease	41,848
ExoTec North America Inc	Atlanta	Buckhead	1745 Peachtree St NE	B	Sublease	39,896
Coyote Logistics	Atlanta	Buckhead	255 Ottley Dr NE	A	Renewal	35,342
AmWins	Atlanta	Buckhead	3630 Peachtree Rd NE	A	Expansion	28,649
Georgia Banking Company	Atlanta	Buckhead	2827 Peachtree Rd	A	New Lease	27,850
CoStar Group	Atlanta	Buckhead	3438 Peachtree Rd NE	Trophy	New Lease	25,884
Unknown	Atlanta	Buckhead	3560 Lenox Rd NE	Trophy	New Lease	25,067
Unknown	Atlanta	Buckhead	3333 Piedmont Rd NE	Trophy	New Lease	24,657
LG Chem America Inc	Atlanta	Buckhead	3475 Piedmont Rd NE	A	Renewal	24,276
Unknown	Atlanta	Buckhead	3414 Peachtree Rd NE	A	New Lease	24,036
The Rocket Science Group LLC	Atlanta	Midtown	675 Ponce de Leon Ave NE	Trophy	Renewal	196,355
Kilpatrick Townsend	Atlanta	Midtown	1100 Peachtree St NE	A	Renewal	142,082
Sage Software	Atlanta	Midtown	673 Ponce De Leon Ave NE	Trophy	New Lease	57,157
Spaces	Atlanta	Midtown	1372 Peachtree St NE	B	New Lease	38,451
Bradley Arant Boult Cummings	Atlanta	Midtown	1230 Peachtree St NE	A	New to Market	33,229
Industrious Office	Atlanta	Midtown	505 N Angier Ave NE	Trophy	New Lease	28,485
Burr & Forman	Atlanta	Midtown	1075 Peachtree St NE	Trophy	New Lease	28,423
Krevolin & Horst	Atlanta	Midtown	1201 W Peachtree St NW	A	Expansion	23,336
Squire Patton Boggs	Atlanta	Midtown	1230 Peachtree St NE	A	Relocation	23,188
Unknown	Atlanta	Midtown	1349 W Peachtree St NW	A	Sublease	23,111
PrizePicks	Atlanta	Midtown	1230 Peachtree St NE	A	Sublease	22,273
Grant Thornton	Atlanta	Midtown	1100 Peachtree St NE	A	Renewal	22,269
BDO	Atlanta	Midtown	1100 Peachtree St NE	A	Sublease	22,144
Unknown	Atlanta	Midtown	201 17th St NW	A	Sublease	21,682
Level 3 Communications	Los Angeles	CBD	818 W 7th St	C	Renewal	67,632
Morgan Stanley Smith Barney Financing LLC	Los Angeles	CBD	444 S Flower St	A	Renewal	48,508
Shein Distribution Corporation	Los Angeles	CBD	757 S Alameda St	A	New Lease	44,038
LA County MTA	Los Angeles	CBD	865 S Figueroa St	A	New Lease	42,428
LA County MTA	Los Angeles	CBD	777 S Figueroa St	Trophy	Renewal	41,628
Shein Distribution Corporation	Los Angeles	CBD	757 S Alameda St	A	Extension	40,575
Consulate of Japan	Los Angeles	CBD	350 S Grand Ave	Trophy	Renewal	27,302
JAMS	Los Angeles	CBD	515 S Flower St	Trophy	New Lease	27,230
Conde Nast	Los Angeles	CBD	757 S Alameda St	A	New Lease	26,414
McCarthy Building Companies	Los Angeles	CBD	515 S Flower St	Trophy	Renewal	25,414
FINRA	Los Angeles	CBD	300 S Grand Ave	Trophy	Renewal	24,690
April Housing	Los Angeles	CBD	300 S Grand Ave	Trophy	Sublease	22,554
Oakmont Corporation	Los Angeles	CBD	865 S Figueroa St	A	Renewal	21,214
Endurance Services	Los Angeles	CBD	633 W 5th St	Trophy	New Lease	20,582
Green Dot Public Schools	Los Angeles	CBD	1149 S Hill St	A	Renewal	20,541
Unknown	Los Angeles	CBD	1055 W 7th St	B	New Lease	20,411
Psomas	Los Angeles	CBD	865 S Figueroa St	A	New Lease	20,212
Jefferies	New Jersey	Hudson Waterfront	101 Hudson St	A	Renewal	62,763
Hain Celestial Group	New Jersey	Hudson Waterfront	221 River St	A	New Lease	40,000
Eikon Therapeutics	New Jersey	Hudson Waterfront	3 2nd St	A	New Lease	36,284
Sumitomo Mitsui Trust Bank	New Jersey	Hudson Waterfront	111 River St	A	Renewal	30,000
AmTrust Financial Services Inc.	New Jersey	Hudson Waterfront	200 Hudson St	A	Renewal	28,000
Aeropostale	New Jersey	Meadowlands	125 Chubb Ave	A	Expansion	29,900
Canon Inc	Orange County	Irvine	19500 Jamboree Rd	A	New Lease	92,893
Acorn	Orange County	Irvine	5300 California Ave	B	Renewal	68,352
SeneGence International	Orange County	Irvine	141 Innovation Dr	B	New Lease	55,635
California Bank & Trust	Orange County	Irvine	1900 Main St	A	Renewal	47,228

Leasing Activity (2023, over 20,000 s.f.)

Tenant	Market	Submarket	Address	Class	Lease type	Size (s.f.)
Too Faced Cosmetics LLC	Orange County	Irvine	18231 W McDurmott	B	Renewal	46,182
HDR	Orange County	Irvine	3220 El Camino Real	B	Sublease	44,210
Consumer Portfolio Services	Orange County	Irvine	19540 Jamboree Rd	A	Renewal	38,898
Consumer Direct	Orange County	Irvine	2983 Michelson Dr	B	New Lease	35,459
KTGY Architects	Orange County	Irvine	17911 Von Karman Ave	B	Renewal	32,334
Post Acute Care Partners	Orange County	Irvine	5161 California Ave	B	Sublease	31,720
Alleviate Financial	Orange County	Irvine	4 Park Plaza	A	Sublease	31,026
Premier Office Centers, LLC	Orange County	Irvine	19200 Von Karman Ave	A	Renewal	28,960
Touzi Capital	Orange County	Irvine	3161 Michelson Dr	A	Sublease	27,135
UC Irvine	Orange County	Irvine	111 Theory	B	New Lease	26,897
XP Power	Orange County	Irvine	340 Commerce	B	New Lease	26,680
Panasonic Corporation	Orange County	Irvine	3353 Michelson Dr	A	Expansion	25,911
Sullivan, Curtis, Monroe	Orange County	Irvine	1920 Main St	A	Renewal	25,500
Orrick Herrington & Sutcliffe LLP	Orange County	Irvine	2050 Main St	A	Renewal	24,204
ServiceLink	Orange County	Irvine	320 Commerce	B	22,752	
MFour Mobile Research	Orange County	Irvine	19800 Macarthur Blvd	A	Renewal	22,657
Healthpeak Properties, Inc.	Orange County	Irvine	1900 Main St	A	New Lease	22,464
AG International Trading, Inc.	Orange County	Irvine	2525 Main St	B	Renewal	22,130
Lumitron Holdings	Orange County	Irvine	5201 California Ave	B	Renewal	22,120
William Hezmalhalch Architects	Orange County	Irvine	200 Commerce	B	New Lease	21,880
Morgan & Morgan	Orange County	Irvine	18100 Von Karman Ave	A	New Lease	21,027
CU Direct Connect	Orange County	Irvine	18400 Von Karman Ave	A	Renewal	20,804
Kimball Tirey & St. John LLP	Orange County	Irvine	2040 Main St	A	Expansion	20,753
EverBank Financial Corporation	Orange County	Irvine	18100 Von Karman Ave	A	New Lease	20,598
Shook, Hardy & Bacon	Orange County	Irvine	5 Park Plaza	A	Renewal	20,522
Walker & Dunlop	Orange County	Irvine	2010 Main St	A	Renewal	20,492
Max Market Pros	Orange County	Irvine	2600 Michelson Dr	A	Sublease	20,238
SEB Professional North America	Orange County	Irvine	2600 Michelson Dr	A	Sublease	20,238
Axonics Modulation Technologies	Orange County	Irvine Spectrum	15515 Sand Canyon Ave	A	New Lease	119,115
Boot Barn	Orange County	Irvine Spectrum	17100 Laguna Canyon Rd	A	Sublease	116,261
Apple, Inc.	Orange County	Irvine Spectrum	17800 Laguna Canyon Rd	A	New Lease	55,664
DaVita	Orange County	Irvine Spectrum	15271 Laguna Canyon Rd	B	Renewal	40,206
Vision Evangelism	Orange County	Irvine Spectrum	15253 Bake Pkwy	B	Sublease	32,502
Western Growers	Orange County	Irvine Spectrum	6501 Irvine Center Dr	B	Sublease	32,003
McGraw Hill	Orange County	Irvine Spectrum	15460 Laguna Canyon Rd	B	Renewal	26,610
Axonics Modulation Technologies	Orange County	Irvine Spectrum	15525 Sand Canyon Ave	B	New Lease	26,371
Hanwha Q Cells America, Inc.	Orange County	Irvine Spectrum	300 Spectrum Center Dr	A	Expansion	24,304
Haskell & White	Orange County	Irvine Spectrum	300 Spectrum Center Dr	A	Renewal	24,304
Troutman Pepper	Orange County	Irvine Spectrum	100 Spectrum Center Dr	A	New Lease	24,022
Resolution Processing	Orange County	Irvine Spectrum	38 Technology Dr	B	Sublease	22,951
Accurate Background	Orange County	Irvine Spectrum	200 Spectrum Center Dr	A	New Lease	22,150
Proteor USA	Orange County	Irvine Spectrum	46 Discovery	B	New Lease	22,120
Orthalign	Orange County	Irvine Spectrum	153 Technology Dr	B	New Lease	21,960
Amazon	Phoenix	South Tempe	8600 S Science Dr	B	Renewal	64,892
Dish Network	Phoenix	South Tempe	350 N McClintock Dr	A	New Lease	58,697
Grand Canyon University	Phoenix	South Tempe	4100 W Chandler Blvd	A	New Lease	58,697
TruWest Credit Union	Phoenix	South Tempe	2190 E Elliot Rd	B	New Lease	26,134
Gen Digital	Phoenix	Tempe	60 E Rio Salado Pkwy	A	Renewal	51,951
Progress Residential	Phoenix	Tempe	1721 W Rio Salado Pkwy	C	Sublease	40,812
Offerpad	Phoenix	Tempe	433 S Farmer Ave	A	New Lease	39,895
United Healthcare Group	Phoenix	Tempe	410 N Scottsdale Rd	Trophy	Relocation	33,638
Imagine Learning Inc	Phoenix	Tempe	100 S Mill Ave	Trophy	New Lease	31,660
Mediterranean Shipping Company (USA) Inc	Phoenix	Tempe	777 S Novus Pl	A	New to Market	28,302
Ports America	Phoenix	Tempe	222 S Mill Ave	A	Relocation	27,240
Unknown	Phoenix	Tempe	60 E Rio Salado Pkwy	A	Sublease	25,602
Monogram Health	Phoenix	Tempe	60 E Rio Salado Pkwy	A	Sublease	25,602

INDEPENDENT MARKET REPORT

By JLL as at 31 December 2023

Leasing Activity (2023, over 20,000 s.f.)						
Tenant	**Market**	**Submarket**	**Address**	**Class**	**Lease type**	**Size (s.f.)**
NXU Inc	Phoenix	Tempe	63 S Rockford Dr	A	Sublease	21,441
OneSource	Phoenix	Tempe	1146 N Alma School Rd	B	Renewal	21,182
Verkada	Phoenix	Tempe	410 N Scottsdale Rd	Trophy	Sublease	20,886
California Victim Compensation Board	Sacramento	CBD	400 R St	A	Renewal	63,208
HDR	Sacramento	CBD	1 Capitol Mall	A	New Lease	26,929
Delta Dental	Sacramento	Highway 50 Corridor	3241 Kilgore Rd	A	Renewal	107,768
GEI Consultants	Sacramento	Highway 50 Corridor	11010 White Rock Rd	B	New Lease	21,750
Sedgwick Claims Management Services, Inc.	Sacramento	Highway 50 Corridor	3330 Data Dr	B	Renewal	21,561
Department of Child & Family Services	Sacramento	Outlying Suburban	3707 Kings Way	C	New Lease	57,368
UC Davis Health	Sacramento	Outlying Suburban	7551 Madison Ave	B	Renewal	21,172
Porter Scott Attorneys	Sacramento	Point West	2180 Harvard St	A	Relocation	29,872
The EMC Shop	Sacramento	Rocklin	3830 Atherton Rd	B	40,496	
Pacific Gas and Electric Company	Sacramento	Rocklin	6030 W Oaks Blvd	A	Renewal	38,590
Quick Quack Car Wash	Sacramento	Rocklin	6020 W Oaks Blvd	A	Relocation	22,219
Sutter Health	Sacramento	Roseville	1620 E Roseville Pkwy	A	New Lease	25,900
Gainwell Technologies	Sacramento	Roseville	620 Roseville Pkwy	B	Expansion	23,739
Unknown	Sacramento	Roseville	1478 Stone Point Dr	A	22,545	
Western Health Advantage	Sacramento	South Natomas	2379 Gateway Oaks Dr	A	Renewal	30,465
Pacific Gas and Electric Company	Sacramento	West Sacramento	850 Stillwater Rd	B	Renewal	70,085
Peace Office Standards and Training	Sacramento	West Sacramento	860 Stillwater Rd	B	Renewal	24,000
Pillsbury Winthrop	Washington, DC	CBD	1200 17th St NW	Trophy	Renewal	89,027
Fried Frank	Washington, DC	CBD	801 17th St NW	Trophy	Blend & Extend	87,800
Kellogg, Hansen, Todd, Figel & Frederick	Washington, DC	CBD	1615 M St NW	B	Renewal	82,000
Davis Polk & Wardwell	Washington, DC	CBD	1050 17th St NW	A	Relocation	81,632
Texas A&M	Washington, DC	CBD	1620 L St NW	B	Renewal	47,418
Cadwalader, Wickersham & Taft	Washington, DC	CBD	1919 Pennsylvania Ave NW	B	Relocation	42,572
Zuckerman Spaeder	Washington, DC	CBD	2100 L St NW	A	Relocation	40,531
Legal Services Corporation	Washington, DC	CBD	1825 I St NW	B	Relocation	37,702
White House Historical Association	Washington, DC	CBD	1700 Pennsylvania Ave NW	Trophy	Relocation	31,829
Dow Jones & Company	Washington, DC	CBD	1025 Connecticut Ave NW	B	Renewal	29,561
U.S. Occupational Safety and Health Review	Washington, DC	CBD	1120 20th St NW	B	Renewal	28,746
Orrick Herrington & Sutcliffe LLP	Washington, DC	CBD	2100 Pennsylvania Ave NW	Trophy	Expansion	27,478
CGLytics	Washington, DC	CBD	1111 19th St NW	B	Sublease	23,959
UBS	Washington, DC	CBD	1700 M St NW	Trophy	Relocation	23,644
JAF Communications	Washington, DC	CBD	1111 19th St NW	B	Sublease	23,494
Powers Pyles Sutter & Verville	Washington, DC	CBD	1250 Connecticut Ave NW	B	Relocation	23,446
Texas A&M	Washington, DC	CBD	1620 L St NW	B	Expansion	23,135
Federal Agricultural Mortgage Corporation	Washington, DC	CBD	2100 Pennsylvania Ave NW	Trophy	Relocation	21,436
Bates & White	Washington, DC	CBD	2001 K St NW	A	Expansion	20,765
Embassy of Ireland	Washington, DC	CBD	1700 Pennsylvania Ave NW	Trophy	Relocation	20,708
Meridiam Infrastructure	Washington, DC	CBD	1700 Pennsylvania Ave NW	Trophy	New Lease	20,708
Progressive Policy Institute (PPI)	Washington, DC	CBD	1919 M St NW	B	Sublease	20,464
Transwestern	Washington, DC	CBD	2000 K St NW	A	Sublease	20,253
CGI Technologies	Northern VA	Fairfax Center	11325 Random Hills Rd	B	Renewal	42,500
Riverside Research Institute	Northern VA	Fairfax Center	12601 Fair Lakes Cir	A	Relocation	38,707
Long & Foster Real Estate, Inc.	Northern VA	Fairfax Center	3975 Fair Ridge Dr	B	Sublease	26,568
Tiber Creek Consulting	Northern VA	Fairfax Center	12015 Lee Jackson Mem Hwy	B	Renewal	22,534

Sales Transactions (2023, over $15.0 million, excludes entity-level sales)							
Building	Market	RBA(s.f.)	Sales price ($)	Price p.s.f.	Buyer	Seller	Port.
720 14th St NW	Atlanta	200,000	$96,025,105	$480	Armada Hoffler	SJ Collins Enterprises	Yes
707 Wilshire Blvd	Los Angeles	1,095,488	$147,800,000	$135	Carolwood LP	Shorenstein	No
801 S Grand Ave	Los Angeles	215,097	$41,918,349	$195	ELAT Properties	CIM Group	No
433 S Spring St	Los Angeles	370,906	$40,000,000	$108	Regents of U California	Rising Realty Partners	No
222 W 6th St	Los Angeles	289,843	$28,850,000	$100	Urban Stearns	Harbor Associates	No
1543 W Olympic Blvd	Los Angeles	125,180	$20,000,000	$160	Sang Y Ahn	Pacific Centers Holdings	No
403 W 8th St	Los Angeles	102,219	$19,000,000	$186	Wendy Hemming	Botach Management	No
One Harborside Plz	New Jersey	400,000	$89,039,497	$223	601W Companies	Veris Residential	Yes
210 Hudson St	New Jersey	725,600	$161,517,647	$223	601W Companies	Veris Residential	Yes
200 Hudson St	New Jersey	761,200	$169,442,162	$223	601W Companies	Veris Residential	Yes
135 Greene St	New Jersey	245,364	$46,000,000	$187	American Equity Partners	Veris Residential	No
2121 Alton Pkwy	Orange County	451,477	$98,000,000	$217	IRA Capital	Blackstone	No
17300 Redhill Ave	Orange County	154,768	$44,000,000	$284	Principal Group LLC	Angelo Gordon & Co.	No
16752 Armstrong Ave	Orange County	82,645	$40,000,000	$484	Rexford Industrial REIT	Peakstone Realty Trust	No
17900 Von Karman Ave	Orange County	65,086	$16,900,000	$260	FinFare Inc	Wilshire Capital	No
1650 & 1700 S Price Rd	Phoenix	274,700	$98,700,000	$359	John Hancock	Manulife US REIT	No
1100 W Grove Pkwy	Phoenix	54,777	$7,250,000	$132	Magnolia Industrial Park LLC	LACERA	Yes
2021 K St NW	Washington, DC	155,716	$78,250,000	$503	Welltower	TF Cornerstone	No
1050 17th St NW	Washington, DC	154,000	$59,813,500	$388	Hines	The Lenkin Company	No
2121 Ward Pl NW	Washington, DC	55,474	$20,500,000	$370	One Street	Ronald D Paul Companies	No
1720 Eye St	Washington, DC	70,362	$19,000,000	$270	BDS III DC 1720 Eye Street LLC	Intrepid Real Estate	No

Active Development Pipeline						
Building	Market	Submarket	RBA (s.f.)	Developer	Spec/BTS	Completion
Spring Quarter	Atlanta	Midtown	538,126	Portman Holdings	Spec	2025
Echo Street West	Atlanta	Midtown	256,637	Rios & Clementi & Hale Studios	Spec	2024
1072 W Peachtree St NW	Atlanta	Midtown	224,000	Rockefeller Group	Spec	2026
1050 Brickworks	Atlanta	Midtown	209,591	Sterling Bay	Spec	2024
619 Ponce	Atlanta	Midtown	84,000	Jamestown Properties	Spec	2024
Society Atlanta	Atlanta	Midtown	83,720	Cartel Properties	Spec	2024
745 Echo	Atlanta	Midtown	21,273	Lincoln Property Company	Spec	2024
Arts & Power HouseBuilding	New Jersey	Hudson Waterfront	114,318	KABR Partners	Spec	2024
Viasat	Phoenix	South Tempe	135,000	Levine Investments	BTS	2024
S Rural Rd & E University Dr	Phoenix	Tempe	165,000	Ryan Companies	Spec	2024
1700 M	Washington, DC	CBD	334,000	Skanska	Spec	2024

Methodology and Terms of Use

Methodology

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

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

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

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

Use and reliance

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INVESTOR AND MEDIA RELATIONS

The Manager proactively engages the investment community with timely and transparent communication. 2023 was an eventful year that exemplified this, especially in the Manager's difficult decision to conduct a mid-year appraisal to provide an accurate reflection of its portfolio valuation in its 1H2023 financial statements. The 14.6% decline in MUST's mid-year portfolio valuation, reflecting market risks such as a lack of debt availability, potential recession, net selling of U.S. offices, as well as continued softening of office demand, resulted in the breach of a financial covenant in the REIT's loan facilities. As a result, the Manager had to halt its distributions with the reclassification of all its loans to current liabilities. The REIT's gearing also jumped from 49.5% as at 31 March 2023 to approximately 57.0% as a result.

2023 was also a year that marked strong Sponsor support for the REIT, evident from Manulife leading negotiations with MUST's lenders and assembling a package to provide the REIT with a runway going forward. The rapidly unfolding events challenged the REIT's IR professionalism, but the team stayed the course, patiently and proactively engaging with investors throughout the year.

These efforts culminated in the EGM on 14 December 2023 which successfully obtained a clear mandate of ~98.0% for all three resolutions, thus ending the year on a positive note. The EGM win was a true feat for a few reasons. Firstly, no SREIT has ever reached a successful negotiation outcome with lenders in an event of default situation. There were other SREITs that faced refinancing and liquidity issues in the last few years that failed to reach favourable outcomes with their lenders. Secondly, MUST had 12 lenders (excluding its Sponsor) and liabilities exceeding US$1.0 billion. It was not an easy task to assemble a Sponsor package with terms that are agreeable for all 13 lenders (including the Sponsor).

In 2023, the Manager met more than 2,060 investors, media and analysts. This was in line with 2022, excluding a corporate presentation to Tiger Brokers that was attended by a 6,000-strong audience.

Proactive Crisis Communications

Nimbleness to respond swiftly to any market talk or concerns that could negatively impact sentiment was crucial for the REIT in 2023. This included not just news specific to MUST, but also macro events. For instance, in March 2023, investors' sentiments were adversely affected by various negative news about the U.S. regional banking crisis, loan defaults by U.S. office landlords and layoffs by technology companies. The Manager received numerous queries regarding its exposure to U.S. regional banks and immediately published a clarification announcement on its financing situation as well as the make-up of its lender profile. Subsequently, a news leak about a potential transaction with MUST, followed by an open letter from an activist investor laying out concerns about the REIT's strategic review, also pressured the unit price, which plunged 18.5% over a two-week period. The Manager was swift to respond to the activist within 24 hours, and also followed up with media and analysts who had received the same letter to clarify all its inaccuracies. These helped to lend some stability to the share price jitters on the back of the various developing news.

Subsequently, at the April AGM, more questions came forth from Unitholders regarding the choice of asset in the Tanasbourne transaction with the Sponsor, as well as the proposed transaction with a potential strategic partner and the alignment of interests between the Sponsor/Manager and the Unitholders. The engaging AGM lasted 2.5 hours as management took time to respond to Unitholders' queries. All three resolutions were passed by Unitholders at the AGM, with a strong mandate obtained for each resolution.

The Manager also consistently reached out to regulators, analysts, journalists, financial bloggers, relationship managers, brokers, trading representatives, institutional and high net worth (HNW) investors, as well as individual retail Unitholders through platforms such as briefings, one-on-one calls and meetings, retail newsletter blasts, LinkedIn as well as prompt responses to email queries. Prior to making its 18 July valuation update announcement, the Manager engaged regulators to keep them abreast of developments at the REIT and its proposed course of action. There was no precedence of SREITs crossing the regulatory 50.0% leverage limit except during the Global Financial Crisis, and the Manager wanted to ensure that its actions were in line with good corporate governance. The Manager also conducted same-day analyst, media and investor meetings, and did individual follow-ups with media and analysts to clarify facts and respond to their queries. This helped to moderate any negative press and commentaries.

The year-end EGM with only a 14-day notice, due to the urgency of seeking Unitholders' approval for the Recapitalisation Plan, was another tall order the Manager had to overcome. It afforded very little time for the IR team to engage the entire investment community to explain to them the rationale of the resolutions and address their questions. As negotiations between the Sponsor, Manager and Lenders intensified in late October 2023, the IR team started to keep investors, analysts and media updated on key developments and plans. Even though the team was unable to share the details of the ongoing negotiations, it met with the key players and opinion leaders to address their questions, clarify any misconceptions, and explain why the negotiation process took so long.

Once the Manager announced the Recapitalisation Plan on 29 November 2023, the Manager rolled out an intense and aggressive roadshow plan with different events targeting different categories of investors. Following its analyst and media briefing, the Manager reached out separately to all its covering analysts, key media and financial bloggers to hear their concerns and address them individually. Numerous broker and private banking presentations were made thereafter, with the main win being the two luncheons targeted at MUST's top institutional investors as well as those that hold their units through custodians and nominees. The latter is something that is uncommonly practised by other SREITs. In addition, the IR team organised a dialogue session with the Securities Investors Association (Singapore) (SIAS) which was attended by more than 300 investors. The team also called and texted the largest unitholders in its Central Depository Pte Limited (CDP) list, reminding them to submit their votes and guiding them through the process. In a short span of 10 business days, the IR team engaged close to 570 investors, analysts and media.

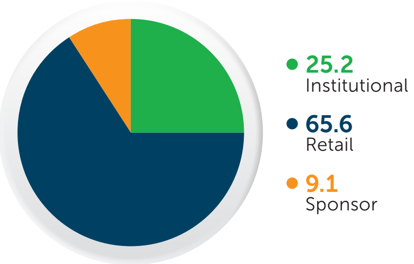
The Sponsor's presence was also a constant at every EGM roadshow. Chairman of the Board, Mr Marc Feliciano, who is also the Global Head of Real Estate for Private Markets at the Sponsor, flew in from the U.S. and attended all the briefings, calls, luncheons and meetings to interact with investors and answer their questions. This extended a great vote of confidence for the REIT and strongly demonstrated the Sponsor's commitment to work alongside the Manager to resolve the breach and put forth a plan to ensure a sustainable path forward for MUST.

Another crisis the Manager had to navigate in 2023 was the volatile unit price throughout the year, hit by a number of factors. These included U.S. recession fears, negative news about the U.S. office market, the news leak at the start of the year and continued federal funds rate increases. This was aggravated by MUST's mid-year portfolio valuation decline which resulted in its loan covenant breach. A shrinking in the REIT's market capitalisation also led to its exclusion from the MSCI Singapore Small Cap and FTSE EPRA Nareit Global Developed indices in 3Q2023. Over the course of 2023, MUST's unit price fell 73.3%, ending the year at US$0.08.

During the year, the Manager had to be quick to respond to inaccurate market talk, as well as step up efforts to engage with investors more frequently through one-on-one meetings and calls. As institutional investors sold down on MUST following the index rebalancing, more retail unitholders, in particular HNW investors, also bought in. As at end-December 2023, excluding the Sponsor's stake, the proportion of institutional investors declined to 27.8%. Retail investors made up the remaining 72.2% of the Unitholder base. Including the Sponsor, institutional and retail investors made up 25.2% and 65.6%, respectively, while the Sponsor maintained its stake at 9.1%. This compared to 42.9% and 47.9% held by institutional and retail investors, respectively, as at the end of 2022. The Manager's continued engagement strategy of transparent and regular updates saw a new group of investors entering the register amidst the share price volatility. They were mainly retail investors, HNW investors and family offices.

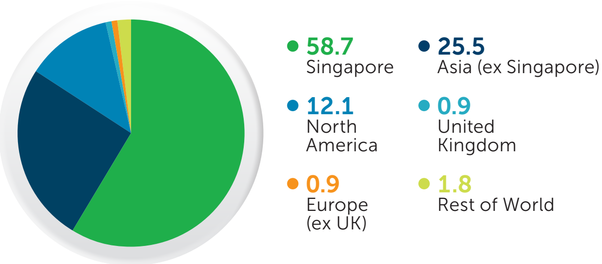
The Manager is grateful to all its stakeholders for their patience and support throughout the year. The team will continue to drive its IR excellence and proactively engage the investment community as the REIT steers itself back onto a route of normalisation for Unitholders. The Manager is guided by its IR Policy (available at https://www.manulifeusreit.sg/about#policy_procedure) which informs how MUST engages with the investment community and how Unitholders may communicate with MUST. This provides MUST's stakeholders with a coordinated approach to the REIT's investor engagement. MUST has a separate and dedicated IR team that handles matters concerning Unitholders, and the team provides the Board with regular updates on Unitholders' feedback.

Unitholders by Investor Type (%)



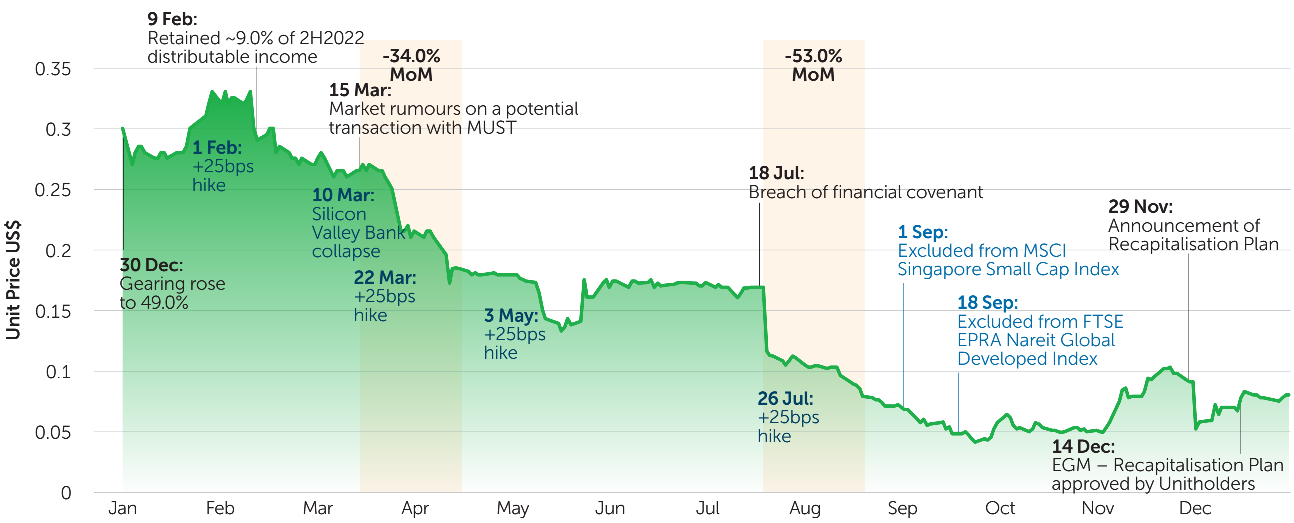
Note: Retail includes HNW individuals. Amounts may not sum up to 100.0% due to rounding. As at 31 December 2023.

Unitholders by Geography (%)



Note: Excludes unidentified and unanalysed holdings. Amounts may not sum up to 100.0% due to rounding. As at 31 December 2023.

MUST's Unit Price Performance



INVESTOR AND MEDIA RELATIONS

Inclusion in Key Indices

- Bloomberg World Aggregate Price Return Index
- Bloomberg Developed Markets Large, Mid & Small Cap Price Return Index
- Bloomberg Asia Real Estate Investment Trust Index
- Bloomberg APAC Developed Markets ex Japan Aggregate Price Return Index
- Bloomberg ESG Data Index
- GPR General (World) Index
- GPR General ex-US Index
- GPR General Far East Index
- GPR General Singapore Index
- GPR General Quoted (World) Index
- GPR General Quoted ex-US Index
- GPR General Quoted Far East Index
- GPR General Quoted Singapore Index
- GPR/APREA Composite Index
- GPR/APREA Composite Singapore Index
- GPR/APREA Composite REIT Index
- GPR/APREA Composite REIT Singapore Index
- GPR/APREA Investable REIT 100 Index
- GPR/APREA Investable REIT 100 Singapore Index
- FTSE ASEAN Index
- FTSE Global Equity Index
- Russell RAFI Index
- FTSE ST Index
- Solactive GBS Global Markets Asia Pacific All Cap USD Index
- Solactive GBS Developed Markets All Cap USD Index
- Solactive GBS Global Markets All Cap Property USD Index
- Solactive GBS Singapore All Cap Index
- S&P Asia Pacific BMI (USD)
- S&P Developed BMI (USD)
- S&P GIVI Asia Pacific Index (USD)
- S&P Intrinsic Value Weighted Asia Pacific Index (USD)
- S&P Low Beta Asia Pacific Index (USD)
- S&P Singapore BMI (USD)

Research Firms

1. CGS-CIMB Research
2. CLSA Singapore
3. DBS Bank Ltd
4. Maybank Kim Eng Research
5. OCBC Investment Research
6. Phillip Securities
7. RHB Bank Berhad
8. UOB Kay Hian

Scan to connect with MUST on LinkedIn

IR Contact

For any feedback and inquiries, please contact:

Ms Caroline Fong
Deputy CEO, Chief Investor Relations and Sustainability Officer
Email: carol_fong@manulifeusreit.sg

Awards and Accolades

GRESB:

- Real Estate Assessment: 5 Star for the sixth year
- Public Disclosure: 'A' grade, 2nd out of 10 U.S. office peers

Sustainalytics:

- Ranked top 1.0% of the global universe comprising >15,000 companies

FTSE Russell:

- ESG Rating of 3.7, higher than subsector average (Industrial & Office REITs) of 2.8

Singapore Governance and Transparency Index 2023:

- 16th out of 43 REITs and Business Trusts

Calendar of Events

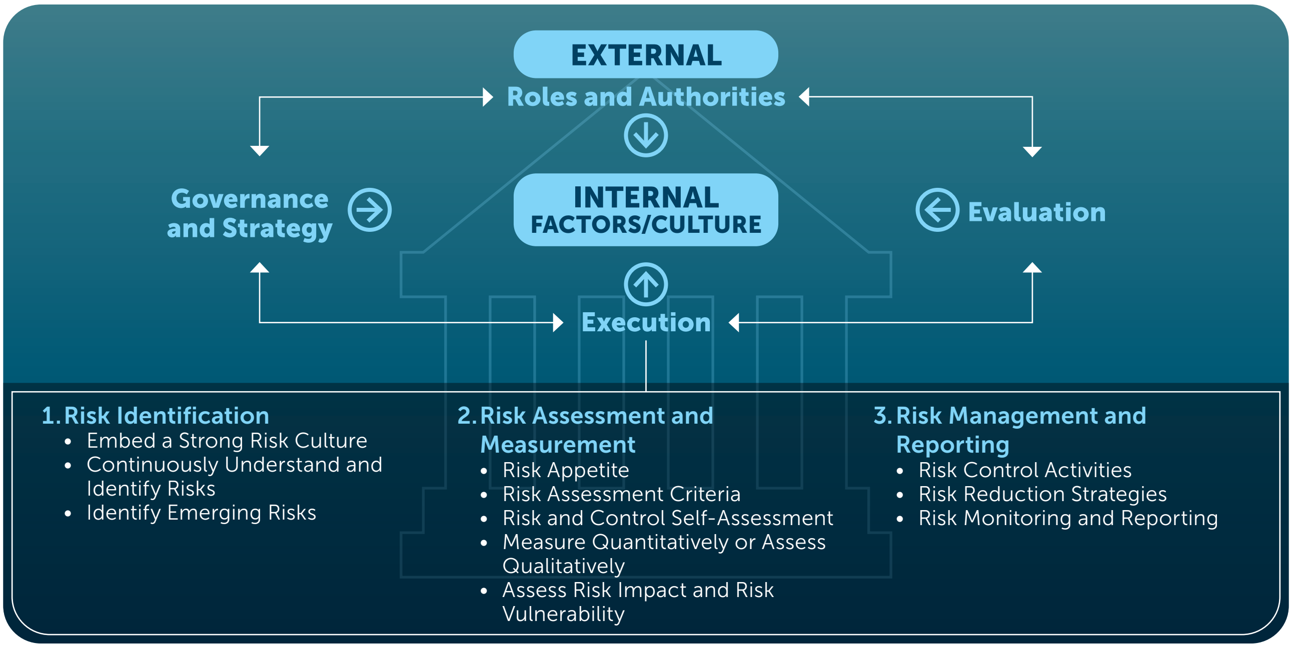
9 Feb 2023	11 May 2023	14 Aug 2023	3 Nov 2023	8 Feb 2024
FY2022 Financial Results	1Q2023 Operational Updates	1H2023 Financial Results	3Q2023 Operational Updates	FY2023 Financial Results

Quarter	Events	
1ST QUARTER	9 Feb	FY2022 Financial Results: Analyst and Media Briefing
	9 Feb	FY2022 Financial Results: Investor Briefing/Luncheon
	10 Feb	Corporate Presentation to Phillip Securities Trading Representatives
	10 Feb	Corporate Presentation to DBS Private Bank and Relationship Managers
	10 Feb	Corporate Presentation to DBS Thai Institutional Investors
2ND QUARTER	20 Apr	AGM
	11 May	1Q2023 Operational Updates: Analyst and Media Briefing
	12 May	1Q2023 Operational Updates: Investor Briefing
	12 May	Corporate Presentation to DBS Private Bank and Relationship Managers
	18 May	DBS-REITAS Private Banking Luncheon
	14 Jun	Corporate Presentation to DBS Private Bank and Relationship Managers
3RD QUARTER	12 Jul	'MUST Insights: What lies on the horizon for U.S. office?' by JLL
	18 Jul	Mid-year Valuations Update: Analyst and Media Briefing
	18 Jul	Mid-year Valuations Update: Investor Briefing
	14 Aug	1H2023 Financial Results: Analyst and Media Briefing
	14 Aug	1H2023 Financial Results: Investor Briefing/Luncheon
	30 Aug	Corporate Presentation to DBS Private Bank and Relationship Managers
4TH QUARTER	10 Oct	Corporate Presentation to CGS-CIMB Trading Representatives and Investors
	3 Nov	3Q2023 Operational Updates: Analyst and Media Briefing
	3 Nov	Corporate Presentation to Phillip Securities Trading Representatives
	6 Nov	Corporate Presentation to DBS Private Bank and Relationship Managers
	6 Nov	Corporate Presentation to CGS-CIMB Institutional Investors
	29 Nov	Recapitalisation Plan Announcement: Analyst and Media Briefing
	29 Nov	Corporate Presentation to DBS Institutional Investors
	30 Nov	Corporate Presentation to CGS-CIMB Trading Representatives and Investors
	4 Dec	Investor Luncheon
	4 Dec	Corporate Presentation to DBS Private Bank and Relationship Managers
	5 Dec	Custodian Investor Luncheon
	6 Dec	Corporate Presentation to CGS-CIMB Trading Representatives and Investors
	6 Dec	SIAS Dialogue Session
	14 Dec	EGM

ENTERPRISE RISK MANAGEMENT

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

ERM Framework



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

Our approach to risk management is communicated through risk policies, which are intended to enable consistent design and execution of strategies across the REIT. Our risk policies cover:

- Roles and authorities – Assignment of accountability and delegation of authority for risk oversight and risk management at various levels within the REIT, as well as accountability principles;
- Governance and strategy – The types and levels of risk the REIT seeks, given its strategic plan, the internal and external environment, and risk appetite which drive risk limits and policies;
- Execution – Risk identification, assessment, measurement and mitigation which enable those accountable for risks to manage and monitor their risk profile; and
- Evaluation – Validation, backtesting and oversight to confirm that the REIT generated the risk profile it intended, root cause analysis of any notable variation, and any action required to re-establish desired levels when exposures materially increase to bring exposures back to desired levels and achieve higher levels of operational excellence.

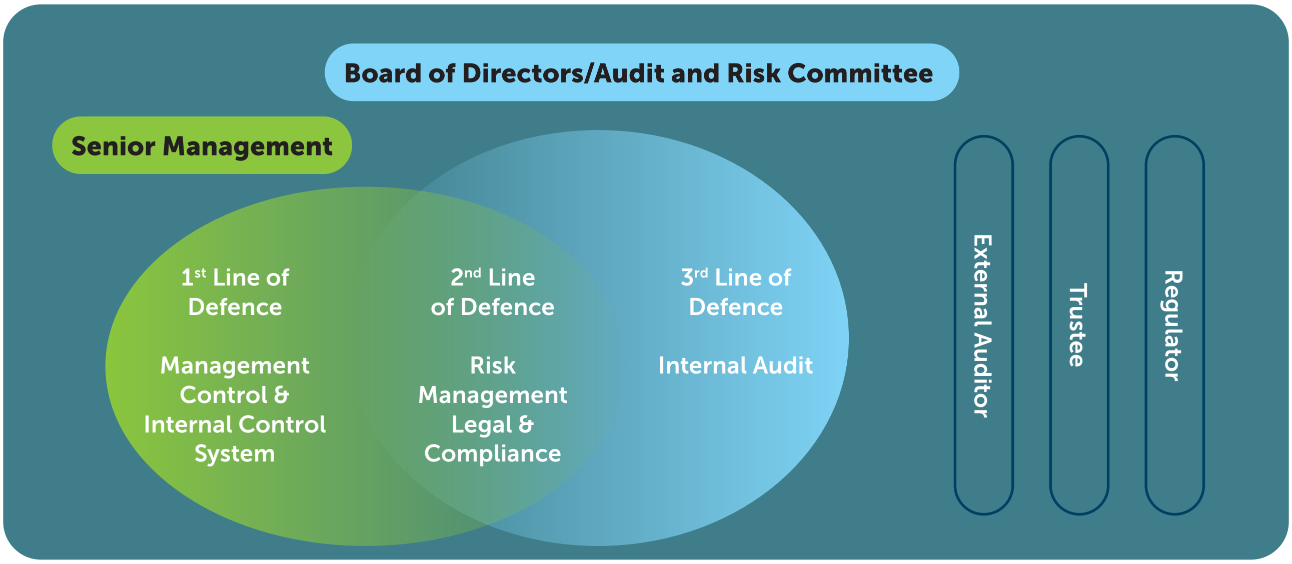
These ERM practices are influenced and impacted by internal and external factors, which can significantly impact the levels and types of risks MUST might face in its pursuit to strategically optimise risk-taking and risk management. The Manager's ERM framework incorporates relevant impacts and mitigating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

Risk Culture

To enable the achievement of its mission and strategic priorities, the Manager is committed to a set of shared values, which reflect our culture, inform our behaviours, and help define how we work together:

- Obsess about customers – Predict their needs and do everything in our power to satisfy them.
- Do the right thing – Act with integrity and do what we say.
- Think big – Anything is possible. We can always find a better way.
- Get it done together – We're surrounded by an amazing team. Do it better by working together.
- Own it – Feel empowered to make decisions and take action to deliver our Mission.

Three Lines of Defence



- Share your humanity – Build a supportive, diverse, and thriving workplace.

Risk Culture Vision – Within this context, the Manager strives for a risk aware culture, where individuals and groups are encouraged, feel comfortable and are proactive in making transparent, balanced risk-return decisions that are in the long-term interests of MUST.

The Board is responsible for the governance of risk across the REIT and ensuring sound risk management and internal control systems. This includes the overall risk strategy based on risk appetite, risk identification, risk measurement and assessment, risk monitoring and reporting, risk control and mitigation. The Board is supported by the Audit and Risk Committee (ARC) for the oversight of risk management and delegates this through a governance framework that is centred on the three lines of defence model:

- MUST's 1st line of defence includes the management team and respective leaders of the Manager, also referred to as business units and functional support groups. They are ultimately accountable for the risks they assume and for the day-to-day management of the risks and related controls.

- The 2nd line of defence includes the oversight functions such as the Risk Management and Legal & Compliance teams. The ARC also contributes to the oversight of risk-taking and risk mitigation activities.

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

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

This requires business units and functional support groups to identify and assess key and evolving risks arising from their activities on an ongoing basis. A standard inventory of risks is used in all aspects of risk identification, measurement and assessment, and monitoring and reporting.

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

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

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

The risk reporting will be presented to the ARC and the Board to highlight the risk profile, risk dashboard on high risks, unresolved major risk issues and new or emerging risks, among other things. The following describes the risk management strategies to identify certain key risks.

ENTERPRISE RISK MANAGEMENT

Key Risks	Details	Key Mitigation Actions
Property Market and Economic Risk	• MUST may be adversely affected by economic and real estate market conditions in the U.S. These conditions may have a negative impact on the ability of tenants to pay their rents in a timely manner or to continue their leases. This in effect may cause a reduction in MUST's cash flow, a decline in rents and market value of the properties.	• The Manager has adopted a disciplined approach towards financial management and monitors economic developments closely.
Regulatory, Compliance, Outsourcing and Taxation Risks	• MUST is required to comply with applicable and relevant legislations and regulations that include SGX-ST Listing Rules, International Financial Reporting Standards, Securities and Futures Act, Code of Collective Investment Scheme, U.S. and Singapore tax laws, regulations and rulings. • Changes in legislations and regulations including amendments to laws and regulations, legal judgements and their interpretation may impact MUST's distributable income. • MUST has to bear the burden of withholding tax for the Unitholders who fail to supply the U.S. withholding tax forms and certificates due to the temporary halting of distributions to Unitholders.	• The Manager has established a compliance monitoring programme to assist in ensuring compliance with regulatory requirements, company policies and procedures. • The Manager actively monitors regulatory changes and its impact to the REIT, and implements appropriate strategies to mitigate the impact. • The Manager has put in place a process to collect U.S. withholding tax forms and certificates from Unitholders.
Fraud and Bribery Risks	• MUST is subject to the risk of loss resulting from a knowing misrepresentation or concealment of a material fact or a wilful or deliberate act or failure to act with the intention of obtaining unauthorised benefits. • Fraud and bribery may result in reduced profitability and adversely affect reputation.	• The Manager is committed to the highest standards of integrity and has no tolerance for any fraud and bribery in its business conduct. • The Manager has a Code of Business Conduct and Ethics in place that affirms its commitment to ethical conduct and its practice of complying with all the applicable laws, so as to avoid actual or potential conflicts of interest. • In addition, it has a whistle-blowing policy that encourages its employees and any other individuals to raise concerns about possible improprieties in matters of financial reporting and other malpractices in confidence via various channels.
Liquidity, Funding and Leverage Risks	• Risk associated with liquidity and cash flow management may affect MUST's ability to meet payment obligations. • Poor visibility of cash flows may lead to poor planning and decision-making on actual funding needs and may lead to unnecessary increase to financing costs. • MUST has exceeded the aggregate leverage limit which would inhibit additional borrowings.	• The Manager closely monitors and actively manages the REIT's debt maturity profile, operating cash flow and the availability of funding resources. • To augment the financial position and cashflows of the REIT through various actions such as divestment of assets, provision of long-term Sponsor-Lender loan, partial repayment of loans, extension of existing loan maturities and temporary halt of distributions to Unitholders.

Key Risks	Details	Key Mitigation Actions
Interest Rate Risk	• Exposure to interest rate fluctuations may affect the cost of borrowings and have a material impact on MUST's financial performance.	• The Manager obtains fixed rate loans or uses derivative financial instruments such as interest rate swaps to substantially mitigate interest rate risk exposure on floating rate borrowings. • The exposure to interest rate risks is further managed through regular reviews with senior management on the optimal mix of fixed and floating rate borrowings.
Leasing and Lease Concentration Risks	• MUST is subject to the risk of non-renewal, non-replacement of leases and a decrease in demand for office space. Any downturn in the businesses, bankruptcy or insolvency of a tenant may result in such tenant deciding not to renew its lease at the end of a lease cycle or to terminate the lease before it expires. • Concentrated lease expiry dates and inadequate diversification of tenants and tenant industries, as well as extended downtime between leases to fill up the vacancies could result in high vacancies and lower rental income.	• The Manager establishes a diversified tenant base, continuously monitors the lease expiry profile and undertakes proactive tenant engagement. • The Manager has also established leasing guidelines to ensure lease concentration risk is mitigated.
Credit Risk	• Credit risk is the risk of financial loss to MUST should a tenant fail to meet its contractual obligations and arises principally from rental arrears. Some of the factors that affect the ability of tenants to meet their obligations under their leases include poor economies in which they have business operations, competition and their financial position.	• The Manager manages credit risk through staggered lease maturities and diversification of revenue sources by ensuring no individual tenant contributes a significant percentage of the gross revenue. • In addition, MUST also obtains security deposits and letters of credit from tenants.
Property Management Risk	• Poor property management may affect tenant satisfaction and renewal probability. • Cost overruns may reduce NPI and DPU, and negatively impact the valuation of the properties.	• The Manager is committed to creating and cultivating environment-friendly, safe and healthy workplaces. • The Manager has established processes and procedures that seek to ensure that the buildings operate efficiently and are well-equipped in managing the risk that arises from the operations and management of the buildings.

ENTERPRISE RISK MANAGEMENT

Key Risks	Details	Key Mitigation Actions
Investment and Divestment Risks	• The acquisition of properties contributes to the growth objectives of MUST. • Poor investment decisions or inadequate due diligence may lead to undetected material defects, onerous obligations, breaches of law or regulations, etc. These issues could lead to investments not generating the required target returns. • Potential risks include inadequate strategic planning to identify suitable divestment opportunities, timing and price for divestment resulting in sub-optimal divestment decisions being taken, or the divestment market conditions deteriorating such that a divestment may not yield desired results.	• The risks involved in investment and divestment activities are managed through a rigorous and disciplined set of evaluation processes which include, but are not limited to meeting investment criteria, discounted cash flow assessment, yield accretion test, due diligence reviews and independent valuations. • All investment and divestment decisions are reviewed and approved by the Board.
Information Technology, Business Disruption and System Failure Risks	• Risks include unauthorised access, disclosure, modification or deletion of sensitive and confidential data such as market sensitive information that may affect share price, bid information, intellectual property and/or financial information. • MUST is subject to the risk of information resources being not securely developed, transmitted or stored and cybersecurity being compromised.	• The Manager has an enterprise-wide business continuity and disaster recovery programme. This includes policies, plans and procedures that seek to minimise the impact of natural or man-made disasters, and is designed to ensure that key business functions can continue normal operations in the event of a major disruption. • The business continuity team also establishes and conducts regular testing.
Property Damage Risk	• Significant damage to property as a result of severe events caused by natural and other disasters, human negligence or wilful attack may severely disrupt MUST's business operations and lead to the loss of rental from tenants.	• Each property has adequate insurance coverage for the risks such as all risk, wind, flood, fire, earth movement, gross rent loss, vandalism/public disturbance and terrorism. • With support from its Sponsor, the Manager has in place a global Business Continuity Plan (BCP). This includes policies and procedures that seek to minimise the impact of natural or man-made disasters, and is designed to ensure that key business functions can continue normal operations in the event of a major disruption. • The business continuity team establishes and conducts regular BCP testing.

Key Risks	Details	Key Mitigation Actions
Environmental Risk	• Physical risk arises from the impact of weather events and long-term or widespread climate changes. Risks include flooding, extreme storms and wildfires. • Transitional risk arises from the processes of adjustment to an environmentally sustainable economy, such as punitive actions for polluting the environment and changed expectation from the stakeholders to address environment impact.	• The Manager follows the Sponsor's sustainable real estate policy and works in conjunction with the Sponsor to implement various initiatives to drive a greener future such as environmental management system, green building certification, carbon emissions and energy efficiency. • Assessment of potential acquisition includes examination of environmental and social sustainability risks and opportunities.
Pandemic, Health and Safety Risks	• An epidemic of an infectious disease spreading across a large region, for instance multiple continents or worldwide, could result in a decline in office usage and affect tenants' businesses. In addition, pandemic risk can have an adverse impact on MUST's business operations, financial results and future prospects, leading to downward valuation of MUST's properties. • MUST is also expected to provide a safe and healthy environment for its stakeholders. Health and safety risks could result in adverse effects on the well-being of our tenants, employees and vendors.	• The business continuity team establishes and conducts regular BCP testing. • Established playbooks such as Return to Office: Tenant Guidebook and Return to Office: Best Practices Playbook to provide guidance on what needs to be done amidst the occurrence of a pandemic. • A full life safety training programme at the property level has been established. This programme is provided to tenants either online or in a manual that is maintained at the property management offices. • Other health and safety offerings at the properties include periodic slip testing of the lobby floor surfaces to prevent slip and fall injuries and installation of automated external defibrillators, as well as fire hazard safety systems in the building.

SUSTAINABILITY REPORT

Contents

In this Sustainability Report, to the extent that ESG factors are considered, they are considered along with other factors and are not determinative of investment decisions. Further, it is possible that the investments in which the REIT invests are unable to obtain or realise any intended ESG outcomes.

ABOUT THIS REPORT

About Manulife US REIT

Manulife US Real Estate Investment Trust (MUST or the REIT) is a Singapore listed REIT managed by Manulife US Real Estate Management Pte. Ltd. (the Manager). MUST was established with the investment strategy principally to invest, either directly or indirectly, in a portfolio of income-producing office real estate in key U.S. markets, as well as in real estate-related assets.

The Manager is a wholly-owned subsidiary of The Manufacturers Life Insurance Company (the Sponsor), which is part of the Manulife Group (the Group). John Hancock Life Insurance Company (U.S.) (JHUSA) has been appointed as the property manager[1] (the Property Manager) for the properties, while Manulife Investment Management Private Market (US) LLC is the appointed asset manager (the Asset Manager) for the properties.

Reporting Scope and Period

This is the seventh annual Sustainability Report for MUST. It showcases the REIT's sustainability approach, initiatives, and performance for the financial period from 1 January to 31 December 2023 (Reporting Period), providing comparative data for the same period in 2021 and 2022. As at 31 December 2023, the REIT's portfolio comprises 10 office properties that are strategically situated in prime locations of key U.S. cities. MUST adopts the Operational Control Approach, as defined by the Greenhouse Gas (GHG) Protocol Corporate Standard, to determine organisational boundaries. This report covers the environmental performance of these 10[2] properties based on the operational control approach.

The Manager acknowledges that internal reviews and external assurance increase stakeholder confidence in the accuracy and reliability of the sustainability information disclosed. The Manager has relied on internal checks over sustainability disclosures, in line with the existing internal review frameworks. The Board and the Manager have also engaged with its internal auditors to incorporate an internal review of the sustainability report as part of the risk-based internal audit plan in the coming years. The Manager has not solicited external independent assurance for this report but will review the need for external assurance in the future.

Employee-related information provided in this report refers solely to the employees of the Manager located in Singapore and the U.S.

Reporting Standards and Guidelines

This report is prepared in accordance with the updated Global Reporting Initiative (GRI) Universal Standards 2021. The GRI Standards have been selected as it is an internationally recognised standard for sustainability reporting and is relevant to the REIT's operations. This report takes into account GRI's Construction & Real Estate Sector Supplement (CRESS) guidelines and incorporated elements from the United Nations Sustainable Development Goals (SDGs). Once the latest GRI Sector Standard for the real estate industry is published, the Manager will validate the list of material Environmental, Social, and Governance (ESG) topics against it. For details on the relevant references, please refer to the GRI Content Index on our Sustainability webpage (https://www.manulifeusreit.sg/sustainability-overview).

This report complies with the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual Rules 711A and 711B. It also incorporates recommendations relating to the Task Force on Climate-Related Financial Disclosures (TCFD). In line with the announcement by the Accounting and Corporate Regulatory Authority (ACRA) and Singapore Exchange Regulation (SGX RegCo) in February 2024, the Manager will be enhancing its climate-related disclosures in alignment with the International Sustainability Standards Board (ISSB). We will continue to monitor future sustainability reporting requirements.

Contact

We constantly strive to improve our sustainability disclosures for the investment community. Should you have any questions or feedback, kindly contact our sustainability team at usreitinquiry@manulifeusreit.sg. You can also find our most recent sustainability initiatives and updates on our website at https://www.manulifeusreit.sg/sustainability-overview.

Board Statement on Sustainability

As a responsible corporate citizen, MUST is committed to integrating ESG topics into our business practices so that we can future-proof our business and deliver continuous long-term value for our stakeholders. The Board of Directors (Board), which is also the highest governance body of the REIT, has oversight over the management of MUST's ESG impact and material topics. The Board also provides oversight and guidance on the implementation, management, and monitoring of sustainability matters, including the REIT's material ESG topics. Working closely with the Sustainability Steering Committee (SSC), the Board and management regularly review material ESG topics and include them in strategic formulation to ensure MUST's sustainability targets and performance are met.

18 March 2024

1 Since 2021, JHUSA has outsourced its property management services to third-party property managers. Reference to Property Managers in the report refers to the third-party property managers.

2 On 15 December 2023, MUST completed the divestment of Park Place, over which the Manager had operational control of until the point of divestment. MUST also divested Tanasbourne on 11 April 2023 but the Manager did not have operational control over the property. In alignment with MUST's internal management procedures, ESG performance data related to Park Place has been excluded for FY2023.

2023 HIGHLIGHTS

BUILDING RESILIENCE

29.8%
Reduction in Energy intensity
since 2018

34.1%
Reduction in GHG emissions intensity
since 2018

93.0%
Green-certified portfolio
by Net Lettable Area (NLA)

21.6%
Reduction in water intensity since 2018

PEOPLE FIRST

0 CASES
Work-related fatality or injury

34 HOURS
Employee training

122 HOURS
Corporate social responsibility hours

S$23,000
Donation in support of local community

DRIVING SUSTAINABLE GROWTH

63.5%
of total borrowings are sustainability-linked/green financing

> 2,060
investors, analysts, media engaged

100.0%
Board and employees received anti-corruption training

0 CASES
of non-compliance and corruption

ESG ACCOLADES

GRESB 2023

GRESB 5 STAR
'A' for public disclosure

SUSTAINALYTICS RATED

TOP 1%; LOW RISK
of >15,000 global companies

FTSE Russell

3.7 ESG RATING
vs subsector average of 2.8

NUS Centre for Governance and Sustainability NUS Business School

16TH
out of 43 REITs & Business Trusts
Singapore Governance and Transparency Index 2023
(20th in 2022)

MESSAGE TO STAKEHOLDERS

MUST's future-proofing strategy places sustainability at the core of our efforts. By prioritising environmentally conscious real estate practices and fostering greater transparency in disclosures, we underscore our dedication to responsible business principles and long-term viability.

Tripp Gantt
Chief Executive Officer (CEO)

Dear Stakeholders,

As we reflect on the past year, we at MUST recognise both the opportunities and challenges that have shaped our journey. Despite global economic headwinds, including inflation and rising interest rates, as well as weak U.S. office fundamentals that led to a breach in our financial covenant, we have remained steadfast in our commitment to sustainability and continue to do our best to preserve long-term value.

Committing to a Sustainable Future

MUST's future-proofing strategy places sustainability at the core of our efforts. By prioritising environmentally conscious real estate practices and fostering greater transparency in disclosures, we underscore our dedication to responsible business principles and long-term viability.

To align with our Sponsor and Asset Managers' targets, we have set an ambitious target of 80.0%[1] reduction in GHG intensity by 2050, consistent with the Paris Agreement goal of securing global net zero emissions by 2050. It is also our goal to achieve 49.0%[1] reduction in energy intensity and 100% green-certified portfolio by 2030. We continue to seek opportunities to improve the energy efficiency of our properties, to use renewable energy and cleaner fuels, and to adopt digitalisation - not just as an environmental imperative but a strategic one. We see significant opportunities in these areas, and as momentum around climate action grows globally, we are confident that our investments will reinforce our portfolio and contribute to a brighter and greener future for all.

Investing in our People

The team faced immense pressure during the past year. The feedback through our annual employee engagement survey has been invaluable, and it is heartening to know that our team continues to have the opportunity to excel in their roles and believe that their opinions are valued. We put great efforts into prioritising employees' well-being and mental health. Breakfast on the House (BOTH) sessions were maintained in 2023 to foster a culture of communication and collaboration. To strengthen team camaraderie, we organised a Spin Art class in June 2023 where employees created art pieces together. We also implemented 'Welcome Wednesdays', where employees bonded over snacks and refreshments.

As part of MUST's dedication to long-term sustainability, both employees and independent directors receive training in important sustainability subjects like climate resilience and corporate governance. We provide

1 Target reductions in GHG and energy intensities are compared to our 2018 base year.

employees with the chance to participate in training programmes at their own convenience, using a mix of digital learning resources and online classes and strive to attain a minimum of 30 training hours per employee per year. In 2023, we are pleased to report that our staff achieved an average of 34.0 training hours per person, surpassing our annual goal.

Engaging our Investors

Despite the challenges facing MUST, we continued to keep our communication lines open and engaged in transparent conversations with the investment community. In 2023, we engaged over 2,060 investors, analysts and media through webinars, briefings, luncheons, calls and meetings to share updates, address queries and gather feedback from our Unitholders. We also partnered with various brokerage firms such as CGS-CIMB, Phillip Securities, and DBS Private Bank, as well as the Securities Investors Association (Singapore) (SIAS) to extend our outreach.

We believe that face-to-face interactions with our investors remain important. That is the reason why we chose to hold our Annual General Meeting (AGM) in a physical format in April 2023 and also arranged various investor luncheons during the year to allow investors the opportunity to engage directly with the management team. Read more about our investor outreach in the Investor and Media Relations section on pages 56 to 59.

Serving our Communities

Our connection to the communities in which we operate goes beyond business. We view community engagement as both a responsibility and an opportunity to effect positive change. In 2023, our community outreach efforts were diverse and far-reaching.

In the U.S., we organised various community events throughout the year, encouraging our tenants and their employees to make a meaningful difference in their communities. For example, at Michelson, we organised community health-focused events including a blood donation drive and first-aid classes. We also supported domestic abuse victims via a clothing drive and assisted low-income families with a food pantry drive. At Figueroa, we collected eyeglasses and watches, providing aid to those without access to vision care access and helping the homeless population, respectively. Our employees, who are granted two days of volunteer leave annually, dedicated their time supporting vulnerable populations, contributing a total of 122 community service hours. As an organisation, the Manager contributed approximately S$23,000 towards community engagement and supporting beneficiaries, including children from disadvantaged backgrounds, youths at risk, families in distress, seniors who are socially isolated, and the chronically ill and destitute. In addition, we also maintained our commitment to the community by sourcing corporate gifts from local social enterprises.

Despite the challenges facing MUST, we continued to keep our communication lines open and engaged in transparent conversations with the investment community.

Governance at the Forefront

In the Singapore Governance and Transparency Index (SGTI) 2023 – REIT and Business Trust Category, MUST has climbed from 20th in 2022 to 16th place. These advancements highlight our dedication to open communication and adhering to sound corporate governance practices.

In addition to maintaining sound corporate governance practices, we believe that training plays a crucial role in establishing a strong corporate governance structure. All employees and directors are required to attend mandatory training covering topics related to anti-bribery and anti-corruption, business conduct and ethics and information protection.

Transparent Disclosures

MUST supports the TCFD and has incorporated its recommendations in our reporting framework. Manulife, our Sponsor, is a signatory to the United Nations Global Compact. In line with this, we are committed to its 10 principles. This report serves as our communication on progress made relating to sustainability and climate-related disclosure and performances. Updated in line with the GRI requirements, this report can also be found at https://www.manulifeusreit.sg/sustainability-overview.

In conclusion, I extend my deepest gratitude to every stakeholder for your continued support. We endeavour to work together with you to forge a sustainable path forward for MUST.

Tripp Gantt
Chief Executive Officer (CEO)

SUSTAINABILITY APPROACH

Sustainability is core to our business and reflects who we are. We believe that integrating ESG considerations into our business strategy and operations will strengthen and future-proof the REIT for long-term success and deliver value to our stakeholders. The material ESG topics identified are embedded in our sustainability framework, which aligns with the five Sustainability Real Estate Commitments outlined in our Asset Manager's Real Estate Sustainability Framework. Our sustainability framework guides MUST's investment, asset, and property management operations.

Sustainability Framework and Materiality Review

MUST's Sustainability Framework

Our sustainability strategy is outlined in our sustainability framework, which comprises three strategic pillars: Building Resilience, People First, and Driving Sustainable Growth. These pillars are supported by eight ESG focus areas that form an integrated approach to identify material ESG topics that align with MUST's sustainability goals and Enterprise Risk Management (ERM) framework. Each material ESG topic is categorised under the relevant sustainability pillar.

MISSION

Future-proofing our business to create long-term value for our stakeholders

GUIDED BY MANULIFE INVESTMENT MANAGEMENT'S
FIVE SUSTAINABLE REAL ESTATE COMMITMENTS IN OUR ACTIONS

1. **Minimise our environmental footprint**
2. **Support health and wellness**
3. **Promote responsible business practices**
4. **Engage our stakeholders on sustainability**
5. **Be accountable for our performance**

SUSTAINABILITY PILLARS

Building Resilience	People First	Driving Sustainable Growth
Reducing the environmental impact of our properties and supporting the transition to a net zero economy.	Ensuring the needs of our stakeholders are well-served is key to sustaining our business. This includes creating a safe and healthy environment, and safeguarding the well-being and interests of our employees, tenants, and communities.	Conducting our business responsibly to deliver long-term value to our Unitholders. This includes the sustainable allocation of capital, robust governance framework and proactive risk management practices.

APPROACH AND MATERIAL ESG TOPICS

• **Climate Action** • **Environmental Stewardship**	• **Nurturing our Talent** • **Safeguarding Health and Well-Being** • **Serving our Communities**	• **Economic Sustainability** • **Governance Framework** • **Engaging Investors**
1. Sustainable building 2. Energy 3. Water management 4. GHG emissions 5. Climate change mitigation and adaptation 6. Waste management 7. Biodiversity	8. Employee well-being, health and safety 9. Human rights and non-discrimination 10 Employment practices 11. Customer health and safety 12. Training and development 13. Diversity and inclusion 14. Community development 15. Marketing and labelling	16. Corporate governance 17. Economic performance 18. Economic contribution to society 19. Supply chain management

Material ESG topics and prioritisation levels

Legend:

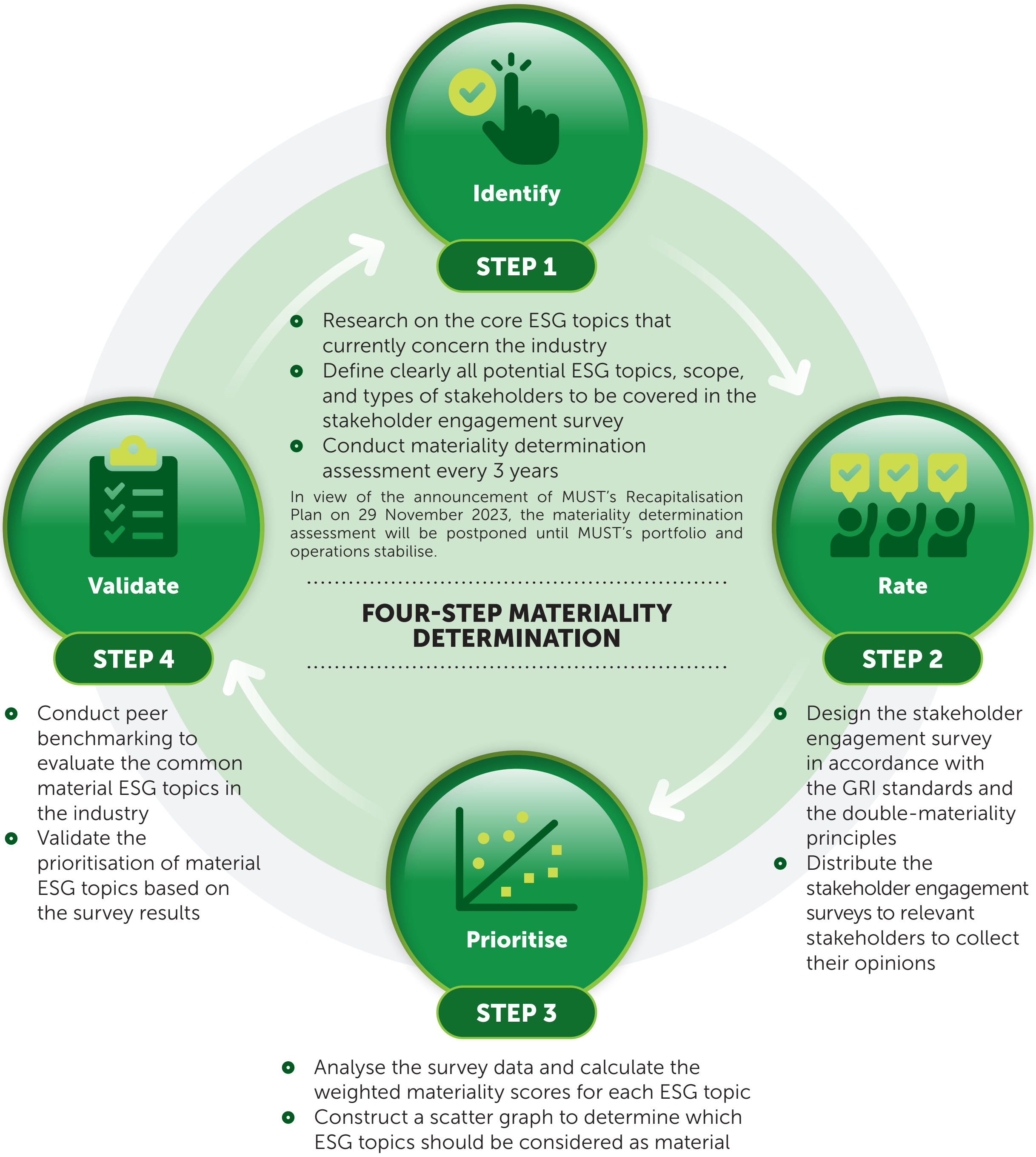
Highly Critical   Critical   Moderate

SUSTAINABILITY APPROACH

Approach to Materiality

In accordance with the GRI Standards 2021, our material ESG topics are those that represent MUST's most significant impacts on the economy, the environment, and people, including their impacts on human rights. By aligning our approach with stakeholders' expectations, MUST has focused its sustainability efforts on prioritising material ESG topics since our first Sustainability Report in 2017.

In 2021, we refined our sustainability framework and conducted a comprehensive review of our material ESG topics, taking into account changes in the external environment that may affect our operations. An independent consultant was engaged to support this process, utilising a four-step materiality determination assessment to identify ESG topics that are relevant and material to both our internal and external stakeholders.



19 material ESG topics were identified as relevant to the operations of MUST, of which 14 were prioritised as highly critical material ESG topics. In 2023, the Manager reviewed the material ESG topics and their prioritisation levels and concluded that the 14 highly critical material ESG topics remain relevant for the Reporting Period.

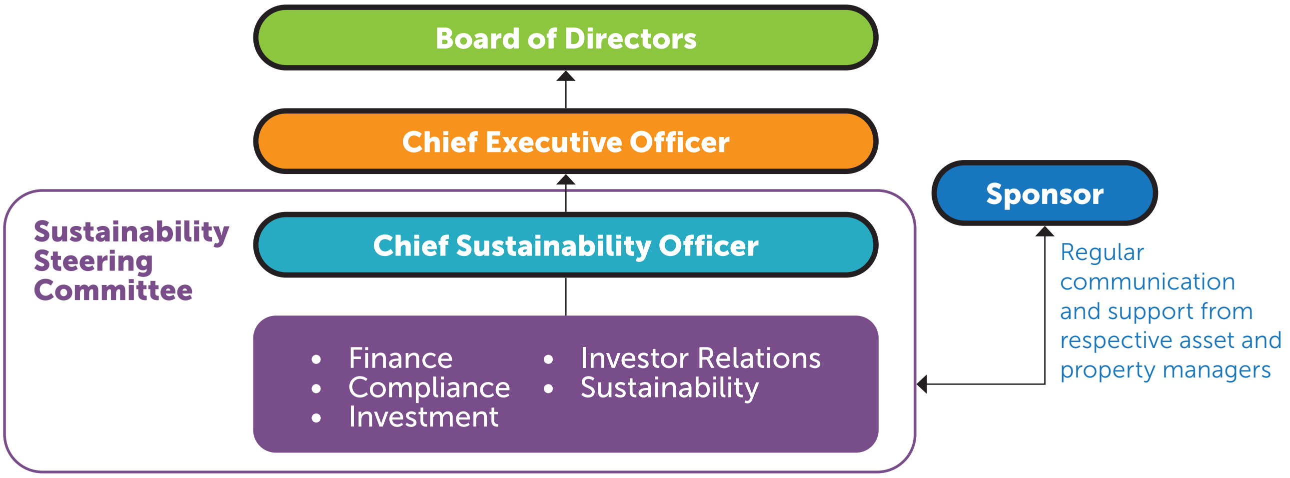
Sustainability Governance

MUST believes that a well-organised and dedicated leadership team is crucial for driving effective sustainability performance. The Board oversees the management of the REIT's material ESG topics and takes them into consideration when setting the REIT's strategic direction and policies related to sustainable development. The Board is responsible for acting with due diligence in the discharge of its duties and ensuring that it possesses the relevant knowledge to carry out and discharge its duties. This includes overseeing the processes to identify and manage the organisation's impacts.

Additionally, MUST established a sustainability committee in 2017, tasked with the execution of the REIT's sustainability agenda. The SSC oversees the execution of MUST's ESG strategies and initiatives, the monitoring of sustainability performance, and the formulation of goals for continuous development. It is led by our Chief Sustainability Officer (CSO), Ms Caroline Fong, and consists of representatives from key business units. The SSC regularly updates the REIT's sustainability performances, including climate-related issues, to the CEO, Sponsor, and Board. On the sustainable finance front, our finance department supervises green finance issuances. For a detailed overview of MUST's governance approach employed to address its climate-related risks, mitigations and opportunities, please refer to pages 77 to 80 of this report.

As a sponsored REIT, MUST works closely with our Sponsor and Asset Manager to ensure that our sustainability strategy is aligned with the sustainability commitment of our Sponsor's real estate team. In 2023, we continued to schedule regular meetings, engaging our Asset and Property Managers, as well as Asset Manager's sustainability team, to ensure that MUST's sustainability actions are aligned with the Sponsor's sustainability goals.

Sustainability Governance Structure



Addressing Sustainability at our Properties

At MUST, we prioritise advancing performance across all key sustainability facets, ensuring that our properties continually adapt to meet industry benchmarks and drive sustainability leadership. In 2022, our Asset Manager updated its Sustainable Building Standards (SBS) to adapt to industry changes and ensure continuous improvement across our global portfolio. To ensure that the sustainability practices are upheld, we include the SBS in our property management agreements that require annual reporting on progress.

The SBS define requirements and best practices to property teams and encourage improvement for the benefit of our stakeholders, in areas such as environmental risks, energy and water consumption, waste diversion, GHG emissions, climate risks, nature and biodiversity, and social impact. The SBS also allow us to meet industry and stakeholder expectations, such as supporting requirements for certifications and GRESB, drive leadership across our five sustainable real estate commitments, enable benchmarking of sustainability performance and understanding of business outcomes, and provide tools and resources for third-party property managers.

This approach establishes a robust framework that empowers individual properties to actively contribute to MUST's overarching sustainability objectives.

At MUST, we ensure that our Asset Manager and Property Manager teams comply with ESG standards. We conduct regular meetings to align understanding and expectations between employees and the management teams. To enhance the implementation of our Real Estate Sustainability Framework, sustainability training programmes and awareness initiatives are organised by our Asset Manager for our Property Managers. Additionally, our Asset Manager maintains a comprehensive property management playbook as a reference for expectations.

Our property management agreements serve as a strategic framework for implementing our sustainability initiatives. Our Asset Manager maintains supervision over our third-party property managers, mandating their compliance with our proprietary sustainability policies. This includes the timely provision of updates in alignment with the SBS, as well as the monthly submission of utility bills, where available. Furthermore, we require annual sustainability reporting on ESG performance metrics to inform our decision-making processes. Additionally, our Asset Manager maintains an annual scorecard for third-party property managers to evaluate their adherence to property management agreements. This assessment includes a qualitative evaluation of their performance in meeting our established expectations.

SUSTAINABILITY APPROACH

Stakeholder Engagement

The success of the business depends on regular stakeholder engagement and meaningful communication. Key stakeholders are identified based on their potential to influence or be affected by our operations and sustainability performance. Our Board engages with stakeholders during AGMs and considers their views in identifying MUST's impacts, as outlined in our approach to materiality.

Stakeholder Groups	Employees	Investment Community (investors, analysts, media)	Tenants
Objectives of Engagement	Upskill, retain skilled talent and build teamwork	Ensuring timely and accurate disclosure of information	Understand workspace needs and concerns
Key Concerns/ Interests	• Career development and training opportunities • Diversity and equal opportunities • Remuneration and benefits • Employee welfare • Health and safety • Labour and human rights	• Transparent and timely updates on MUST's financial and operational performance • Strategy for sustainable growth • Access to senior management • Investor education on U.S. economy and office sector • ESG performance including global sustainability rankings and indices	• Clean and safe environment • On-site and modernised amenities • Tenant engagement activities • Energy-efficient space
MUST's Response	• Provide regular training and skills upgrading programmes • Proactive communications with employees to gather feedback and ideas to improve the workplace e.g. employee coffee chats and breakfast sessions • Provide fair and equal opportunities for all • Maintain a safe and healthy working environment • Offer flexible work arrangements • Benefits enhancement e.g. behavioural health coaching sessions, self-help resources, mental well-being and medical tele-consult coverage	• Ensure timely and transparent disclosures • Regular investor webinars and engagements • Proactive portfolio and capital management • Sustainability framework to guide MUST's sustainability strategies across all investments, and asset and property management operations	• Embarked on modernisation at Peachtree • Hosting networking events and engagement activities for tenants • Organising activities to educate tenants about environmental sustainability and encouraging them to give back to the community e.g. blood donation, eyeglasses and food donation drives
Engagement Methods and Frequency	• Training programmes • Dialogues with senior management • Employee grievance handling procedures • Performance review • Employee engagement surveys	• SGX announcements • Strategic investor surveys • Briefings, investor roadshows, conferences and meetings • Website with email alerts, hotline, dedicated IR contact • Regular LinkedIn updates • Live and archived results briefing webcasts • Thought leadership events and investor day • Annual and Sustainability Reports • AGM/Extraordinary General Meeting (EGM) with minutes published on website	• Tenant feedback meetings • Tenant appreciation events • Tenant satisfaction survey

Legend for engagement frequency:

As required Throughout the year Semi-annual Annual

Local Community	Regulators and Industry Associations	Business Partners (Suppliers, Service providers)
Supporting community needs	Working together to achieve mutual interests	Build strong partnerships
• Engaging and meaningful relationships with vulnerable community groups • Financial support • Business impact on the environment, economy, and people	• Compliance with policies, rules, regulations including environmental, labour standards and SGX-ST listing requirements • Good corporate governance and transparency • Sharing of industry/sector trends	• Health and safety of workers • Human rights • Ethical business practices including anti-money laundering and anti-corruption
• Encourage employee participation in community engagement events by granting two days of volunteer leave annually • Continue to focus on helping vulnerable and elderly communities through corporate donations and employee volunteering • Corporate gifts are sourced mainly from social enterprises • Advocate best practices in sustainability	• Participation in industry associations such as the REIT Association of Singapore (REITAS) • Participation on panels at conferences to share industry trends and insights • Consultation with regulators such as SGX and Monetary Authority of Singapore (MAS) • Review disclosures against best practices	• Code of Business Conduct and Ethics in place to affirm MUST's commitment to ethical conduct and compliance with all applicable laws • Encourage business partners to follow the human rights standards outlined in the Manulife Vendor Code of Conduct
• Donation drives, Corporate Social Responsibility (CSR) events • Social enterprise procurement • Collaborations with charities and Non-Governmental Organisation (NGOs) for community development • Cash donations	• SGX announcements, circulars and other regulatory filings • Website • Panels and associations • Annual and Sustainability Reports • AGM/EGM	• Dialogues/feedback • Vendor Code of Conduct

BUILDING RESILIENCE

OBJECTIVES AND MATERIAL ESG TOPICS

Objectives: Reducing the environmental impact of our properties and supporting the transition to a net zero economy

Material ESG Topics:

- Sustainable building
- Energy
- Water management
- GHG emissions
- Climate change mitigation and adaptation
- Waste management
- Biodiversity

APPROACH

CLIMATE ACTION

Building the resilience of our assets to climate change by reducing carbon footprint and managing climate-related risks

ENVIRONMENTAL STEWARDSHIP

Reducing the environmental impact of our properties through energy efficiency and resource conservation

TARGETS AND PERFORMANCE

2024 AND LONG-TERM TARGETS	2023 PERFORMANCE
By 2035: Achieve 38.0% reduction in GHG intensity from 2018 base year By 2050: Achieve 80.0% reduction in GHG intensity from 2018 base year	34.1% reduction in GHG intensity from 2018 base year
By 2035: Achieve 33.0% reduction in energy intensity from 2018 base year By 2050: Achieve 49.0% reduction in energy intensity from 2018 base year	29.8% reduction in energy intensity from 2018 base year
By 2024: Maintain ~90.0% green-certified portfolio by NLA By 2030: Achieve 100.0% green-certified portfolio by NLA	93.0% green-certified portfolio by NLA
Maintain 'A' rating for GRESB public disclosure and 5 Star for Real Estate Assessment	'A' for GRESB public disclosure 5 Star for GRESB Real Estate Assessment
Improve water conservation and waste reduction efforts	Water usage intensity of 37.6 L/sq ft, representing 21.6% reduction from 2018

SUPPORTING UNITED NATIONS SDG

BUILDING RESILIENCE

Climate Action

Task Force on Climate-Related Financial Disclosure (TCFD)

Risks associated with climate change present risks to our business. Thus, identifying these risks and managing their impacts is integral to our sustainability strategy. MUST is aligned with both the Sponsor's Climate Action Implementation Plan, as well as the Asset Manager's Climate Change Statement and Real Estate Climate Disclosure report. These guide our climate mitigation and adaptation efforts to reduce the impact on and vulnerability of our asset operations. Since 2017, our Sponsor has supported the TCFD and published its first disclosure aligned with the TCFD framework in 2019. Our business strategies prioritise transparency in disclosures and the development of climate risk resilience in line with TCFD's recommendations.

Governance of climate-related risks and opportunities

The Board oversees the material ESG topics of the REIT, including climate-related issues, and integrates them into the development of the REIT's strategic direction and policies.

Additionally, the Board receives updates on relevant performance metrics, such as carbon emissions, as well as stakeholder expectations and regulatory requirements related to climate change.

Led by MUST's CSO, and comprising representatives from key business units, the SSC supervises the implementation of the REIT's climate and sustainability strategies. This includes target setting, ensuring adherence to the MAS ERM guidelines, and compliance with SGX-ST reporting requirements relating to climate reporting. The SSC holds meetings twice a year[1] to deliberate on the sustainability agenda and reports regularly to the CEO, Sponsor, and Board regarding the REIT's sustainability performance.

As a sponsored REIT, the Manager works closely with our Sponsor and Asset Manager, communicating our sustainability performance regularly with our Sponsor's real estate team to ensure that the sustainability strategy remains aligned and rooted. Employee incentives are tied to the success of ESG initiatives, with corresponding performance indicators. The remuneration policies for Management also factor in their performance in relation to the management of the REIT's impacts on the economy, environment, and people. For more information on remuneration matters, please refer to pages 113 to 116 of the Annual Report 2023.

Strategy for responding to climate change

In 2021, MUST conducted a materiality review to refresh the ESG topics that are most relevant and impactful to the REIT. One addition was 'Climate change mitigation and adaptation' as a material ESG topic impacting the business. In 2023, the Manager reviewed the material ESG topics and concluded that 'Climate change mitigation and adaptation' remains material to the REIT.

ESG considerations are integrated throughout our acquisition and portfolio management processes, guided by our Asset Manager's Sustainable Investing and Sustainable Risk Statement as well as Climate Change Statement.

We assess factors such as climate-related exposure, energy performance, and tenant engagement programmes as part of our due diligence process.

A summary of ESG risks and strengths is recorded during the final acquisition stages to ensure MUST's sustainability performance remains consistent. Once acquired, the new properties will be incorporated into our existing ESG programmes.

A key aspect of our environmental sustainability strategy is the reduction of our carbon footprint and the enhancement of our energy consumption efficiency. Measures towards these efforts include optimising building operations, fuel switching, and exploring energy retrofit options. We remain committed to integrating sustainability considerations into our financing mechanisms and strengthening our green funding sources. As at 31 December 2023, MUST has secured US$76.4 million in green loans and US$511.7 million in sustainability-linked loans.

1 Due to business priorities in the second half of 2023, the SSC meeting was postponed to 2024.

BUILDING RESILIENCE

Climate-related Risk, Mitigation and Opportunity[1]

Risk	Timeline	Mitigation and Opportunity
Transition Risks		
Regulation • Increasing climate-related regulations, including carbon pricing, regional efficiency, or emissions standards, and increasing disclosure requirements. Regulation changes could lead to increasing operating and compliance costs.	Short to long term	We continue to monitor emerging regulations and incorporate assessment of building performance and efficiency in our due diligence to stay ahead of carbon pricing and minimum efficiency requirements.
Market • Shift in capital away from high-emitting products and services, potentially affecting tenant demand, asset value, and fundraising.	Short to long term	Improving portfolio efficiency could create new avenues for financing and increase investor and tenant demand. We continue to certify our properties to building standards such as LEED™, ENERGY STAR, WiredScore, Fitwel®, WELL and BOMA 360, implement energy and emission reduction programmes, and collaborate with tenants and clients on shared climate goals.
Technology • There is a cost to move to a low-carbon economy, including capital upgrades to retrofit assets, advanced technologies for buildings, demand for high-quality transactable ESG data, real-time metering, and shifting to renewable energy sources.	Short to long term	Short-term capital costs are expected to be offset from paybacks on lower operating costs and meeting tenant demand. Our ongoing energy, water, GHG and waste programmes support our team in allocating capital toward low-carbon technology and improving property performance.
Reputation • Failure to act or the perception of not acting on climate change could affect our reputation and risk our relationship with tenants, employees, communities, and investors.	Short to medium term	To communicate our climate change action and impact, we disclose our objectives and performance annually through GRESB and our Sustainability Report.
Physical Risks		
Acute Risks		
Flooding • Flooding can cause asset damage, downtime, and incur costs through insurance premiums and deductibles. Flooding may affect our ability to obtain insurance in vulnerable markets.	Short to long term	Properties are expected to have regular site assessments completed by our insurer, and/or building condition assessment, and where applicable recommendations for protection measures.
Extreme storms • Climate change is expected to increase the frequency and severity of extreme storms, high winds from hurricanes, typhoons, snowfall, or ice storms from extreme temperature fluctuations. This can cause asset damage and downtime from power loss.	Short to long term	Our properties prepare for storms though emergency management planning and seek to minimise downtime by using on-site backup power generators.
Wildfires • Wildfires can not only cause asset damage but may also affect occupant health through reduced air quality.	Short to long term	Our teams consider various resilience measures, including fire-resistant building materials, on-site emergency water supply, and high-efficiency air filters to protect indoor air quality.

1 Represents a non-exhaustive list of the main risks and opportunities currently identified across our real estate portfolio. Risks and opportunities are subject to change over time and are ultimately addressed on a case-by-case basis depending on the individual characteristics of each property.

Risk	Timeline	Mitigation and Opportunity
Chronic Risks		
Heat stress • Rising global temperatures can affect employee and tenant productivity and increase operational costs to maintain safe and comfortable building conditions.	Short to long term	We seek to identify opportunities to improve cooling efficiency and costs through capital upgrades, building commissioning and operating procedures.
Water stress • Water scarcity can affect water availability and increase operational costs.	Short to long term	We seek to maximise operational efficiencies while minimising consumption through practices such as water audits and installing low-flow appliances and faucets, and minimising landscaping water requirements, where applicable, throughout our portfolio.
Sea-level rise • Rising sea levels can present similar challenges to flooding while also risking failed development approvals and "stranded" assets in vulnerable areas.	Long term	We review and consider exposure to sea-level rise in acquisitions as well as across our existing portfolio. We invest in preventative infrastructure and consider underwriting, where applicable.

Strategy for Decarbonisation of Operations

Overview	Description
Sustainability Issue	With the world's real estate sector contributing about 40.0% of global carbon emissions, decarbonisation of the built environment is imperative in tackling climate change.
Our Approach	Due to MUST's high gearing, we had to limit our capital expenditure and hence only approximately 0.3% of our FY2023 revenue (vs ~1.0% of FY2022 revenue) was allocated towards green building initiatives. This includes Light Emitting Diode (LED) light and Heating, Ventilation and Air-Conditioning (HVAC) replacements. This commitment aligns with our broader approach, which focuses on improving the operational efficiency of our buildings. Additionally, we are exploring other energy retrofit options and continue to purchase Renewable Energy Credits (RECs). When considering acquisitions, MUST considers energy-efficient buildings, incorporating eco-friendly designs, and adhering to green certifications standards.
Our Progress	• Works are in progress to replace HVAC at Capitol, Peachtree, and Plaza • Completed LED upgrades for Peachtree • Our portfolio's energy consumption intensity has decreased by 29.8% from the 2018 base year • 93.0% of our buildings by NLA have green certifications such as LEED™, ENERGY STAR, WiredScore, Fitwel®, WELL Health-Safety and BOMA 360
Moving Forward	We aim to achieve an 80.0% GHG intensity reduction by 2050, in line with our Asset Manager's target.

BUILDING RESILIENCE

Risk management of climate-related risks

Climate-related risks and opportunities are identified, prioritised, and mitigated through MUST's ERM framework. We are confident that the ERM framework is reasonably designed to identify the REIT's climate-related risks that could significantly affect our operations.

The Board is responsible for the governance of risk across the REIT and ensuring sound risk management and internal control systems. This includes the overall risk strategy based on risk appetite, risk identification, risk measurement and assessment, risk monitoring and reporting, as well as risk control and mitigation. The Board is supported by the Audit and Risk Committee (ARC) for the oversight of risk management and delegates this through a governance framework that is centred on the three lines of defence model. For more information on the model, please refer to page 61 of MUST's Annual Report 2023.

Our acquisition process includes an evaluation of environmental and social risks during due diligence, which is subsequently presented as part of the investment approval to management. Once a property is onboarded, mitigation strategies are incorporated into the asset plans. In alignment with our portfolio ESG targets, we work closely with our Asset and Property Managers to monitor and address climate risks. As part of our environmental risk management strategy, our properties are insured against fire accidents property damage, terrorism, earthquakes, business interruptions, and public liabilities including personal injuries - all in compliance with U.S. industry practices.

In 2020, a portfolio risk study was conducted using both current and forward-looking risk scenarios to assess asset-level exposure to climate-related hazards such as floods, extreme storms, wildfire, sea-level rise, drought, and heat stress. Resilience measures associated with flood risk management, property features, the property team's resilience management practices, and emergency and business continuity plans were also assessed as part of the mitigation plan for such risks. Regulatory risks were also evaluated using a third-party tool to determine our portfolio's exposure to these transition risks.

We regularly assess and analyse our portfolio's exposure to climate-related risks, which allows us to identify the risk of future climate change using projections of future risk and Intergovernmental Panel on Climate Change (IPCC) scenarios. In addition to identifying climate-related risks, the studies also enabled us to identify climate-related opportunities, thereby assisting us in planning strategies to strengthen the climate resilience of our properties. The Manager is exploring the application of a scenario-based financial approach for assessing climate-related risks and opportunities.

Metrics and targets

We are committed to reducing our GHG emissions by 38.0% by 2035, and 80.0% by 2050[1]. These targets are developed in line with the Carbon Risk Real Estate Monitor (CRREM) science-based decarbonisation pathways, which are aligned with the Paris Climate Goals of limiting global temperature rise to 2.0°C, with the ambition towards 1.5°C. We have also set a long-term target to reduce our energy intensity by 33.0% by 2035 and 49.0% by 2050[1], and achieve 100.0% green-certified properties by NLA by 2030. Detailed information on our targets and performance can be found on page 76 under the Building Resilience section.

We continue to build upon our existing metrics and targets to help guide our decarbonisation strategy and are continually improving our data collection and disclosure methods. As our data matures, we may disclose the breakdown by composition of waste generated.

In measuring and reporting our GHG emissions, we reference the TCFD recommendations and global standards including the GRI and the GHG Protocol Standard. We adopt the operational control approach in accounting for our emissions as it is more representative of the REIT's business as compared to the equity share approach.

We also partner with tenants, investors, and industry experts to tackle climate change on a broader scale. By working collaboratively with our stakeholders, we are able to amplify our efforts to mitigate potential climate change impacts and realise the economic benefits of transitioning to a low-carbon model.

For more details of our performance regarding GHG reduction and sustainable properties initiatives, please refer to pages 81 to 84 of this report.

1 Targets are intensity-based reduction from a base year of 2018. Please refer to page 83 for more details.

Environmental Stewardship

We are committed to maximising resource efficiency and embedding conservation practices into our operations. Reducing the environmental impact of our properties and supporting the transition to a net zero economy remain our key focuses.

We monitor MUST's goal to achieve an 80.0% GHG reduction by 2050. A primary strategy for achieving our target is to improve energy efficiency in our operations. Some examples of the efficiency measures we have adopted include optimising our operations, exploring fuel switching and using renewables in our buildings to achieve our target of obtaining green certifications for all our properties by 2030. We continue to incorporate green lease provisions into our new lease agreements.

Commitment to Sustainable Properties

Considering that the building sector accounts for approximately 40.0% of global carbon emissions, the push towards greener buildings has been accelerated as a crucial component of the global climate mitigation strategy.

At MUST, our sustainability performance is monitored and managed by our Asset and Property Managers, utilising the SBS and assessed externally by the GRESB Real Estate Assessment. Environmental factors are taken into account throughout the life cycle of our properties, from acquisition and operations to redevelopment and divestment. Before acquiring a property, we conduct sustainability due diligence and evaluate the property's environmental performance. After acquisition, we take steps to enhance or maintain the building's environmental performance. Our commitment to sustainable properties has enabled us to achieve 93.0% of green-certified portfolio by NLA, exceeding our target of 90.0%.

Green Certifications

Certifications	LEED™[1]	ENERGY STAR®[2]	WiredScore[3]	Fitwel® and Fitwel® Viral Response[4]	BOMA 360[5]	WELL Health-Safety[6]	Percentage of NLA with green certification
Capitol	√	√	√[7]	√	√	√	10.0%
Centerpointe			√	√			8.3%
Diablo							Nil
Exchange	√	√	√	√			14.6%
Figueroa	√	√	√	√			14.2%
Michelson	√	√	√	√			10.6%
Peachtree	√	√		√	√		11.1%
Penn	√	√	√	√			5.5%
Phipps	√	√	√	√	√		9.4%
Plaza			√	√			9.2%
Total number of certifications	**7**	**7**	**9**	**17**	**3**	**1**	**93.0%**

√ LEED™ Gold √ LEED™ Silver

√ Adhere to Fitwel® Viral Response √ Adhere to Fitwel® Viral Response and Fitwel® Built Certification

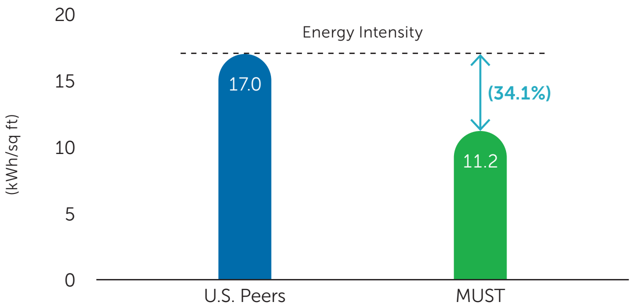
Note: Data as at 31 December 2023. Amounts may not sum up to 93.0% due to rounding.
1 Most widely used global green building rating system to recognise healthy and highly efficient green buildings.
2 A U.S. Environmental Protection Agency programme that certifies the top 25% commercial buildings for meeting strict energy performance standards.
3 WiredScore certification assesses, certifies, and promotes digital connectivity and smart technology in homes, offices, and neighbourhoods globally. Additionally, WiredScore provides SmartScore certification, a global standard for smart buildings.
4 A leading certification system focused on health and wellness and the impacts a building has on its occupants. The Viral Response Module sets the industry standard for optimising buildings in response to the broad health impacts of infectious respiratory diseases in light of COVID-19.
5 Worldwide standard for operational best practices in the commercial real estate industry.
6 Certification of health and safety at the workplace addressing acute health threats, including COVID-19.
7 Capitol also received the SmartScore certification.

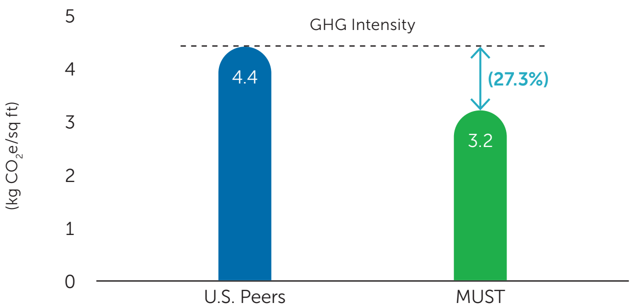
BUILDING RESILIENCE

For the sixth year running, we were awarded with the highest 5 Star rating for the GRESB Real Estate Assessment with a score of 89, outperforming both the GRESB global average of 75 and peer group average of 85. MUST is currently ranked 5th out of the 13 listed U.S. office companies. Our key strengths include:

- High building certification and rating coverage
- Strong GHG emissions performance
- Strong ESG leadership, policies and disclosures
- Robust stakeholder engagement practices
- Strong risk management processes

GRESB 2023[1] Results





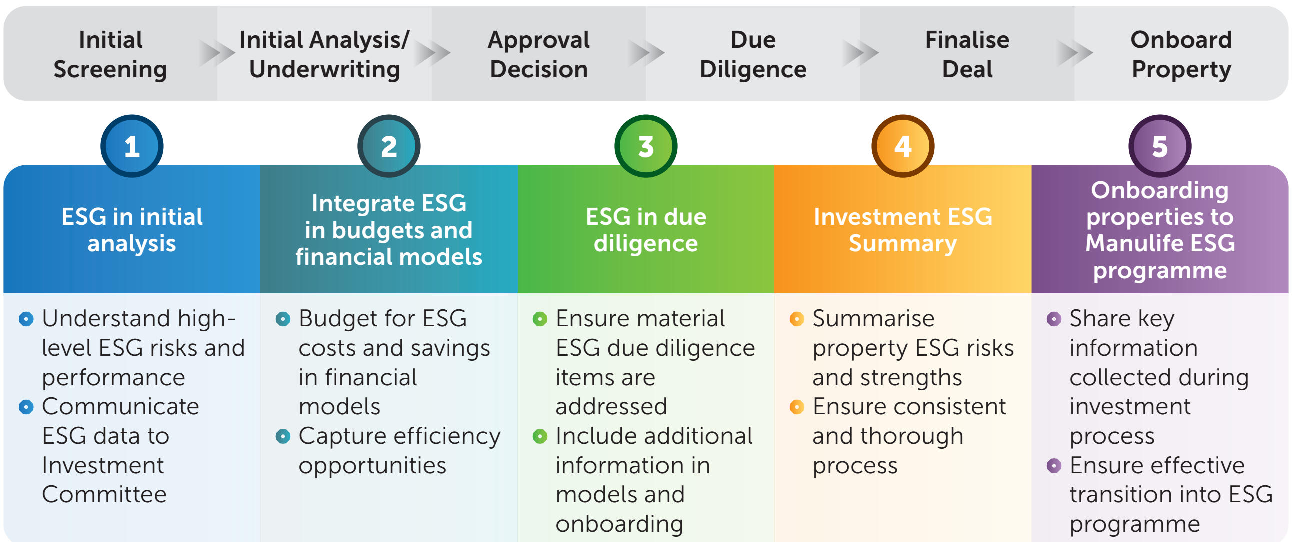
In the GRESB 2023 results, our high-rise office portfolio continued to outperform our U.S. peers. Energy and GHG intensities were lower than our U.S. peers by 34.1% and 27.3% respectively. This has contributed to our score of 52 compared to the average benchmark score of 49 in the Environment component of the Assessment. Moving forward, our primary areas of focus for enhancement will be energy and water consumption, as well as technical building assessments.

We place emphasis on sustainability performance of our properties and remain committed to ensuring the highest quality of building standards for all properties in our portfolio.

ESG Integration in Investment Process

At MUST, potential acquisitions are sourced by our Chief Investment Officer and our Asset Manager. The Manager vets these acquisition opportunities, which are then presented to the Board for approval. ESG considerations are embedded throughout this process. Factors such as climate-related exposure, energy performance, and tenant engagement programmes are examples of the ESG criteria assessed for potential acquisitions. By integrating ESG considerations into various stages of our acquisition process, we ensure the continuity of MUST's sustainable operations.

Once the acquisitions are approved, environmental and social sustainability risks and opportunities are identified as part of our due diligence process. Metrics such as contamination, energy performance, and tenant engagement programmes are reviewed. In the final stages of the acquisition, a summary of ESG risks and strengths is recorded to ensure MUST's consistent sustainability performance. Upon acquisition, the new properties will be integrated into our existing ESG programme for continual monitoring of their performance.



1 Relating to GRESB's Office: Corporate: High-Rise Office category, which represents 89.7% of our total Gross Asset Value in 2022.

Optimising our Operations

At MUST, we are committed to enhancing the operational efficiency of our buildings.

The Asset Manager has established a process to monitor consumption and propose opportunities to reduce the carbon footprint of our properties. This enables us to assess and refine plans for asset enhancement, aimed at optimising and reducing energy usage of our buildings. In addition to our internal expertise, we engage external consultants to conduct ASHRAE[1] energy audits to identify energy efficiency opportunities. MUST is also capitalising on technology, utilising smart building technologies and data analytics to drive further energy efficiency. Such technologies replace time-based building management with real-time insights, thereby reducing labour hours and improving the reliability of our buildings' performance data.

In addition, we have implemented an environmental management system (EMS) to monitor and manage the impact of our operations on the environment. The EMS is aligned with the requirements of the International Organisation for Standardisation (ISO) 14001, offering a systematic approach to understanding and managing our environmental impact.

Energy[2,3,4,5,6,7,12,13] and Emissions[2,3,4,5,8,9,10,11,12,13]

Aligned with the GHG reduction targets of our Sponsor and Asset Manager, we have developed the following targets based on our 2018 base year:

- 38.0% reduction in GHG emissions intensity by 2035 and 80.0% reduction by 2050
- 33.0% reduction in energy intensity by 2035 and 49.0% reduction by 2050

In 2023, although energy consumption increased 31.8% from our 2018 base year, energy intensity decreased by 29.8%. Over the years, Asset Enhancement Initiatives (AEIs), lighting retrofitting, and the installation of energy efficient HVAC equipment have contributed to the lower energy intensity.

At MUST, we continue to optimise our operations and maximise resource efficiency. Various energy conservation initiatives have been implemented across our portfolio during the Reporting Period to enhance the energy efficiency of our portfolio. In 2023, we completed the LED upgrades in Peachtree and are currently progressing with the replacement of HVAC systems in Capitol, Peachtree, and Plaza.

The total energy consumption in our operations declined 6.6% from 75,604,301 ekWh in 2022 to 70,593,481 ekWh in 2023. This is mainly due to lower electricity usage in most of our buildings. Likewise, energy intensity dropped 2.7% from 11.2 ekWh/sq ft in 2022 to 10.9 ekWh/sq ft in 2023. MUST's total GHG emissions amounted to 20,695 tCO_2e, comprising 2,044 tCO_2e of Scope 1 GHG emissions and 18,652 tCO_2e of Scope 2 GHG emissions. Compared to our 2018 base year, total carbon emissions (Scope 1 and 2) rose by 23.6% to 20,695 tCO_2e while carbon emissions intensity decreased by 34.1% to 3.2 tCO_2e/sq ft.

Approximately 14.5% (10.3 million ekWh) of MUST's total energy consumption in our portfolio was from RECs purchased and retired in 2023.

The Appendix: 2023 ESG Data Summary provides a complete breakdown of our energy consumption and emissions figures.

1 The American Society of Heating, Refrigeration and Air-Conditioning Engineers (ASHRAE) is a standard and guideline for performing energy audits on buildings.
2 Targets are based on Scope 1 and Scope 2 emissions for the properties that are within our operational control.
3 MUST's carbon footprint is calculated in accordance with the GHG Protocol, developed by the World Resources Institute and the World Business Council on Sustainable Development. The GHG Protocol is the most widely used standard for greenhouse gas accounting in the world.
4 Intensity figures were calculated based on building areas that include below-grade parking if mechanically ventilated and/or heated, in accordance with best practices such as BOMA 360.
5 2022 data published in Sustainability Report 2022 was based on estimates whereas 2022 data in this report has been revised to reflect actual consumption.
6 Energy consumption comprises purchased and renewable electricity, as well as natural gas. The total energy consumption is expressed in equivalent kilowatt hours (ekWh). Likewise, the types of energy included in the reduction from our base year comprise purchased and renewable electricity, as well as natural gas. There was neither electricity sold nor cooling consumption during the Reporting Period.
7 Energy intensity is calculated relative to Gross Floor Area (GFA), expressed as ekWh/sq ft. MUST's weather normalised energy intensity is 11.6 ekWh/sq ft.
8 Scope 1 emissions are calculated from the consumption of natural gas and expressed in tonnes of CO_2e. Scope 1 emission factors for direct energy consumption in the U.S for natural gas were taken from the Emission Factors for Greenhouse Gas Inventories published by the USA Environmental Protection Agency (EPA) in September 2023.
9 Scope 2 emissions are calculated from the consumption of grid electricity, expressed in tonnes of CO_2e. Scope 2 emission factors for the calculation of electricity consumption were taken from the Emission Factors for Greenhouse Gas Inventories published by the USA EPA in 2023.
10 GHG Emissions Intensity is calculated by total GHG Emissions/GFA, expressed as kg CO_2e/sq ft.
11 Reduction in GHG emissions is based on Scope 1 and Scope 2 emissions compared to the 2018 base year.
12 Figures in the Energy and Emissions sections were calculated based on the location-based methods as defined by the GHG Protocol Corporate Standard.
13 The grid electricity provider that a property is using may not always be the same as the one that REC purchases are made from.

BUILDING RESILIENCE

Water Management[1,2,3,4,5]

Water is a primary focus in our property management efforts. Our properties primarily withdraw water from municipal water utilities. Any wastewater is discharged responsibly through municipal water utilities across all our properties.

Prudent water usage helps to lower the operational costs of our managed buildings but also conserve this vital resource. As part of our ongoing commitment to water conservation, we periodically conduct third-party water audits on a three year cycle to identify water efficiency opportunities that are then considered as part of annual budgets and asset strategies. Our SBS include guidelines on water efficiency strategies to manage and monitor water consumption. Through a series of initiatives and practices, we have improved water efficiency and reduced water usage in our operations.

In 2023, water usage was 244,100 m^3, which is 19.2% lower than 2022. Water usage intensity was 37.6 L/sq ft. This drop could be attributed to repairs to the cooling tower, lawn sprinkler and boiler at one of our properties and other water saving initiatives we have implemented across other properties.

A full breakdown of our water usage figures is furnished in the Appendix: 2023 ESG Data Summary.

Waste Management[1,2,6]

A sustainable and liveable city necessitates effective waste management. In line with the principles of a circular economy, we strive to reduce waste directed to disposal.

During the Reporting Period, 1,801 tonnes of waste were generated by tenants, of which 1,133 tonnes were disposed in landfills. Most of the waste generated from MUST's properties consists of non-hazardous waste from tenants. The waste intensity was 0.17 kg/sq ft, a 13.4% reduction from 2022.

In line with efforts to reduce waste generated, we emphasize recycling practices within our operations. We educate our employees, tenants, and business partners, encouraging them to take action to reduce, reuse, and recycle. Collection drives for e-waste were held throughout the year at properties such as Diablo, Michelson, Figueroa, Peachtree and Plaza. In 2023, 668 tonnes of waste collected were recycled. Due to improved waste recycling efforts across several properties, the waste diversion rate improved to 37.1% from 31.3% in 2022.

Please refer to Appendix: 2023 ESG Data Summary for a full breakdown of our waste data.

1 Intensity figures were calculated based on building areas that include below-grade parking if mechanically ventilated and/or heated, in accordance with best practices such as BOMA 360.
2 2022 data published in Sustainability Report 2022 was based on estimates whereas 2022 data in this report has been revised to reflect actual consumption.
3 Total amount of water withdrawn is the same as total amount of water discharged into third-party water with negligible amount of water consumed. Hence, the total amount of water usage is reported.
4 Water intensity ratio is calculated by the total volume of water consumed, relative to GFA, expressed as L/sq ft.
5 MUST's properties do not store water onsite.
6 Waste intensity is calculated by total waste generated/GFA.

PEOPLE FIRST

OBJECTIVES AND MATERIAL ESG TOPICS

Objectives: Ensuring the needs of our stakeholders are well-served is key to sustaining our business. This includes creating a safe and healthy environment and safeguarding the well-being and interests of our employees, tenants, and the local community.

Material ESG Topics:

- Employee well-being, health and safety
- Human rights and non-discrimination
- Employment practices
- Customer health and safety
- Training and development
- Diversity and inclusion
- Community development
- Marketing and labelling

APPROACH

NURTURING OUR TALENT

Fostering a diverse, equal, inclusive and nurturing culture for employees to thrive at work

SAFEGUARDING HEALTH AND WELL-BEING

Creating a safe and healthy environment for our employees and tenants

SERVING OUR COMMUNITIES

Enriching the lives of our local communities

TARGETS AND PERFORMANCE

2024 AND LONG-TERM TARGETS	2023 PERFORMANCE
Maintain a workforce with diversified age, gender and employment category	Maintained a workforce diversified across age, gender, and employment categories
Minimum 30 average training hours per employee annually	34.0 average training hours per employee
Maintain an accident and injury-free work environment and comply to Manulife's Health and Safety policy	Achieved zero accident and injuries among employee and workers
Continue to pursue health and wellness-related building certifications for our portfolio	Achieved a total of 17 Fitwel® Built and Fitwel® Viral Response certifications across the portfolio
CSR contribution of S$20,000	CSR contribution of approximately S$23,000
Revised target: Minimum 8 volunteer hours per employee	Achieved 7.2 volunteer hours per employee

SUPPORTING UNITED NATIONS SDG

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

PEOPLE FIRST

Nurturing our Talent

At MUST, we believe that our employees are the cornerstone of our success. Committed to the development of our staff, we offer training and avenues for both personal and professional growth. We endeavour to provide a safe working environment where employees feel respected and are free to express their views. This not only bolsters team spirit but also strengthens our employees' sense of belonging. Furthermore, our competitive edge is enhanced by bringing together individuals from varied fields of expertise, experiences, and socio-cultural backgrounds.

Diversity, Equal Opportunity, and Non-discrimination

We are dedicated to fostering a diverse and vibrant workforce because we recognise that diversity, equity, and inclusion are instrumental in attracting and retaining talent. MUST aligns with Manulife's values on diversity, equity, and inclusion (DEI) to foster an environment where all employees can thrive. Manulife's global DEI strategy is spearheaded by its Chief Diversity Officer, and the Global DEI Council guides, supports, and facilitates its implementation. Manulife is focused on four key pillars to drive change:

Our Workforce
- Diversity at all levels in the organisation that is reflective of the communities we serve

Our Workplace
- Employees thrive because they belong and can bring their authentic selves to work

Our Business
- Stronger business opportunities when we incorporate DEI in the development and delivery of products and services

Our Community
- Strong partnerships and DEI support in the external communities in which we live, work and serve

In 2023, as part of Manulife's initiative to promote DEI, a "Bring Your Kids to Work Day" was organised to mark International Women's Day. This event was aimed at celebrating women's contributions at Manulife and inspiring the next generation by offering them a firsthand experience of the professional world.

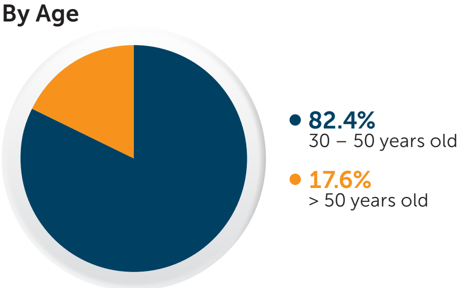
We adopt a zero-tolerance policy against workplace discrimination and ensure that all employees are treated fairly and equally. Together with Manulife's Singapore office, we uphold our commitment to the five key principles of the Tripartite Guidelines on Fair Employment Practices (TGFEP). We are also a member of the Singapore National Employer Federation which promotes fair and responsible employment practices.

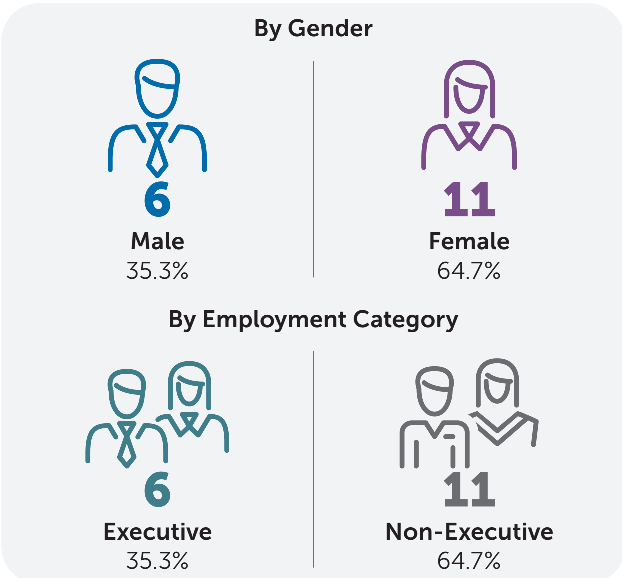
Our stance on human rights and anti-discrimination principles is further reinforced by the Sponsor's Code of Business Conduct, available on both the Sponsor's and MUST's corporate websites. We also have a Discrimination, Harassment, and Workplace Violence Policy that addresses sexual harassment, enforces a zero-tolerance rule on discrimination, mandates employee training on discrimination and harassment, outlines corrective measures for discriminatory behaviour, and provides a mechanism for reporting incidents.

In 2023, the Manager has not been notified of any instances of discrimination or other human rights infringements across its operations. This commitment also resonates in our gender diversity efforts. In the last two years, females have constituted over 33.3% of our management. As at 31 December 2023, the Manager employed 17 full-time staff, with 15 based in Singapore and two in the United States.

As at 31 December 2023, MUST's workforce composition is as below:

By Age





Please refer to the Appendix: 2023 ESG Data Summary for the complete workforce breakdown.

Fair Employment

At MUST, we uphold human rights principles and adhere to fair employment practices. Our recruitment practices, advancement opportunities, and compensation policies are guided by diversity and inclusion principles. Our Sponsor's Human Resource (HR) committee oversees the remuneration of employees. Our HR practices consider external business and economic factors, as well as internal feedback from career conversations, exit interviews, performance reviews and employee engagement results to ensure that remuneration packages are fair and reasonable. The remuneration packages of our employees are reviewed annually, performance based and benchmarked against the market.

In 2023, MUST's average recruitment rate stood at 5.9%. One new employee was hired in 2023 through external hiring. MUST also recorded an average turnover rate of 11.8% for 2023. 100.0% of the turnover relates to voluntary resignation. We continue to organise employee engagement activities and gather feedback from employees to improve employee retention.

More details of our employment figures can be found in the Appendix: 2023 ESG Data Summary.

Training and Education

Developing our workforce through lifelong learning is a primary focus at MUST. We believe that cultivating a future-ready workforce is essential for the REIT's long-term sustainability. We provide comprehensive onboarding training for new hires, which includes mandatory sessions on governance and risk management. Furthermore, we regularly offer fully subsidised training and upskilling opportunities to our employees.

In our commitment to foster the professional growth of our employees, we allocate an annual training budget of S$2,000 for each full-time permanent employee. This budget can be utilised for various professional development opportunities, including subsidising participation in degree programmes or pursuing other courses and examinations offered by recognised universities or institutions. We extend our dedication to professional development to all employees, both full-time and part-time, who are eligible for training and we encourage each employee to complete a minimum of 30 training hours annually. In 2023, our team surpassed this goal, with an average of 34.0 training hours per employee. Notably, female employees averaged 32.6 hours, while male employees achieved an average of 36.6 hours.

In compliance with the MAS regulations, Capital Markets Services (CMS) licence holders attend REIT Management courses organised by REITAS, ensuring that they stay updated with latest trends in the REIT industry. As at 31 December 2023, 12 of our employees hold the accredited Capital Markets and Financial Advisory Services (CMFAS) Module 10 certification[1] issued by The Institute of Banking & Finance (IBF) Singapore. Also, all licence holders fulfilled the required nine hours of Continuing Professional Development training in 2023.

In 2023, Manulife developed a tailored training programme through the RISE platform with the aim of enhancing its real estate team's understanding of sustainability practices and ensure their effective integration into daily operations. All Singapore-based employees, as well as independent directors, received training on sustainability reporting standards, practices, and knowledge relating to the identification of material ESG topics. The Manager partnered with an independent advisory firm to customise a sustainability course for employees and directors. This in-person course was attended by 15 employees and 4 directors in February 2024. Pursuant to Rule 720(7) of the Listing Manual, all directors must undergo training on sustainability matters as prescribed by the SGX-ST. All of our independent directors have attended at least one of the prescribed sustainability training courses. Our Chairman was elected to the Board in September 2023 and as required by SGX regulations, he will be attending the mandatory Listed Entity Director Programme administered by the SID within a year of his appointment.

To support our employees' continuous learning and development, we have maintained Fuel Up Fridays, a group-wide initiative that grants all staff an afternoon, every second Friday of the month, to pursue learning opportunities. Employees have access to Pursuit, an automated AI powered learning platform that offers tailored learning plans to enhance their skills and capabilities. In August 2023, Manulife organised a month-long Learning Fiesta comprising virtual and in-person programmes designed to develop employees' soft skills and workplace capabilities in an interactive and dynamic format, thus enhancing their professional competency.

In addition to our talent management efforts, we offer leadership development programmes for our Board and key executives. We conduct an annual 360-degree evaluation of the CEO to ensure alignment of the REIT's objectives and key competencies with both the Board and key executives. We also provide mentoring programmes for high-potential key management personnel to support career development and succession planning. To align the performance and developmental needs of key management personnel, the Chairman of MUST's Nominating and Remuneration Committee (NRC) conducts annual interviews with them to gather feedback and identify areas for further improvement.

MUST's Internship Programme serves as a crucial pipeline for new talent and provides mentorship opportunities for existing employees. Through our Internship Programme,

1 The CMFAS Module 10 - Rules & Regulations for REIT Management, with Product Knowledge & Analysis examination is applicable for all persons who wish to conduct REIT management in Singapore.

an intern was hired between January 2023 and May 2023 to work alongside the investor relations team on areas covering ESG, digital marketing and analysis. We remain committed to nurturing young talents and will continue working with tertiaries to recruit and develop them.

Performance Management

Our compensation philosophy is built around pay for performance. Employee compensation is linked to the achievement of the REIT's goals, including ESG initiatives. This motivates employees to strive towards goals that are aligned with the creation of value for the business.

We have a performance management system in place that periodically evaluates employee progress through semi-annual self-performance reviews and managerial feedback. In 2023, we have successfully conducted performance and career development reviews for 100.0% of our employees across all job levels. These reviews serve as a platform for employees to engage and communicate with their supervisors to set targets, identify areas for improvements, as well as explore opportunities for career advancement and development. To cultivate a culture of high performance, employees' performance is assessed using a performance appraisal system that evaluates the achievement of objectives associated with behavioural expectations that are consistent with the Group's core values. Sustainability is also integrated into all employees' performance evaluations, with performance metrics linked to the achievement of ESG goals, such as environmental performance, employee engagement, and leadership responsibility, where applicable.

A full breakdown of our training, performance, and career development reviews data in 2023 is furnished in the Appendix: 2023 ESG Data Summary.

Employee Engagement

To build a highly engaged workforce, our employees take turns as Ambassadors of Change (AoCs) to collect feedback, organise team bonding activities, and propose ideas for work environment improvements. In 2023, we continued to conduct BOTH sessions, where senior management engaged with employees at all levels, sharing business updates over breakfast meetings. Besides BOTH, our employees also participated in other bonding activities, such as spin art team bonding sessions and regular "Welcome Wednesdays" which are designed to foster unity and camaraderie among employees through enjoyable activities and refreshments. These employee engagement initiatives are inclusive, involving both full-time and part-time employees.

Additionally, open dialogues are consistently held with employees at all levels throughout the year, utilising both online and in-person channels to explore ways to enhance employee engagement. Feedback gathered from our annual employee engagement survey is shared with employees and areas and plans for improvement are identified. All our employees continued to use Podium, Manulife's global digital platform that allows employees to reward and recognise fellow employees who demonstrate exceptional effort and results in the course of their work. This enhances opportunities for engagement and helps to achieve a workplace that is focused on recognition and appreciation for all colleagues across the organisation.

Employee Health and Well-being

Supported by the Group, a series of initiatives were organised with the objectives of promoting the well-being of our valued employees and their families. These include complimentary health screenings, talks on cyber wellness, psychological safety and self-awareness as well as exclusive discounts to local attractions for employees and their families. These activities underscore Manulife's commitment to prioritising the physical well-being of our employees and are designed to support them in addressing the potential challenges they may encounter in their lives and encourage them to spend quality time with their families. Through these, we hope to enhance productivity, elevate employee satisfaction, and in turn, retain exceptional talent, ultimately contributing to organisational excellence.

At MUST, we hold employees' well-being in the highest regard, recognising its essential role in cultivating a vibrant work atmosphere. Accordingly, MUST has rolled out several wellness initiatives that also extend to our part-time employees and interns. One such initiative is the 'Eat with Your Family Day' initiative, which actively promotes a balanced work-life dynamic by offering employees opportunities to spend quality time with their families. We also hold regular 'Fruits Day' to encourage healthy and well-balanced diet among our team members.

In 2023, we continued to offer hybrid work arrangements to all employees. Through this approach, we hope to empower our employees to strike a balance between their professional responsibilities with personal needs, fostering a sense of work-life equilibrium and boosting overall job satisfaction. We believe that such flexibility not only supports our employees' well-being but also contributes to their continued success within our organisation.

Encouraging Stock Ownership

MUST employees are eligible for Manulife's Global Share Ownership Plan (GSOP) which encourages them to own shares and grow with the company. Employees may invest up to 5.0% of their annual base income in Manulife Financial Corporation (MFC) common shares. MFC will match a percentage of eligible employee investments up to a set amount. All funds are utilised to buy common shares in the open market and are instantly vested.

This initiative garnered a favourable response from our employees. In 2023, 47.1% of MUST's employees participated in the GSOP. 70.6% of MUST's employees are registered in employee stock schemes, including those who were given restricted share units under the Long-Term Incentive Scheme.

Respect for Freedom of Association

MUST respects our employees' right to freedom of association and being members of trade unions. Although MUST is not unionised, we are guided by the Industrial Relations Act in Singapore, which allows our employees to be represented by trade unions for collective bargaining. This allows an avenue for employees to seek redress in cases of disputes.

Grievance Mechanism

MUST follows the Group's principles in providing employees with formal grievance reporting or escalation procedures to ensure our workplace is free of discrimination, harassment, and violence. A designated and confidential whistle-blowing channel, as specified by the Whistle-Blowing Policy, along with proper escalation processes, are in place to ensure that employees' concerns are communicated to the relevant management personnel and that appropriate measures are taken when necessary.

The whistle-blowing channel is operated by an independent company and its operations are overseen by the Audit and Risk Committee (ARC). The ARC is designated as an independent function to investigate all whistle-blowing reports made in good faith at its scheduled meetings. If cases are reported through the whistle-blowing channel, the ARC will investigate the reports to ensure effective closure of the cases. The channel can be accessed anonymously via hotlines and website. All advice and concerns expressed are treated confidentially. Employees are advised to contact their immediate supervisor should they have any concerns or questions about business practices or potential conflicts of interest. Retaliation of any form for reporting unlawful or unethical behaviour in good faith is strictly prohibited.

Safeguarding Health and Well-Being

Providing a safe, healthy environment for our tenants and employees is a priority for us. In line with our Health and Safety Policy, we strive to ensure the safety of all users of our properties.

Occupational Health and Safety (OHS)

MUST follows the Group's Global Health and Safety Policy to safeguard the occupational health and safety of our employees, establishing our 'internal responsibility system' whereby all employees and managers are collectively responsible for workplace safety. Employees are expected to exercise a sense of personal responsibility for workplace health and safety and report cases of non-compliance or non-conformity to their respective department heads. To ensure that the approach towards OHS is kept up to date, Manulife's Global Head of Employee Relations reviews and approves the Policy at least once a year, whereas senior management are accountable for the safety of employees under their supervision. Regular meetings are held between the Property Managers and management to evaluate and improve the health and safety performance of the properties. Property Managers are also required to attend annual trainings and are provided with a handbook as reference for expectations.

Manulife's Global Health and Safety Programme is designed to safeguard employees from workplace injury and disease, promote wellness initiatives, prevent workplace violence and harassment, and maintain compliance with local occupational health and safety regulatory standards that are relevant to our industry. The Group also conducts regular monitoring, education, and training as well as enforcement procedures to ensure that the programme runs smoothly.

Our robust Business Continuity Management Programme helps to facilitate the development, execution, and maintenance of business continuity and disaster recovery planning initiatives for our employees as well as tenants. Pandemic response plans and desktop drills are conducted on a regular basis to evaluate the resilience of these plans and to implement safe management and distancing measures in our premises. Our Property Managers in the U.S. contact tenants on a regular basis to discuss security issues and perform emergency drills to prepare them for emergency situations.

In 2023, there were no recorded accidents or injuries at the Manager's workplace or our properties, and no cases of non-compliance with any health and safety regulations.

There was zero work-related fatality, and employees did not suffer high-consequence injury[1], or recordable injury[2] related to their work in 2023.

Also, during the Reporting Period, there was an average of 22 workers from our Asset and Property Manager teams. Similarly, there was no fatality, high-consequence injury or recordable injury reported among workers.

Tenants' Health and Wellness

We have a responsibility to ensure that the tenants and users of our properties remain safe from injury in our properties. The Asset Manager ensures safety and security of our tenants and users through emergency protocol and compliance with safety regulations. The SBS include initiatives to adopt features or amenities that promote or enhance occupant wellness. This, along with improvement initiatives, is reported via the annual sustainability survey. Regular engagement sessions are conducted for tenants to raise any relevant issues.

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

2 A recordable injury is one that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.

PEOPLE FIRST

Grievance mechanisms such as feedback channels, anonymous hotlines, and whistle-blowing channels are also available for all other stakeholders. During the Reporting Period, MUST has not identified any incidents for non-compliance with regulations and voluntary codes concerning the health and safety of our tenants.

MUST fosters vibrant communities through diverse tenant engagement activities. These include social events like ice cream and coffee gatherings, as well as initiatives like Earth Hour/Day and e-waste recycling, promoting both environmental awareness and social inclusion. We also prioritise community well-being and those in need through fitness classes and donation drives. MUST remains committed to building vibrant, sustainable, and socially responsible communities.

We engage an external consultant every year to conduct tenant satisfaction surveys to better understand the needs and concerns of our tenants. The survey collects data on the tenants' overall satisfaction on property management, leasing, property features, property amenities, property services and sustainability.

Some of our tenant engagement activities include:

Annual Tenant Engagement Events

Fostering a vibrant and inclusive community among our tenants is one of our top priorities. To promote this, we organise tenant engagement activities that offer opportunities for networking and social inclusion.

Every year, we host summer, fall and other holiday tenant networking events. These events serve as a platform for tenants to connect with each other, further nurturing a sense of community within the property. In 2023, those who attended our events are treated to delightful food and beverages, including refreshing fruit smoothies. We also introduce various engaging activities such as games and surveys, ensuring that there is something for everyone to enjoy.

Our tenant events saw impressive participation rates, some with approximately 500 attendees.

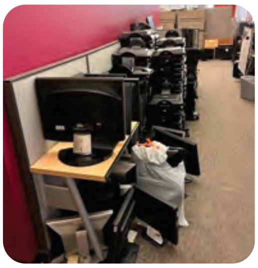
Tenant Fall Event at Exchange

Christmas Event at Capitol

Donation and Recycling Drives

To encourage our tenants to donate new, unused or used items to support the local communities, we organised various donation and recycling drives at our properties. These events encourage our tenants to give back to the needy and vulnerable groups in society and help to reduce waste. In 2023, we organised school supplies, winter coats, eyeglasses and food drives as well as e-waste recycling drives.

School supplies drive at Michelson



E-waste recycling at Diablo

Yoga Classes

In October 2023, we were excited to launch complimentary yoga classes at Michelson, tailored exclusively for our tenants. These sessions were designed with an emphasis on fostering both physical and mental well-being. Through this initiative, we further underscored our commitment to the health and wellness of our community members, ensuring they have access to activities that enrich their lives and enhance their well-being.

Yoga at Michelson

Serving our Communities

We believe in doing well by doing good and continue to serve our local communities through several initiatives that we have conducted throughout 2023. At MUST, we are constantly working towards cultivating an organisational mindset that remains acutely aware of the potential impacts of our actions on the economy, environment, and society. Our community development plan emphasises community outreach activities that support vulnerable families and isolated seniors. Additionally, we are dedicated to bolstering the financial resilience of social enterprises. As an organisation, we volunteered 122 community service hours and donated about S$23,000 to the local community. In 2023, due to unforeseen operational and financial challenges, our employees were largely focused on urgent tasks, resulting in lower community hours for the Reporting Period against our target. However, we are committed to overcome these challenges and enhance our community engagement efforts moving forward.

Two of our key CSR activities for 2023 include:

Upcycling workshop with children from Methodist Welfare Services (MWS) Christalite Student Care Centre
In September 2023, we organised an upcycling workshop for the children at MWS Christalite Student Care Centre. Through insightful discussions about Singapore's waste situation and an engaging hands-on workshop, we introduced the concept of the circular economy to the children. Our aim was to encourage them to champion responsible consumption. We hope that introducing sustainability concepts to students early on fosters a lifelong culture of environmental stewardship and helps pave the way for a more sustainable and environmentally conscious future for the next generations.

Upcycling workshop with children from Methodist Welfare Services

Soap-making activity with seniors from MWS Active Ageing Centres at GoldenLily@Pasir Ris and Fernvale Rivergrove
In August 2023, we organised a soap-making workshop for the seniors at MWS Active Ageing Centres located at GoldenLily@Pasir Ris and Fernvale Rivergrove. While our primary goal is to organise activities that enrich the well-being of the seniors, this workshop had an added dimension. We introduced sustainable practices that can easily be integrated into daily life. The seniors were fully immersed in the artistic process and experience of learning a novel skill alongside our team members. At MUST, we are driven by the belief that building a compassionate and supportive community is a shared responsibility. By initiating such activities, we endeavour to foster significant connections within the local community, alleviating feelings of loneliness and social isolation among our senior citizens.

Soap-making activity at MWS Active Aging Centre, Fernvale Rivergrove

Responsible Supply Chain

We ensure that our contractors and suppliers adhere to our environmental, health, and safety policies. Only contractors who meet Manulife's strict selection criteria are appointed.

Vendors who provide services and/or products at MUST's properties are expected to adhere to the Group's Vendor Code of Conduct, which reinforces the principles of ethical business practices and good governance from suppliers. The Vendor Code of Conduct covers areas pertaining to business conduct, labour practices, health and safety and environmental management. Regular checks are conducted to ensure adherence to ESG requirements as stipulated in the Vendor Code of Conduct. The commitment to work with contractors that have a high standard of ethics is further outlined in our Asset Manager's Responsible Contracting Statement.

Human Rights Due Diligence

As part of our Global Human Rights Statement, MUST is committed to respecting and protecting the human rights of all our employees. We strive to ensure that all employees and workers have their human rights protected in accordance with internationally recognised principles. Our approach to respecting and promoting human rights is guided by the United Nations Guiding Principles on Business and Human Rights, which states that businesses must "avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved." This is embedded in our values, in our decision-making and in our expectations of ourselves and those with whom we work.

Our Code of Business Conduct, Discrimination, Harassment and Workplace Violence Policy, and Global Health and Safety Policy reinforce our human rights obligations and we will not tolerate any infringement of human rights values. Our business partners are also urged to follow the human rights standards outlined in the Manulife Vendor Code of Conduct, which hold them responsible for ethical labour practices in their operations.

Employees are urged to report any instances of misconduct or malpractice that they may have witnessed during their course of work. Employees and other stakeholders also have the option of posing questions to Manulife's Global Compliance Office or reporting unethical, unprofessional, illegal, fraudulent, or other questionable behaviour, through Manulife's Ethics Hotline.

DRIVING SUSTAINABLE GROWTH

OBJECTIVES AND MATERIAL ESG TOPICS

Objectives: Conducting our business activities responsibly to deliver long-term value for our stakeholders. This includes the sustainable allocation of capital, robust governance framework and proactive risk management practices.

Material ESG Topics:

- Corporate governance
- Economic performance
- Economic contribution to society
- Supply chain management

APPROACH

ECONOMIC SUSTAINABILITY

Delivering sustainable returns for Unitholders through prudent capital management and investment decisions

GOVERNANCE FRAMEWORK

Prioritising transparency and accountability in our business operations

ENGAGING INVESTORS

Establishing long-term relationships with investors through regular engagements and timely updates on performance metrics

TARGETS AND PERFORMANCE

2024 AND LONG-TERM TARGETS	2023 PERFORMANCE
Maintain zero incidents of non-compliance with relevant regulations resulting in fines or sanctions	Zero incidents of non-compliance with relevant regulations resulting in fines or sanctions
Maintain zero incidents of corruption	Zero incidents of corruption
Continue to increase green financing in our portfolio where feasible	Obtained a new US$105 million sustainability-linked loan
Maintain 'A' grade for GRESB Public Disclosure	'A' grade for GRESB 2023 Public Disclosure
Conduct at least two thought leadership/retail investor engagement events a year	Investor outreach and education initiatives included: i. MUST Insights webinar: *"What lies on the horizon for U.S. Office?"* ii. SIAS Dialogue with Manulife US REIT

SUPPORTING UNITED NATIONS SDG

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

DRIVING SUSTAINABLE GROWTH

Economic Sustainability

MUST continues to deliver long-term returns for our Unitholders through sound and sustainable capital management. The four pillars supporting our long-term economic value creation are:

Capital Management
Optimise capital structure and increase financial flexibility

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

Organic Growth
Sustainable distributions through proactive leasing while maintaining optimal occupancy levels

Growing Responsibly
Building a sustainable business while striving for ESG excellence

For detailed information on MUST's economic performance in 2023, please refer to the FY2023 Financial and Portfolio Highlights on pages 8 to 9 of the Annual Report 2023.

Green Financing

In March 2023, we drew down a US$105 million unsecured sustainability-linked loan facility which was obtained in December 2022. As at 31 December 2023, MUST's total green and sustainability-linked facilities amounted to US$588.1 million, accounting for 63.5% of MUST's total borrowings. These facilities are pegged to pre-determined ESG targets that are mutually agreed by MUST and the issuing banks. The achievement of targets such as MUST's GRESB score, energy and water efficiency, and reduction of GHG emissions allows MUST to save borrowing costs from lower interest rates.

Governance Framework

Corporate Governance

MUST is committed to enhancing long-term value for our stakeholders by maintaining high standards of corporate governance across all levels of our organisation underpinned by strong leadership and a robust approach to risk management. Good governance enables us to ensure that the right resources are allocated to strengthen business resilience and ensure sustainable growth.

Good corporate governance practices are critical to a company's success. We are dedicated to upholding the highest standards of corporate governance and risk management in our business operations with the aim of safeguarding our stakeholders' interests and increase long-term stakeholder value. MUST has zero tolerance for any form of fraud, corruption, or unethical behaviour. To minimise our exposure to corruption risks, we have implemented strong internal business controls as part of our corporate governance framework.

We ensure that MUST's corporate governance framework is consistent with that of our Sponsor, whose business is registered with the Securities and Exchange Commission (SEC). The Manager's compliance team collaborates closely with the Sponsor's legal and compliance teams as well as appointed external Singapore and U.S. legal counsels to ensure that MUST and the Manager operate within each of their regulatory ambits.

As an SGX-ST listed REIT, we adhere to the relevant industry rules and regulations as outlined in the Code of Corporate Governance (2018) issued by the MAS. Our management of fraud risk is supported by various policies and programmes such as the Board Diversity Policy, Investor Relations Policy, Whistle-Blowing Policy and Manulife Code of Business Conduct and Ethics.

All key business actions are discussed with the compliance team to reduce and manage potential compliance issues. The compliance team oversees licensing applications and reviews, as well as the periodic submission of data to regulators. The internal audit team evaluates business practices and procedures alongside the compliance team. The Manager adheres to a thorough framework for enterprise risk management and frequently provides Board members with corporate governance report updates.

Board Effectiveness

The Board and management fully appreciate that an effective Board whose members engage in open and constructive debate and challenge management on its assumptions and proposals is fundamental to good corporate governance practice.

Every year, Directors are requested to complete the Board Performance Questionnaire and all respective Board Committee members are also required to complete the ARC and NRC Performance Questionnaires. In 2023, we have enhanced the questionnaire by including evaluations on the performance of the Board in overseeing the REIT's impact on the economy, people, and the environment. This ensures that sustainability objectives are effectively managed by the Board.

DRIVING SUSTAINABLE GROWTH

Board Diversity

MUST's Board Diversity Policy recognises the importance and value of having a diverse Board composition to enhance the quality of its function. It recognises that diversity at the Board level is crucial to achieving MUST's strategic goals in fostering sustainable development of the organisation. Diversity elements are considered as part of appointing the Board members, taking into account a variety of characteristics, including but not limited to gender, age, nationality, educational background, experience, skill, knowledge, and independence. All Board appointments are made based on merit in the context of these diversity elements to uphold the purpose of the policy.

According to the policy, the Board has an objective to appoint at least a total of 33.0% of female directors over time and ensure that at least 25.0% of its independent directors are women. As at 31 December 2023, we have achieved 40.0% female representation among our directors, and 50.0% of our independent directors are women.

More information on MUST's corporate governance guidelines and practices can be found on pages 104 to 124 of the Annual Report 2023.

Recognised for Governance

We are proud to be at the forefront of corporate governance practices in Singapore. It is noteworthy that MUST has been awarded the top score of 5.0 for corporate governance by FTSE Russell, a testament to the company's commitment to upholding sound corporate practices. The most recent assessment conducted by FTSE Russell in December 2023 revealed that MUST's ESG score stands higher than the respective averages within its subsector and the broader industry. This positive evaluation demonstrates MUST's dedication to robust governance standards and its sustainability performance in comparison to peers within the market. We also maintained our 'A' grade in GRESB Public Disclosure Assessment for the fourth year running for our high level of material sustainability disclosures, ranking the REIT 2nd out of 10 U.S. office companies.

MUST received an ESG Risk Rating of 6.3 from Sustainalytics and was assessed to be at negligible risk of experiencing material financial impacts from ESG factors. This rating places MUST in the top 1% within the real estate industry as well as in the global universe of more than 15,000 companies assessed by Sustainalytics. As a testament to our good corporate governance practices, we have also moved up the ranks from 20th to 16th in the Singapore Governance and Transparency Index (SGTI) 2023.

Code of Business Conduct

The Manager, as a subsidiary of Manulife Group, follows its Code of Business Conduct and Ethics. The Code outlines fundamental guidelines for employees to adhere to when carrying out their responsibilities in accordance with the highest standards of professional integrity. It addresses workplace behaviour, business conduct, conflicts of interest, the whistle-blowing mechanism, and prohibitions against bribery and corruption. Violation of the Code by the employees will result in the appropriate disciplinary action, including termination of employment and prosecution.

Mandatory and optional training are offered to employees to ensure that they are aware of their duties and reporting responsibilities, which is in accordance with the Group's fundamental principle of "Do the right thing". Programmes for orientation and induction are required for new employees and the compliance team provides the Board of Directors and employees with frequent updates on changes in legal and organisational standards to ensure that all employees, from top to bottom, are kept abreast of regulatory changes.

We are committed to preventing potential violations of sensitive topics that may result in repercussions or fines. We continue to manage this risk by providing our employees with the required understanding and capabilities to prevent potential breaches. In 2023, there were no incidents of non-compliance with applicable laws and regulations involving remuneration and dismissal, recruitment, and promotion, working hours, rest intervals, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. As such, no incidents of critical concerns were conveyed to the Board during the Reporting Period.

Orientation programmes are conducted to ensure that all newly appointed directors are familiar with MUST's business, strategies, and directions, as well as the regulatory environment in which the REIT operates in. We also organise relevant trainings on topics such as directors' roles and obligations and the code of conduct for all directors. Additionally, training courses on sustainability held by REITAS and KPMG were among the training events offered to our directors to strengthen their sustainability knowledge. These courses included an Introduction to ISSB organised by REITAS and KPMG and a Sustainability for Directors of REIT Managers training organised by REITAS.

Our 12 CMS representative licence holders are responsible for a number of responsibilities, including asset management, investment management, financing, and investor relations. They are required to participate in regular training to keep abreast with market requirements.

Anti-Corruption

As a REIT listed on the SGX-ST, we confirm our business procedures adhere to the applicable industry standards outlined in the MAS' 2018 Code of Corporate Governance. Our management of fraud risk is supported by various policies and programmes. These policies, including the Manulife Code of Business Conduct and Ethics, the Investor Relations Policy and Whistle-Blowing Policy, can be found publicly on our website. Employees can also access relevant Anti-Corruption policies on the staff intranet.

All employees are required to complete training on Anti-Money Laundering and Anti-Terrorist Financing, Information Protection and Code of Business Conduct and Ethics on a yearly basis. This helps to ensure that they are aware of the significance of adhering to applicable laws and educate them on regulations regarding gifts and entertainment. Additionally, employees are required to update their respective Conflict of Interest Disclosure questionnaire annually and whenever any actual conflict, potential conflict, or the appearance of a conflict of interest arises. In addition, a certification of compliance with the Code of Business Conduct and Ethics must be completed. 100.0% of our employees and 100.0% of our Board have been informed of our anti-corruption measures and have also completed relevant training[1]. We have also recorded zero incidents of corruption during the Reporting Period.

Engaging Investors

As Manager of the REIT, we are committed to disclosing material, timely and accurate information. We regularly engage with the investment community, including institutional and retail investors, as well as analysts, media, and financial bloggers, to garner feedback and address any concerns that they may have. Our engagement initiatives are guided by the requirements outlined by the SGX-ST and our Investor Relations Policy to ensure compliance to the relevant regulatory standards. Our key modes of engagement can be found on pages 74 to 75 (within the table under Stakeholder Engagement).

Engagement Initiatives in 2023

During 2023, the team heightened and deepened its engagements with stakeholders amidst the challenging environment in the U.S. office market as well as the financial covenant breach crisis that MUST faced. A variety of communication channels such as briefings, webinars, one-to-one investor engagements, luncheons, press releases, email newsletters, and LinkedIn posts were utilised to address questions and concerns from the investment community. Overall, we engaged over 2,060 investors, analysts and media during the year.

To provide local investors with insights into the U.S. office market, we organised an educational webinar *"MUST Insights: What lies on the horizon for U.S. office?"* where two seasoned researchers from Jones Lang LaSalle were invited to share updates and their outlook on the U.S. office sector. We received positive feedback from investors and plan to continue organising such events to enhance the investment community's understanding of the U.S. office market.

In line with our EGM roadshow, we partnered with SIAS for a dialogue session in December 2023 to share our Recapitalisation Plan and address questions from Unitholders. The event, which was well-attended by over 300 Unitholders, included a presentation by MUST's CEO as well as an engaging Q&A session, moderated by SIAS. This is part of MUST's proactive investor outreach initiative to maintain open communications with the investment community.

For more details on our investor engagement efforts, please refer to the Investor and Media Relations section on pages 56 to 59 in our Annual Report 2023.

Strategic Memberships, Collaborations and Accolades

As a member of REITAS, MUST is committed to strengthening and promoting the SREIT industry through education, research, and professional development. MUST supports initiatives promoted by REITAS and SGX that encourage best practices in investing and sustainability. MUST's Deputy CEO, Ms Caroline Fong, was invited and continues to be a member of the promotions sub-committee of REITAS, which focuses on ways to increase investors' awareness and understanding of SREITs. Since 2018, Ms Fong has been invited by REITAS as a trainer for its Investor & Media Relations module of its REIT Management course, which is held semi-annually. In March 2024, Ms Fong was recognised as an ESG steward in Sustainability Magazine's Top 100 Women list.

1 The Manulife Group's 2023 Anti-Bribery and Anti-Corruption Compliance Training was an online course completed by employees between December 2023 and January 2024. Independent directors completed the 2023 Code of Business Conduct and Ethics Training, which covers the topic of anti-corruption/anti-bribery.

CORPORATE POLICIES, PROCEDURES AND FRAMEWORKS

As a wholly-owned subsidiary of the Sponsor, the Manager is guided by relevant policies and procedures of the Sponsor. We work closely with our Asset and Property Managers in carrying out strategies, abiding by all relevant policies and procedures.

The corporate policies provide an overview of our guiding principles of business conduct and ethics that all employees and stakeholders along our value chain are required to follow. Corporate policies can be accessed through our staff intranet, while public policies can be accessed via our website at https://www.manulifeusreit.sg/about#policy_procedure as well as via the links below.

Legend:
Building Resilience | People First | Driving Sustainable Growth | Website Links

Pillar	Link	Policies & Procedures	Objectives
Sponsor			
Building Resilience		**Environmental Risk Policy**	Sets out an enterprise-wide risk management framework for the management of environmental risks in relation to the Sponsor's business activities
People First		**Global Discrimination, Harassment and Workplace Violence Policy**	Outlines the identification and process of reporting discrimination, harassment, or violence in the workplace
People First	Website Link	**Global Health and Safety Policy**	Ensures the safety of all users of our properties, employees as well as ensures compliance with the Workplace Safety and Health Act (WSHA)
People First	Website Link	**Global Human Rights Statements**	Commitment to respecting and protecting human rights of all employees
People First	Website Link	**Manulife Vendor Code of Conduct**	Describes the principles of ethical business practices and good governance from suppliers
Driving Sustainable Growth		**Anti-Fraud Policy**	Outlines framework and controls in place to prevent, identify, and detect fraud
Driving Sustainable Growth		**Anti-Money Laundering and Anti-Terrorist Financing Policy**	Outlines the responsibilities and processes to mitigate risks associated with money laundering and terrorist financing activities
Driving Sustainable Growth		**Business Continuity Management Policy and Disaster Recovery Standard**	Outlines the Group's business continuity process in the event of any disaster
Driving Sustainable Growth	Website Link	**Code of Business Conduct and Ethics**	Affirms MUST's commitment to ethical conduct and compliance with all applicable laws
Driving Sustainable Growth		**Code of Ethics**	Supplementary standards which set out the general principles of business conduct (including personal trading rules) for all employees
Driving Sustainable Growth		**Global Entertainment and Gift Policy**	Outlines specific rules to ensure that employees do not engage in improper shared business entertainment or gift practices
Driving Sustainable Growth		**Global Privacy Risk Management Policy**	Describes the framework within which MUST manages privacy risk when handling personal information
Driving Sustainable Growth		**Information Risk Management Policy**	Describes the process of identifying, assessing, managing, and reporting of significant information risks in alignment with operational risk management
Driving Sustainable Growth		**Insider Trading and Reporting Policy**	Provides guidance for the Directors, officers, and employees in the context of dealing with the Units of MUST
Driving Sustainable Growth		**Social Media Policy**	Minimises reputational, business, compliance and legal risks associated with social media usage

CORPORATE POLICIES, PROCEDURES AND FRAMEWORKS (CONT'D)

Pillar	Link	Policies & Procedures	Objectives
Asset Manager			
		Real Estate Sustainability Framework	Outlines the sustainability commitments and guides the investment, development, asset and property management activities across our Asset Manager's operations
		Sustainable Investing and Sustainability Risk Statement	Outlines our Asset Manager's commitment to sustainable investing and describes our core beliefs about sustainability
		Climate Change Statement	Outlines our Asset Manager's approach to climate change and supporting the transition to a low-carbon economy
		Real Estate Climate Disclosure	Outlines our Asset Manager's climate-related disclosures in alignment with TCFD recommendations
		Responsible Contracting Statement	Outlines our Asset Manager's approach to responsible contracting
MUST			
		Sustainability Framework	Outlines MUST's sustainability mission, commitments, focus areas and targets
		Board Diversity Policy	Sets out the approach to achieve diversity on the Manager's Board of Directors
		Enterprise Risk Management Policy	Provides a structured approach when implementing risk-taking and risk management activities at an enterprise level
		Investor Relations Policy	Outlines the principles and practices followed by the Manager of MUST to ensure regular, effective and fair communication of accurate and timely information to the investment community
		Privacy Policy	Ensures MUST's compliance with the Personal Data Protection Act (PDPA)
		Whistle-Blowing Policy	Reporting mechanism to encourage stakeholders to raise concerns about possible unethical or fraudulent work practices in confidence

2023 ESG DATA SUMMARY

Environmental

Metrics	Unit of Measurement	Base Year 2018	2021	2022[a]	2023
Portfolio Gross Floor Area	sq ft	3,455,120	6,121,495	6,761,978	6,487,278
Energy[b] (GRI 302-1, 302-2, 302-4)					
Total energy consumption	ekWh	53,563,176	66,333,814	75,604,301	70,593,481
Total non-renewable energy consumption	ekWh	9,340,699	8,730,126	11,041,651	11,255,839
Total renewable energy consumption (RECs)	ekWh	–	11,605,027[a]	11,491,773	10,259,389
Total electricity consumption	ekWh	44,222,477	45,998,661[a]	53,070,877	49,078,253
Energy intensity ratio for the organisation by gross floor area	ekWh/sq ft	15.50	10.84	11.18	10.88
Reduction in energy consumption intensity compared to base year	Percentage	–	30.1%	27.9%	29.8%
Renewable energy coverage	Percentage	–	17.5%	15.2%	14.5%
Emission[c] (GRI 305-1, 305-2, 305-4, 305-5)					
Total Scope 1 and 2 GHG emissions	tCO_2e	16,737	19,673	21,929	20,695
Total Scope 1 and 2 GHG emissions intensity	kg CO_2e/sq ft	4.84	3.21	3.24	3.19
Reduction in GHG emission intensity compared to base year	Percentage	–	33.7%	33.1%	34.1%
Scope 1					
Total direct (Scope 1) GHG emissions	tCO_2e	1,740	1,626	2,005	2,044
Total biogenic emissions	tCO_2e	–	–	–	–
Scope 2					
Total location-based indirect (Scope 2) GHG emissions	tCO_2e	14,997	18,047	19,924	18,652
Total market-based indirect (Scope 2) GHG emissions	tCO_2e	No RECs purchased	14,440[a]	16,615	15,612
Water and Effluents[d] (GRI 303-5)					
Water usage	m^3	165,823	188,796	302,051	244,100
Total water usage from all areas with water stress	m^3	165,823	188,796	302,051	244,100
Water usage intensity	L/sq ft	47.99	30.84	44.67	37.63
Effluents and Waste					
Total waste generated	metric tonne	1,206	1,267	1,986	1,801
Total waste directed to disposal	metric tonne	774	833	1,364	1,133
Total waste diverted from disposal (recycled waste)	metric tonne	432	434	622	668

Notes:

a. 2022 data published in Sustainability Report 2022 was based on estimates whereas 2022 data in this report has been revised to reflect actual consumption. 2021 renewable energy related data was revised to actual consumption at relevant properties. The revised values are applicable to environmental section.

b. In general, energy consumption was calculated for each identified relevant energy source using the following formula:
Energy consumption = Activity data × Calorific value
The total energy consumption within MUST is calculated using the following formula:
Total energy consumption = Fnr + Fr + Ec
Fnr = Non-renewable fuel consumed
Fr = Renewable energy consumed
Ec = Electricity purchased for consumption

Total renewable energy consumption represents RECs purchased and retired during the respective years.
Renewable energy coverage = Total renewable energy consumption / Total energy consumption

c. Direct (Scope 1) emissions are calculated from the consumption of natural gas and expressed in tonnes of CO_2e. Scope 1 emission factors for direct energy consumption in the U.S for natural gas were taken from the Emission Factors for Greenhouse Gas Inventories published by the USA Environmental Protection Agency (EPA) in September 2023.

Indirect (Scope 2) emissions refer to the indirect emissions coming from activities taking place within the organisational boundary of MUST but occurring at operations owned or controlled by another entity. Figures for Scope 2 emissions in the table above were calculated using emission factors taken from the U.S. EPA eGrid Summary Table published in 2023. Scope 2 emissions using the market-based method include the reduction in emissions from the purchase of RECs.

d. All properties are located in areas with water stress. All water is provided through municipal water suppliers; none is directly withdrawn from water sources on-site.

Social

Metrics	Unit of Measurement	2021			2022			2023		
		Male	Female	**Total**	Male	Female	**Total**	Male	Female	**Total**
Workforce[e] (GRI 2-7, 2-8, 405-1)										
Total employees	Number	5	14	**19**	6	12	**18**	6	11	**17**
Total employees by age										
Employees under 30 years old	Number	0	4	**4**	0	3	**3**	0	0	**0**
Employees between 30 – 50 years old	Number	5	6	**11**	5	8	**13**	4	10	**14**
Employees above 50 years old	Number	0	4	**4**	1	1	**2**	2	1	**3**
Total employees by employment category										
Executive	Number	3	3	**6**	4	2	**6**	4	2	**6**
	Percentage	15.8%	15.8%	**31.6%**	22.2%	11.1%	**33.3%**	23.5%	11.8%	**35.3%**
Non-Executive	Number	2	11	**13**	2	10	**12**	2	9	**11**
	Percentage	10.5%	57.9%	**68.4%**	11.1%	55.6%	**66.7%**	11.8%	52.9%	**64.7%**
Total employees by working status										
Total full-time employees by region										
Singapore	Number	3	14	**17**	4	12	**16**	4	11	**15**
United States	Number	2	0	**2**	2	0	**2**	2	0	**2**
Total permanent employees by region										
Singapore	Number	3	14	**17**	4	12	**16**	4	11	**15**
United States	Number	2	0	**2**	2	0	**2**	2	0	**2**
Total non-employees	Number				6	20	**26**	6	16	**22**
Asset Managers	Number	New disclosure in 2022			3	3	**6**	3	2	**5**
Property Managers	Number				3	17	**20**	3	14	**17**

Note:

e. Employees

- The Manager does not have temporary, part-time and non-guaranteed hours employees from 2021 to 2023. All employees were employed on a full-time basis, and they are considered permanent employees.
- Computation of annual employee headcount is based on the number of employees at the end of the Reporting Period.
- Executive refers to the CEO and management, whereas non-executive refers to all other employees of the Manager.
- New employee hires and employee turnover rates are calculated using the following formulas:

$$\textbf{New employee hires} = \frac{\text{Total number of new employee hires}}{\text{Total number of employees}}$$

$$\textbf{Employee turnover} = \frac{\text{Total number of employee turnover}}{\text{Total number of employees}}$$

$$\textbf{Employee involuntary turnover} = \frac{\text{Total number of employee involuntary turnover}}{\text{Total number of employees}}$$

Non-employees

- Non-employees, generally known as workers, refers to Asset and Property Managers. Asset Managers execute MUST's investment and asset management strategy and Property Managers provide property management services.
- Computation of annual workers headcount is based on the average full-time workers across the Reporting Period.

2023 ESG DATA SUMMARY

Metrics	Unit of Measurement	2021			2022			2023		
		Male	Female	**Total**	Male	Female	**Total**	Male	Female	**Total**
Total employees hire	Number	1	4	**5**	1	3	**4**	0	1	**1**
New employee hire rate	Percentage			**26.3%**			**22.2%**			**5.9%**
Total new employee hires by age										
New employee hires under 30 years old	Number	0	1	**1**	0	0	**0**	0	0	**0**
New employee hires between 30 – 50 years old	Number	1	2	**3**	0	3	**3**	0	1	**1**
New employee hires above 50 years old	Number	0	1	**1**	1	0	**1**	0	0	**0**
Total new employee hires by region										
Singapore	Number	0	4	**4**	1	3	**4**	0	1	**1**
United States	Number	1	0	**1**	0	0	**0**	0	0	**0**
Total new employee hires by type										
Executive	Number	0	0	**0**	1	0	**1**	0	0	**0**
Non-Executive	Number	1	4	**5**	0	3	**3**	0	1	**0**
Total Internal Hire	Number	0	0	**0**	0	0	**0**	0	0	**0**
Total External Hire	Number	1	4	**5**	1	3	**4**	0	1	**1**
Total employee voluntary turnover	Number	1	2	**3**	0	5	**5**	0	2	**2**
Employee voluntary turnover rate	Percentage			**15.8%**			**27.8%**			**11.8%**
Employee turnover by age										
Employee turnover under 30 years old	Number	1	1	**2**	0	1	**1**	0	0	**0**
Employee turnover between 30 – 50 years old	Number	0	1	**1**	0	1	**1**	0	1	**1**
Employee turnover above 50 years old	Number	0	0	**0**	0	3	**3**	0	1	**1**
Employee turnover by region										
Singapore	Number	1	2	**3**	0	5	**5**	0	2	**2**
United States	Number	0	0	**0**	0	0	**0**	0	0	**0**
Employee turnover by type										
Executive	Number	0	0	**0**	0	1	**1**	0	0	**0**
Non-Executive	Number	1	2	**3**	0	4	**4**	0	2	**2**
Total employee involuntary turnover	Number	0	0	**0**	0	0	**0**	0	0	**0**
Employee involuntary turnover rate	Percentage			**0.0%**			**0.0%**			**0.0%**

Metrics	Unit of Measurement	2021	2022	2023
Health and Safety[f] (GRI 403-9)				
All Employees				
Total fatalities as a result of work-related injury	Number	Zero	Zero	Zero
Rate of fatalities as a result of work-related injury	Percentage	0.0%	0.0%	0.0%
Total high-consequence work-related injuries	Number	Zero	Zero	Zero
Rate of high-consequence work-related injuries per 1,000,000 hours	Percentage	0.0%	0.0%	0.0%
Total recordable work-related injuries	Number	Zero	Zero	Zero
Rate of recordable work-related injuries per 1,000,000 hours	Percentage	0.0%	0.0%	0.0%
Total number of lost time injuries	Number	New disclosure in 2022	Zero	Zero
Lost Time Incident Rate (LTIR) per 200,000 hours	Percentage		0.0%	0.0%
Non-employees				
Total fatalities as a result of work-related injury	Number	New disclosure in 2022	Zero	Zero
Rate of fatalities as a result of work-related injury	Percentage		0.0%	0.0%
Total high-consequence work-related injuries	Number		Zero	Zero
Rate of high-consequence work-related injuries per 1,000,000 hours	Percentage		0.0%	0.0%
Total recordable work-related injuries	Number		Zero	Zero
Rate of recordable work-related injuries per 1,000,000 hours	Percentage		0.0%	0.0%
Total number of lost time injuries	Number		Zero	Zero
Lost Time Incident Rate (LTIR) per 200,000 hours	Percentage		0.0%	0.0%

Note:

f. Rates are calculated using a denominator of 1,000,000 according to the American National Standards Institute (except LTIR, which is 200,000 based on S&P Global Corporate Sustainability Assessment). As such, the following formulas were used to calculate the rates:

$$\textbf{Rate of fatalities as a result of work-related injury} = \frac{\text{(Number of fatalities as a result of work-related injury x 1,000,000)}}{\text{Number of hours worked}}$$

$$\textbf{Rate of high-consequence work-related injury} = \frac{\text{(Number of high-consequence work-related injuries (excluding fatalities) x 1,000,000)}}{\text{Number of hours worked}}$$

$$\textbf{Rate of recordable work-related injuries} = \frac{\text{(Number of recordable work-related injuries x 1,000,000)}}{\text{Number of hours worked}}$$

$$\textbf{Lost Time Incident Rate (LTIR)} = \frac{\text{Number of lost-time injuries}}{\text{(Total hours worked in the reporting period x 200,000)}}$$

2023 ESG
DATA SUMMARY

Metrics	2021	2022	2023
Training and Education[g] (GRI 404-1, 404-3)			
Average hours of training per employee	51.1	32.1	34.0
Average hours of training per executive	31.7	20.8	37.3
Average hours of training per non-executive	64.9	37.6	32.2
Average hours of training per male	36.8	26.0	36.6
Average hours of training per female	60.6	34.9	32.6
Total number of employees who received a performance and career development review	19	18	17
Percentage of employees who received a performance and career development review	100.0%	100.0%	100.0%
Diversity and Equal Opportunity (GRI 2-9, 405-1)			
Diversity of Governance Bodies[h]			
Total Board of Directors	7	6	5
Percentage of governance bodies (Board) by gender	**Total**	**Total**	**Total**
Male	71.4%	66.7%	60.0%
Female	28.6%	33.3%	40.0%
Percentage of Governance Bodies (Board) by Tenure	**Total**	**Total**	**Total**
1 to 2 years (including < 1 year)	42.9% (2 Males, 1 Female)	16.7% (0 Male, 1 Female)	20.0% (1 Male, 0 Female)
3 to 4 years	14.3% (1 Male, 0 Female)	33.3% (2 Males, 0 Female)	40.0% (1 Male, 1 Female)
5 to 6 years (including > 6 years)	42.9% (2 Males, 1 Female)	50.0% (2 Males, 1 Female)	40.0% (1 Male, 1 Female)
Total	100.0% (5 Males, 2 Females)	100.0% (4 Males, 2 Females)	100.0% (3 Male, 2 Female)
Percentage of Governance Bodies (Board) by independence	**Total**	**Total**	**Total**
Independent	57.1% (2 Males, 2 Females)	66.7% (2 Males, 2 Females)	80.0% (2 Males, 2 Females)
Non-independent	42.9% (3 Males, 0 Female)	33.3% (2 Males, 0 Females)	20.0% (1 Male, 0 Female)
Total	100.0% (5 Males, 2 Females)	100.0% (4 Males, 2 Females)	100% (3 Males, 2 Females)
Percentage of governance bodies (Board) by ethnicity	**Total**	**Total**	**Total**
Asian	57.1% (3 Males, 1 Female)	50.0% (2 Males, 1 Female)	80.0% (3 Males, 1 Female)
Caucasian	42.9% (2 Males, 1 Female)	50.0% (2 Males, 1 Female)	20.0% (0 Male, 1 Female)
Total	100.0% (5 Males, 2 Females)	100.0% (4 Males, 2 Females)	100.0% (3 Males, 2 Females)

Notes:

g. Average training hours are calculated using the following formula:

$$\textbf{Average training hours} = \frac{\text{Total number of training hours in current Reporting Period}}{\text{Average number of full-time equivalent employees across the Reporting Period}}$$

h. All directors are above 50 years old and are non-executive.

Governance

Metrics	Unit of Measurement	2021	2022	2023
Anti-corruption (GRI 205-2, 205-3)				
Percentage of members to whom anti-corruption policies and procedures have been communicated to [i]				
Board of Directors	Percentage	100.0%	100.0%	100.0%
Employee - Executive	Percentage	100.0%	100.0%	100.0%
Employee - Non-executive	Percentage	100.0%	100.0%	100.0%
Percentage of members who have undergone anti-corruption training [j]				
Board of Directors	Percentage	100.0%	100.0%	100.0%
Employee - Executive	Percentage	100.0%	100.0%	100.0%
Employee - Non-executive	Percentage	100.0%	100.0%	100.0%
Total number of employees who have received training on anti-corruption by region				
Singapore	Number	New disclosure in 2022	16	15
United States	Number		2	2
Total number of employees who have received training on anti-corruption by employee category				
Executive	Number	New disclosure in 2022	6	6
Non-executive	Number		12	11
Total number of employees who have received training on anti-corruption by gender				
Male	Number	New disclosure in 2022	6	6
Female	Number		12	11
Training hours and incidents related to anti-corruption				
Total training hours for employees on anti-corruption training	Hours	New disclosure in 2022	9.0	8.5
Total number and nature of confirmed incidents of corruption	Number	Zero	Zero	Zero
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	Number	Zero	Zero	Zero
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	Number	New disclosure in 2022	Zero	Zero
Public legal cases regarding corruption brought against the organisation or its employees during the Reporting Period and the outcomes of such cases	Number	Zero	Zero	Zero

Notes:

i. The Manager does not track the number of business partners whom we have communicated our anti-corruption policies and procedures to. However, all our business partners are expected to adhere to anti-corruption laws as stated in our Vendor Code of Conduct and are also informed of our responsible contracting practices.

j. The 2023 Anti-Bribery and Anti-Corruption Compliance Training was an online course completed by employees between December 2023 to January 2024.

CORPORATE GOVERNANCE

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

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

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

The Manager holds a Capital Markets Services licence (CMS Licence) issued by the Monetary Authority of Singapore (MAS) for REIT management pursuant to the Securities and Futures Act.

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

This report describes the Manager's main corporate governance framework and practices with reference to the Code of Corporate Governance 2018 (CG Code) (last amended 11 January 2023). Compliance with, and observation of, the Principles of the CG Code (the Principles and each Principle) are mandatory and to the extent that if there are any variations from the Provisions of the CG Code, these are stated and explained as to how the Manager's practices are still consistent with the aim and philosophy of the Principle in question.

The Manager also considers managing sustainability risks (including environmental, social and governance, or ESG, factors) as part of its responsibilities. More details can be found in the Sustainability Report.

(A) Board Matters

The Board's Conduct of Affairs

Principle 1

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

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

All Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of the Directors.

Role
The key roles of the Board are to:

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

MFC Code of Business Conduct and Ethics
The Manager has adopted the MFC Code of Business Conduct and Ethics. It affirms MUST's commitment to ethical conduct and its practice of complying with all applicable laws and avoiding potential or actual conflicts of interest, underscoring MUST's dedication as well as to setting the appropriate tone from the top and desired organisation culture, to ensure proper accountability. All Directors and employees of the Manager are subject to this code and must complete an annual training and certification of compliance with the code. The MFC Code of Business Conduct and Ethics is available at https://www.manulifeusreit.sg/about#policy_procedure.

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

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

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

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

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

Matters requiring Board approval are disclosed in MUST's Annual Report, as required of an issuer listed on the SGX-ST in accordance with Provision 1.3 of the CG Code.

Meetings of Board and Board Committees
Directors attend and actively participate in Board and Board Committee meetings. The Board meets regularly to deliberate the strategies of MUST, including approval of material transactions such as acquisitions and divestments (taking into consideration the recommendations of the ARC), funding and hedging activities, approval of the annual budget and review of its performance. The Board or the relevant Board Committee will also review MUST's key financial risk areas and the outcome of such reviews will be disclosed in the Annual Report or where the findings are material, immediately announced via SGXNet.

CORPORATE GOVERNANCE

Board and Board Committee meetings are scheduled prior to the start of each financial year in consultation with the Directors. The Constitution of the Manager permits the Directors to participate via audio or video conference. All Directors are invited to attend scheduled Board Committee meetings even if they are not a Committee member.

In view of the responsibilities of a Director, in regard to those Directors who possess multiple board representations, each of such Directors confirms he/she is able to devote sufficient time and attention to adequately perform and discharge his/her duties as Director of the Manager.

In-Camera Session

To facilitate open discussions and the review of the performance and effectiveness of management, time is set aside at the end of every Board meeting (and Board Committee meeting where necessary) for closed door discussions between the Directors without the presence of management and feedback, if any, is provided to the Chief Executive Officer (CEO) and management.

In addition to regular scheduled meetings, the Board and Board Committees may also hold ad hoc meetings as required by business imperatives. The Board conducted weekly meetings from November 2022 to December 2023 to discuss and deliberate on the strategic review process. In connection with the recent restructuring of MUST's existing facilities, such weekly Board meetings assisted to keep the Board, which includes the Independent Directors, closely apprised of the development of the Recapitalisation Plan in relation to the loan restructuring. The Independent Directors, led by the Lead Independent Director or other Independent Director as appropriate, meet regularly without the presence of management. The Chairman of such meetings provides feedback to the Board and/or management as appropriate. The meeting attendance set out in the table below does not reflect such weekly update and ad hoc meetings.

The meeting attendance of the Board, the ARC, the NRC, Extraordinary General Meeting (EGM) and Annual General Meeting (AGM) held in FY2023 is as follows:

Name of Director	Board		ARC		NRC		EGM		AGM	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Stephen James Blewitt[1]	3	2[1]	5	3*[1]	2	2[1]	1	N.A.[1]	1	1[1]
Koh Cher Chiew Francis	3	3	5	5	2	2	1	1	1	1
Veronica Julia McCann	3	3	5	5	2	2*	1	1	1	1
Choo Kian Koon	3	3	5	5*	2	2	1	1	1	1
Karen Tay Koh	3	3	5	5	2	2*	1	1[4]	1	1[4]
Michael Floyd Dommermuth[2]	3	2[2]	5	0*[2]	2	0*[2]	1	N.A.[2]	1	0[2]
Marc Lawrence Feliciano[3]	3	1[3]	5	2*[3]	2	N.A.[3]	1	1	1	N.A.[3]

Note:

* Attendance by invitation.
1. Stephen James Blewitt retired as Interim Chairman and Non-Executive Director on 26 October 2023. He was present at all Board, ARC and NRC meetings held prior to his retirement.
2. Michael Floyd Dommermuth resigned as Non-Executive Director on 18 September 2023. He was present at all Board meetings held and was absent at all ARC and NRC meetings held prior to his resignation.
3. Marc Lawrence Feliciano was appointed as Non-Executive Director on 18 September 2023 and as Chairman on 26 October 2023. He was present at all Board and ARC meetings held upon his appointment.
4. Joined EGM and AGM via conference call.

Director Orientation

Upon appointment, each Director is provided with a formal letter of appointment setting out the Director's duties and obligations. The Manager has put in place an orientation programme with formal training to ensure that newly-appointed Directors are familiar with MUST's business, strategies and directions and the regulatory environment in which MUST operates as well as the main corporate governance practices of the Manager. New Directors are provided with the terms of references of the ARC and NRC, including materials and minutes of past Board and Board Committees to familiarise themselves with MUST's activities. There was one new Director appointed to the Board on 2023. Mr Marc Lawrence Feliciano was appointed to replace Mr Michael Floyd Dommermuth on 18 September 2023 as part of Board renewal. He was subsequently appointed as Chairman on 26 October 2023, assuming the role from Mr Stephen James Blewitt, the previous Interim Chairman who retired on the same day.

Training
The Board receives regular updates on any new and material changes to applicable regulations, including MAS and SGX-ST regulatory changes, as well as their implications on MUST and the Manager. The Manager believes that the provision of continuing education opportunities to Directors will keep them updated on matters relevant to their appointments and responsibilities, and additionally, ensure that Directors understand MUST's business. Directors are also encouraged to put forward to the NRC training topics on which they would like to receive training. In FY2023, the training and professional development programmes for Directors included seminars organised by REITAS. The costs of training are borne by the Manager. Training for the Directors was supplemented with periodic formal reports to ensure their understanding of MUST's property portfolio and the U.S. office real estate market, its trends and the economic environment.

Directors who are appointed to the Board from time to time either have prior experience as a director of an issuer listed on the SGX-ST or will undergo further training required under Rule 210(5)(a) of the Listing Manual. Mr Marc Lawrence Feliciano, being a first-time director, will be undergoing the requisite training under Rule 210(5)(a) of the Listing Manual before 18 September 2024 (being one year from the date of his appointment to the Board). Specifically, arrangement will be made for Mr Feliciano to complete the mandatory training requirements under Practice Note 2.3 of the Listing Manual by attending the relevant modules under the Listed Entity Directors (LED) Programme conducted by the Singapore Institute of Directors, with a target date to complete by 18 September 2024 or earlier.

Access to Information
Management provides the Board with complete, adequate and timely information at least five days prior to Board and Board Committee meetings and on an ongoing basis through regular updates on financial results, market trends and business developments so as to enable the Board to effectively discharge its duties. The Directors are provided with tablet devices to enable them to access meeting materials prior to the Board and Board Committee meetings (including complete and adequate background information and explanatory updates on the affairs of MUST) so that the respective Board Committees and Board members have sufficient time to review the information provided to enable them to make informed decisions to discharge their duties and responsibilities. However, papers containing sensitive matters may be tabled at the meetings or discussed without any papers being distributed. On occasions, printed copies of the Board and Board Committee meeting materials are provided upon request. The Directors are also able to review and approve written resolutions on the tablet devices via a secured board portal.

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

Company Secretary
The Board has separate and independent access to senior management and the company secretary at all times. The company secretary attends to the administration of corporate secretarial matters and ensures all Board procedures and requirements of the Companies Act 1967 and the Listing Manual are complied with. The company secretary also attends all Board and Board Committee meetings. The appointment and removal of the company secretary are subject to the approval of the Board as a whole. The Board also has access to independent professional advice where appropriate and when requested, at the Manager's expense.

Conflict of Interest
The Board recognises that the Directors are fiduciaries, and are collectively and individually obliged at all times to act honestly and with due diligence, and objectively in the best interests of MUST. Consistent with this principle, the Board is committed to ensuring proper accountability within management. Further, the Directors must have appropriate experience and expertise to manage MUST's business. The Manager requires that its Directors disclose their interests in transactions and any conflicts of interests. The Directors recuse themselves from any discussions and decisions involving the issues of conflict. Each of the Directors has complied with the above.

Board Composition and Guidance

Principle 2
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

CORPORATE GOVERNANCE

Annual Review of Board Size and Composition

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

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

The NRC reviews from time to time the size and composition of the Board and each Board Committee, with a view to ensuring that the size is appropriate in facilitating effective decisionmaking, and that the composition reflects a strong independent element as well as balance and diversity of thought and background. The review considers the scope and nature of MUST's operations, and the competition that MUST faces. The Board's policy on diversity and composition, including its objectives and progress made towards implementation, is described under the section "Board Membership" on page 110.

The current composition of the Board and Board Committees is set out below:

Name of Directors	Board	ARC	NRC
Marc Lawrence Feliciano	Chairman and Non-Executive Director	–	Member
Koh Cher Chiew Francis	Lead Independent Director	Member	Member
Veronica Julia McCann	Independent Director	Chairman	–
Choo Kian Koon	Independent Director	–	Chairman
Karen Tay Koh	Independent Director	Member	Member[1]

Note:
1. Karen Tay Koh was appointed as NRC member on 1 March 2024.

Board Independence

The Board, through the NRC, reviews and assesses annually the independence of each Director in accordance with the CG Code and Regulations 13D to 13H of Securities and Futures (Licensing and Conduct of Business) Regulations (SF(LCB)R). Directors disclose their relationships with MUST, its related corporations, its substantial unitholders or its officers, if any, which may affect their independence, to the Board. In an event where the Board, having taken into account the views of the NRC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its Annual Report.

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

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

(i) is independent from the management of the manager and the REIT that is managed or operated by the manager;

(ii) is independent from any business relationship with the manager and the REIT that is managed or operated by the manager;

(iii) is independent from every substantial shareholder of the manager, and every substantial Unitholder of the REIT;

(iv) is not a substantial shareholder of the manager, or a substantial Unitholder of the REIT that is managed or operated by the manager; and

(v) has not served as a director of the manager for a continuous period of nine years or longer.

Accordingly, the Board has reviewed and determined that each of the four aforementioned IDs satisfies the above criteria of independence as set out in the CG Code and the SF(LCB)R. Mr Marc Lawrence Feliciano has also not served as a Director of the Manager for a continuous period of nine years or longer.

Board of Directors	Marc Lawrence Feliciano[1]	Koh Cher Chiew Francis	Veronica Julia McCann	Choo Kian Koon	Karen Tay Koh
(i) is independent in conduct, character and judgement and has no relationship with the Manager, its related corporations or its officers and with substantial Unitholders that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of MUST	√	√	√	√	√
(ii) had been independent from the management of the Manager and MUST during FY2023		√	√	√	√
(iii) had been independent from any business relationship with the Manager and MUST during FY2023	√	√	√	√	√
(iv) had been independent from every substantial shareholder of the Manager and every substantial Unitholder of MUST during FY2023		√	√	√	√
(v) had not been a substantial shareholder of the Manager or a substantial Unitholder of MUST during FY2023	√	√	√	√	√
(vi) has not served as a director of the Manager for a continuous period of nine years or longer as at the last day of FY2023	√	√	√	√	√

1. Mr Marc Lawrence Feliciano is employed by subsidiaries of MFC. As such, during FY2023, he is deemed (a) to have a management relationship with the Manager and MUST; and (b) to be connected to a substantial shareholder of the Manager and substantial Unitholder of MUST.

For the purposes of Regulation 13E(b)(ii) of the SF(LCB)R, the Board of the Manager is satisfied that as at the last day of FY2023, Mr Marc Lawrence Feliciano was able to act in the best interests of all the Unitholders of MUST as a whole.

Chairman and Chief Executive Officer

Principle 3

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The positions of Chairman of the Board and CEO are separately held by two persons in order to maintain an effective check and balance. The Chairman of the Board is Mr Marc Lawrence Feliciano, while the CEO is Mr Tripp Gantt. The Chairman and the CEO are not immediate family members.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the Manager. The Chairman is responsible for the overall management of the Board as well as ensuring that the Directors and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans. The Chairman also presides over the AGM and other general meetings, ensuring constructive dialogue between the Unitholders, the Board and Management. The CEO has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Manager.

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

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

Board Membership

Principle 4

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

NRC

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

The members of the NRC as at 31 December 2023 were:

1. Dr Choo Kian Koon (Chairman)
2. Mr Marc Lawrence Feliciano
3. Professor Koh Cher Chiew Francis

The NRC's responsibilities include:

- developing a process and the criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- reviewing the training and professional development programmes for the Board;
- the appointment and reappointment of Directors (including alternate Directors, if applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director;
- determining annually, and as and when circumstances require, if a Director is independent; and
- deciding if a Director is able to and has been adequately carrying out his/her duties as a Director of the company, taking into consideration the Director's principal commitments.

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

The NRC is responsible for reviewing the succession plans for the Board (in particular the appointment and/or replacement of the Chairman of the Board), Board Committees and senior management (including the CEO). In this regard, it has put in place a formal process for the renewal of the Board, including the re-election of Directors to the Board once every two years, and the selection of new Directors. Each Director provides an annual confirmation that he/she is "fit and able" and consents to continue in office and submit himself/herself for nomination and re-election as a Director of the Manager on a rotational basis. In relation to the appointment of new Directors, the NRC also ensures that new Directors are aware of their duties and obligations.

The NRC leads the process and makes recommendations to the Board as follows:

1. the NRC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making;
2. in light of such review and in consultation with management, the NRC assesses if there are any inadequate representations in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;

3. external help (for example, the SID, search consultants or advertisements) may be used to source for potential candidates if need be. Directors and management may also make suggestions;

4. the NRC meets the shortlisted candidate(s) to assess suitability based on the skills required and skills represented on the Board and whether the candidate's skills, knowledge and professional experience will complement the existing Board, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by the MAS (which requires the candidate to be, amongst other things, competent, honest, to have integrity and be financially sound). The NRC will also ensure that the candidate(s) is/are aware of the expectations and the level of commitment required of the proposed directorship; and

5. the NRC makes recommendations to the Board for approval.

In reviewing succession plans, the Board has in mind the Manager's strategic priorities and the factors affecting the long-term success of the Manager. Further, the Board aims to maintain an optimal Board composition by considering the trends affecting the Manager, reviewing the skills needed and identifying gaps, including considering whether there is an appropriate level of diversity of thought. A skills matrix is also maintained for the Board and reviewed by the NRC and Board annually. In addition, the Board considers different time horizons for succession planning as follows: (i) long-term planning, to identify competencies needed for the Manager'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.

Review of Directors' Ability to Commit Time
Provision 4.5 of the CG Code requires listed companies to disclose the listed company directorships and principal commitments of each Director in the Annual Report and where a Director holds a significant number of such directorships and commitments, it provides the Board's reasoned assessment of the ability of the Director to diligently discharge his/her duties. The Board believes that it is not practicable to impose a limit on the maximum number of listed company board representations each Director may hold or stipulate the amount of time that each Director should devote to the affairs of the Manager. The effectiveness of the Board and contributions of each Director cannot be assessed solely on a quantitative basis. However, Directors are required to pre-notify/consult the Board Chairman and the Manager before taking on any new directorship or principal commitment to ensure the new commitment does not create or give rise to a potential, actual or perceived conflict of interest. None of the Directors serve together on the board of another listed company.

The number of listed company directorships and principal commitments of each Director, such as whether they are in full-time employment and the nature of their other responsibilities, are considered on a case-by-case basis and taken into account in the NRC's and the Board's assessment of the ability of each Director to diligently discharge his/her duties as a Director. A Director with multiple directorships and significant commitments is expected to ensure that sufficient attention can be given to the affairs of the Manager. A Director's capacity is determined by metrics such as his/her attendance at Board and Board Committee meetings and contributions to the effective supervision of MUST. By taking the above measures, the practices of MUST remain consistent with the aims and philosophies of Principle 4 of the CG Code.

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

Alternate Director
Alternate directors will only be approved in exceptional circumstances. To date, the Manager has no alternate directors on the Board.

Board Diversity
The Board seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to MUST's business. Diversity in the Board's composition not only contributes to the quality of its decision-making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable management to benefit from their respective expertise and diverse backgrounds.

Towards this end, the Board has approved and adopted, with the recommendation of the NRC, a Board Diversity Policy which sets out the Manager's approach to achieve diversity on the Board. The Board Diversity Policy provides for the Board to comprise talented and dedicated Directors with a diverse mix of expertise, experience, perspectives, skills and backgrounds, with due consideration given to diversity factors, including but not limited to, diversity in the business or professional experience, age and gender. The Board believes in diversity and values the benefits that diversity can bring to the Board in its deliberations by avoiding groupthink and fostering constructive debate. Diversity enhances the Board's decision-making capability and ensures that the Manager has the opportunity to benefit from all available talent and perspectives. The Board Diversity Policy is available on MUST's website at https://www.manulifeusreit.sg/about#policy_procedure. Under the Board Diversity Policy, the NRC, in carrying out its duties of determining the optimal composition of the Board in its Board renewal process and addressing Board vacancies, identifies possible candidates that bring a diversity of background and opinion from amongst candidates with the appropriate background and industry or related expertise and experience. In identifying potential candidates and making recommendations of board appointments to the Board, the NRC considers, among others, achieving an appropriate level of diversity in the Board composition having regard to diversity factors such as age, ethnicity, cultural background, educational background, industry knowledge, business and professional backgrounds of its members. Gender diversity is also considered an important aspect of diversity. The NRC will also consider relevant legal and regulatory requirements, such as those relating to residency and independence, in order to arrive at an optimum balanced composition of the Board.

In its annual review of the Board's composition, the NRC expressly considers and includes a commentary to the Board on the subject of diversity in the composition of the Board, including gender diversity. In this regard, the NRC is of the opinion that the Board's current size is appropriate with an appropriate balance and diversity of skills, talents, experience and backgrounds, taking into account the objectives of the Board Diversity Policy and MUST's business needs and plans, for effective decision-making and constructive debate. The collective diversity, backgrounds and skillsets of the Board members serve to optimally support the business growth as well as the effective and sound governance of MUST and its subsidiaries.

In line with the Board Diversity Policy, the current Board comprises five members who are corporate and business leaders, and are professionals with varied background, expertise and experience, including in finance, banking, real estate, investment, accounting, risk management and international backgrounds. Furthermore, the newly-appointed Non-Executive Director and Chairman of the Board, beyond holding considerable corporate and real estate investment leadership expertise and work experience, also possesses significant in-country experience and expertise for the U.S. market, where MUST's portfolio is located. By way of elaboration on the balance and diversity of skills, talents, experience and backgrounds of the members of the Board, (i) Professor Koh Cher Chew Francis holds considerable investment management and executive development experience, including significant direct investment expertise in relation to the Asia region; (ii) Dr Choo Kian Koon brings with him expansive corporate real estate management and leadership experience, which includes in-country experience with other listed issuers and REITs; (iii) Ms Veronica Julia McCann holds considerable banking, finance and corporate management and leadership experience; (iv) Mrs Karen Tay Koh holds considerable public and private sector multinational corporate and financial leadership and management experience, including significant regulatory experience; and (v) Mr Marc Lawrence Feliciano brings with him considerable corporate and real estate investment leadership expertise and work experience, including public and private real estate equity and debt experience. He led the loan restructuring and MUST's Recapitalisation Plan negotiations and also possesses significant in-country experience and expertise for the U.S. market, where MUST's portfolio is located.

The collective diversity, backgrounds and skillsets of the Board members serve to optimally support the business growth as well as the effective and sound governance of MUST and its subsidiaries.

Since 2020, the Board has attained its objective set out in the Board Diversity Policy to increase the number of Independent Directors that are female to 40% to achieve greater gender parity. In 2023, the Board attained the objective of having 33% of directors that are female. Currently, 40% of the Board comprises female directors, and 50% of the Independent Directors are female. As part of the Board renewal process, the NRC will review these objectives from time to time and may recommend changes or may recommend additional objectives to achieve greater diversity.

Board Performance

Principle 5

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

The NRC recommends for the Board's approval the objective performance criteria, and the Board undertakes a process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual director to the Board. The evaluation process for FY2023 was facilitated by the company secretary.

On an annual basis, all Directors are requested to complete the Board Performance Questionnaire and all respective Board Committee members are also requested to complete the ARC and NRC Performance Questionnaires. Each year, the format of the evaluations are alternated between a full set of questionnaires drafted largely based on the CG Code and a set of specific issues which had been identified in the preceding year's performance evaluations as having potential room for further improvements. For FY2023, the evaluations were based on a set of specific issues which had been identified in the preceding year's performance evaluations as having potential room for further improvements. We have also enhanced the questionnaire by including evaluations on the performance of the Board in overseeing the REIT's impact on the economy, people and the environment. The scope of the full set of questionnaires used included (1) Board composition, (2) Board processes, internal control & risk management, (3) Board access to information, (4) Board accountability and committee effectiveness. The survey also required the Board to consider whether the creation of value for Unitholders has been taken into consideration in its decision-making process.

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

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

(B) Remuneration Matters

Procedures for Developing Remuneration Policies

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

Level and Mix of Remuneration

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

Disclosure on Remuneration

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

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

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

- reviewing and recommending to the Board a general framework of remuneration for the Board and the executive officers;
- reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the executive officers;
- reviewing MUST's obligations arising in the event of termination of executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- reviewing the disclosures in the Annual Report on the Manager's remuneration policies, level and mix of remuneration, and the procedure for setting remuneration.

CORPORATE GOVERNANCE

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

The Manager's compensation programme is well balanced, competitive, performance-based and aligned with the achievement of each employee's short-, medium- and long-term goals. On an annual basis, quantitative and qualitative performance measures are set by the Manager. The performance scorecard monitors factors in distributable income, DPU, total Unitholders' returns, leasing activities, capital management, investor engagement, corporate governance, sustainable initiatives and training and development. At the end of each calendar year, the performance scores are calculated and awards are made accordingly. These factors were chosen because of their measure of both short- and long-term goals and to capture the qualitative versus quantitative targets of performance measurement.

Remuneration of Key Management Personnel
The NRC and the Board review the performance measures and the outcome on an annual cycle. In reviewing the actual quantum of the variable component of remuneration paid to the key management personnel, the NRC had taken into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that the remuneration was aligned with performance during FY2023. The remuneration for all Key Management Personnel are paid in the form of cash only. The Manager did not engage a remuneration consultant for FY2023.

While the approach reflects a pay-for-performance culture, it is also designed to attract, motivate and retain high-performing and high-potential employees in their respective field of expertise. Employees are also incentivised through annual variable bonus awards that are tied to a variety of financial and non-financial measures and key staffs are eligible for a Long-Term Incentive Scheme. The NRC has ensured that the Manager's compensation programme conforms to the Financial Stability Board's (FSB) principles for sound compensation practices as well as the FSB's implementation standards. The FSB is an international body endorsed by the G20 nations that monitors and makes recommendations about the global financial system. The FSB's set of principles were developed in 2009 to align compensation with prudent risk-taking.

Long Term Incentive Scheme
The Long-Term Incentive Scheme is designed to motivate the performance of management personnel, and promote greater alignment of interests with Unitholders. Based on Manulife's internal equity policy, the CEO and Key Management Personnel of the Manager are granted Restricted Share Units (RSUs) under the Long-Term Incentive Scheme which has been linked to MUST Units from its listing in 2016 onwards. MUST RSUs are vested on a three-year cycle. The RSUs entitles the holder to receive payment in cash linked to the value of the MUST Units at the time of vesting. No employee share option schemes or share schemes have been implemented by MUST. The Long-Term Incentive Scheme has been put in place to increase the Manager's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term Unitholder value.

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

No long-term incentives in the form of Stock Option Plans, which permit the option holder to purchase shares in MFC, were granted by MFC to the Non-Independent Non-Executive Director, Mr Marc Lawrence Feliciano for FY2023.

Mr Marc Lawrence Feliciano's holdings in MFC shares are non-material. Furthermore, there is unlikely to be any potential misalignment of interests given that Mr Marc Lawrence Feliciano acts as a Non-Independent Non-Executive Director and does not hold executive positions in the Manager. As Non-Independent Director, he would in any event have to abstain from approving and recommending any Interested Person Transactions and Interested Party Transactions (Related Party Transactions) with an entity within the Manulife Group, mitigating any potential misalignment of interests with those of Unitholders.

Remuneration of Directors
The Directors' fees consist of a base retainer fee as a Director and an additional fee for serving on Board Committees. This serves to compensate the Directors according to the level of responsibility, time and effort required for their role. For Non-Executive Directors, the remuneration is appropriate to their level of contribution, taking into account factors such as effort, time spent, and responsibilities. The Directors' remuneration package is benchmarked to the market to ensure competitiveness and is reviewed annually. There were no changes in the Directors' Fees framework for FY2023. All fees are paid in cash directly by the Manager, not by Unitholders.

The NRC and the Board have given assurance that the level and structure of remuneration of Directors align with the long-term interests and risk management policies of MUST for FY2023.

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

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

(a) the remuneration of the CEO and each individual Director on a named basis; and

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

Provision 8.1 of the CG Code requires an issuer to disclose the CEO's exact remuneration amount and the requisite remuneration band for each of the other Key Management Personnel (who are not also Directors or the CEO). The Manager has assessed carefully and decided not to disclose the dollar remuneration of the CEO and the aggregate total remuneration paid to the top five executive officers (which shall not include the CEO and executive officers who are Directors) for the following reasons:

- remuneration matters are highly confidential and sensitive;

- with keen competition for the limited talent pool in the Singapore REIT management industry, such disclosures may result in talent retention issues;

- the Manager is of the view that such non-disclosure will not be prejudicial to the interests of Unitholders as the information provided regarding the Manager's remuneration policies, structure and composition of remuneration and procedures for determining remuneration is sufficient to enable Unitholders to understand the alignment of remuneration paid to the CEO and the key executive officers with the performance of MUST and value creation for Unitholders; and

- remuneration of the Manager's CEO and the key executive officers is paid out of the fees which the Manager receives from MUST and not by MUST.

The Manager is of the view that its practice of disclosing the aforementioned information and the other disclosures in this Report is consistent with the intent of Principle 8 of the CG Code and provides sufficient information and transparency to the Unitholders on the Manager's remuneration policies and the level and mix of remuneration, the procedure for setting remuneration and the relationship between remuneration, performance and value creation.

The framework for determining the Directors' fees is set out in the table below.

	Chairman	Member
Main Board	S$80,000 per annum	S$50,000 per annum
ARC	S$25,000 per annum	S$15,000 per annum
NRC	S$20,000 per annum	S$10,000 per annum

Note: Attendance fee on a per day basis is payable for participation in meetings of the Board/Board Committees, project meetings and verification meetings. Attendance fees are paid up to a maximum of S$15,000 per annum and each Director may receive up to 20% of his/her fee in the form of Units.

The Directors' fees for FY2023 are set out in the table below. Non-Executive Directors who are full-time employees of the Manulife Group do not receive any Directors' fees.

Name of Directors	Fees for FY2023 (S$)	Variable or Performance Related Income/Bonuses	Benefits-in-Kind
Stephen James Blewitt[1]	33,346	–	–
Koh Cher Chiew Francis	94,700	–	–
Veronica Julia McCann	93,000	–	–
Choo Kian Koon	88,800	–	–
Karen Tay Koh	82,400	–	–

1. Stephen James Blewitt retired from Manulife Group as an employee on 30 June 2023 and resigned from the Board on 26 October 2023. His director's fee is pro-rated accordingly.

CORPORATE GOVERNANCE

There is no employee who is a substantial Unitholder of MUST or substantial shareholder of the Manager, or immediate family member of a Director, the CEO, a substantial Unitholder of MUST or a shareholder of the Manager, and whose remuneration exceeds S$100,000 for FY2023.

2023 Remuneration Band and Names of CEO and Executive Officers	Base Salary Inclusive of Employer's CPF	Variable or Performance-Related Bonus Inclusive of Employer's CPF[1]	Benefits-in-Kind	RSUs[2]
S$750,001 to S$1,000,000				
Tripp Gantt	60%	38%	2%	NA
S$500,001 to S$750,000				
Caroline Fong	62%	31%	2%	5%
Patrick Browne	52%	38%	7%	3%
Robert Wong	68%	27%	1%	4%
S$250,000 to S$500,000				
Choong Chia Yee	72%	23%	3%	2%
Daphne Chua	67%	27%	2%	4%
Total for CEO and Executive Officers	**S$3,702,816**			

1. The amounts disclosed relates to bonuses paid in 2023.
2. The RSUs granted to eligible employees with MUST units vested in 2020 and 2022, and paid in 2023.

(C) Accountability and Audit

Risk Management and Internal Controls

Principle 9

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

The Manager has put in place a system of internal controls including financial, operational, compliance and information technology controls and risk management processes to manage risk and safeguard the interests of Unitholders. The Manager employs an enterprise-wide approach to all risk-taking and risk management activities, adopting an Enterprise Risk Management (ERM) Framework which has been reviewed by the ARC and approved by the Board. The Board determines the nature and extent of the significant risks which MUST is willing to take in achieving its strategic objectives and value creation. Details of the Manager's ERM framework can be found on pages 60 to 65 of this Annual Report.

In respect of FY2023, the Board has received assurance from:

(a) the CEO and CFO of the Manager that the financial records of MUST have been properly maintained and the financial statements for the financial year ended 31 December 2023 give a true and fair view of MUST's operations and finances; and

(b) the CEO and CFO of the Manager (being the key management personnel responsible for risk management and internal control systems) that MUST's internal controls, including financial, operational, compliance and information technology controls and risk management systems are adequate and effective.

Based on the risk management and internal control systems established and maintained by the Manager, reviews conducted by internal auditors and external auditors as well as management and the ARC's review of the above assurance from the CEO and CFO pursuant to Rule 1207(10) of the Listing Manual, the Board, with the concurrence of the ARC, is of the opinion that MUST's risk management systems and systems of internal controls were adequate and effective in addressing financial, operational, compliance and information technology risks for the financial year ended 31 December 2023.

Whistle-Blowing Policy

The Manager has put in place a Whistle-Blowing Policy which sets out the procedures for its employees and any other persons to make a report to the Manager on misconduct or wrongdoings relating to the Manager and its officers, and serves to encourage its employees to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence. The Whistle-Blowing Policy is available on MUST's website at https://www.manulifeusreit.sg/about#policy_procedure. The objective of this policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the extent possible, be protected from reprisal. The Manager is committed to ensuring protection of the whistle-blower against detrimental or unfair treatment. The ARC is designated as an independent function to investigate all whistle-blowing reports made in good faith at its scheduled meetings. Independent, thorough investigation and appropriate follow-up actions are taken.

Concerns about illegal, unprofessional, fraudulent or other unethical behaviour may be referred to the ARC Chairman or the Ethics Hotline at www.manulifeethics.com. The ethics hotline is a phone and web-based communications tool operated by an independent company, keeping the whistle-blower's identity confidential. The Manager ensures that the identity of the whistle-blower is kept confidential. Any concerns which are not resolved by these channels may be raised with the Lead Independent Director of the Manager, or Manulife's Global Compliance Chief or General Counsel may be contacted. Accounting and auditing complaints or concerns may be forwarded in a sealed envelope on an anonymous basis, addressed to the ARC Chairman. Following a review of the complaint or concern, the ARC Chairman, where appropriate, will take steps to have the matter investigated and, if warranted, will request that the Board and management implement corrective measures. The ARC is responsible for oversight and monitoring of all matters regarding whistle-blowing. No whistle-blowing incident was reported for FY2023.

Dealings in Units

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

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

- in the period commencing one month before the public announcement of MUST's half year and full year results and property valuations, in a prescribed embargo period immediately preceding, and up to the time of each public announcement of MUST's financial results and property valuations during a financial year;

- at any time while in possession of price sensitive information.

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

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

Potential Conflicts of Interest

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

- the Manager will not manage any other REIT which invests in the same type of properties as MUST;

- all executive officers work exclusively for the Manager and do not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager;

- all resolutions in writing of the Directors in relation to matters concerning MUST must be approved by at least a majority of the Directors (excluding any interested Director), including at least one Independent Director;

- at least half the Board comprises Independent Directors;

- in respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director will abstain from deliberation and voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;

- in respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude nominee Directors of the Sponsor and/or its subsidiaries;

- as to resolutions relating to the removal of the Manager, the Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the Manager and/or any of its associates has a material interest; and

- it is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of MUST with an interested person and/or, as the case may be, an interested party of the Manager (Related Party), the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of MUST, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors (including the IDs) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of the REIT with a Related Party of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

Related Party Transactions

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all Related Party Transactions:

- will be undertaken on normal commercial terms; and

- will not be prejudicial to the interests of MUST and the Unitholders.

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

- obtaining (where practicable) quotations from parties unrelated to the Manager; or

- obtaining two or more valuations from independent professional valuers (in compliance with the Property Funds Appendix).

The Manager maintains a register to record all Related Party Transactions which are entered into by MUST and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into. Interested person transactions undertaken during the financial year are set out on page 179 of this Annual Report.

The Manager also incorporates into its internal audit plan a review of all Related Party Transactions entered into by MUST. The ARC reviews the internal audit reports at least once a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee also has the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with.

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

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

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

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

Where matters concerning MUST relate to transactions entered into or to be entered into by the Trustee for and on behalf of MUST with a Related Party of the Manager (which would include relevant Associates (as defined in the Listing Manual) thereof) or MUST, the Trustee is required to consider the terms of the transactions to satisfy itself that such transactions are conducted:

- on normal commercial terms;

- are not prejudicial to the interests of MUST and the Unitholders; and

- are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

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

MUST will comply with Rule 905 of the Listing Manual by announcing any interested person transaction in accordance with the Listing Manual if the value of such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of MUST's latest audited 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 on page 179 of the Annual Report.

The ARC will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control system, the relevant provisions of the Listing Manual, and the Property Funds Appendix. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the ARC.

Audit Committee

Principle 10
The Board has an Audit Committee which discharges its duties objectively.

ARC

The ARC is governed by a set of written terms of reference approved by the Board, setting out its scope of authority and responsibilities in performing its functions. The ARC comprises three Directors, all of whom are Independent Directors resident in Singapore. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains. None of the ARC members are former partners or directors of the incumbent external auditors, Ernst & Young LLP (EY). The ARC also does not comprise any member who has any financial interest in EY.

CORPORATE GOVERNANCE

The members of the ARC as at 31 December 2023 were:

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

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

The ARC's responsibilities also include:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to interested person transactions;

- reviewing transactions constituting Related Party Transactions;

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of MUST and any announcements relating to MUST's financial performance;

- reviewing on an annual basis a report on conflict decisions regarding asset allocation, pursuant to the Sponsor's allocation process;

- deliberating on conflicts of interest situations involving MUST, including situations where the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of MUST with a Related Party (as defined herein) of the Manager and where the Directors, controlling shareholders of the Manager and associates are involved in the management of or have shareholding interests in similar or related businesses as the Manager, and in such situations, the ARC will monitor the investments by these individuals in MUST's competitors, if any, and will make an assessment whether there is any potential conflict of interest;

- reviewing the results and scope of external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;

- reviewing the policy and arrangements by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action;

- reviewing internal audit reports at least once a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;

- ensuring that the internal audit and accounting function is adequately resourced and has appropriate standing with MUST;

- reviewing on an annual basis, the adequacy and effectiveness of the internal audit function in the overall context of MUST's risk management system;

- reviewing the statements included in MUST's Annual Report on its internal controls and risk management framework;

- the appointment, reappointment or removal of internal auditors (including the review of their fees and scope of work);

- monitoring the procedures in place to ensure compliance with applicable legislation, regulations, the Listing Manual and the Property Funds Appendix;

- making recommendations to the Board on the proposals for the selection, appointment, reappointment, resignation and removal of the external auditor based on a thorough assessment of the external auditors' functioning;

- reviewing the external audit fees (remuneration and terms of engagement of the external auditors) and making recommendations to the Board on the proposal;

- reviewing the nature and extent of non-audit services performed by external auditors;

- reviewing on an annual basis, the independence and objectivity of external auditors;

- meeting with external and internal auditors, without the presence of the executive officers, at least on an annual basis;

- assisting the Board to oversee the formulation, updating and maintenance work of an adequate and effective risk management framework;

- reviewing at least annually the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls and risk management processes;

- reviewing the financial statements and the internal audit report;

- reviewing and providing their views on all hedging policies and instruments to be implemented by MUST to the Board;

- reviewing the assurances from the CEO and CFO on the financial records and financial statements;

- reviewing and approving the procedures for the entry into any foreign exchange hedging transactions and monitoring the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;

- investigating any matters within the ARC's terms of reference, whenever it deems necessary; and

- reporting to the Board on material matters, findings and recommendations.

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

During FY2023, the ARC reviewed and approved both the internal and external auditors' plans to ensure that the scope of audit was sufficient for purposes of reviewing the significant internal controls of MUST and the Manager. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the internal and external auditors were forwarded to the ARC. Significant issues were discussed at these meetings.

Taking cognisance that the external auditor should be free from any business or other relationships with MUST that could materially interfere with its ability to act with integrity and objectivity, the ARC undertook a review of the independence of the external auditor and gave careful consideration to MUST's relationships with them during FY2023. In determining the independence of the external auditor, the ARC reviewed all aspects of MUST's relationships with it, including the processes, policies and safeguards adopted by MUST and the external auditor relating to audit independence. The ARC also considered the nature of the provision of the non-audit services in FY2023 and the corresponding fees and ensured that the fees for such non-audit services did not affect the independence of the external auditor. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of MUST's statutory financial audit.

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

Key Audit Matter	Review by the ARC
Valuation of investment properties	The ARC evaluated the qualifications, competence and independence of the valuers, JLL Valuation & Advisory Services, LLC, and Colliers International Valuation & Advisory Services, LLC. In addition, the ARC discussed the portfolio property valuation methodologies and assumptions used by the valuers with management, focusing on significant changes in fair value measurements and key drivers of the changes. The ARC considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and reasonableness of the underlying key assumptions applied in the valuation of investment properties. The ARC was satisfied with the valuation process, the methodologies used and the valuation of investment properties as adopted and disclosed in the financial statements as at 31 December 2023.
Going concern assessment	The ARC has discussed the key assumptions used in the going concern assessment with management, and considered the findings of the external auditors, which included the review of these assumptions and sensitivity analysis on the forecasting risks. The ARC concurred with the conclusion of management and external auditors on the going concern assessment.

The above are included as key audit matters in the Auditor's Report pages 128 to 131 of the Annual Report.

For FY2023, an aggregate amount of US$514,384 comprising non-audit service fees of US$88,775 and audit service fees of US$425,609 was paid/payable to MUST's external auditor. The non-audit fees were paid to the auditors for services rendered in relation to divestments during the year, as well as the Recapitalisation Plan.

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

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

The Manager outsourced its internal audit function to KPMG Services Pte. Ltd. (KPMG), which is staffed by qualified professionals with relevant qualifications and experience. The audit methodology is in conformance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

The ARC has considered the appropriateness of using KPMG's audit team for the internal audit function and with respect to FY2023, the ARC has reviewed and is satisfied as to the independence, adequacy and effectiveness of the internal audit function. The ARC is also of the opinion that the internal audit function is independent, effective and adequately resourced.

(D) Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings

Principle 11
The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Shareholders

Principle 12

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

The Manager is committed to promoting regular and effective communication with Unitholders in order to allow them to make informed and sound investment decisions. The Trust Deed is available for inspection at the Manager's office (prior appointment would be appreciated). All announcements such as press releases, presentation slides, annual and sustainability reports and financial statements are uploaded onto SGXNet in a timely and accurate manner. This information is concurrently available at www.manulifeusreit.sg. Additionally, webcasts of analyst and media briefings are also available on MUST's corporate website, ensuring that investors have access to important information presented during these briefings, allowing them to stay updated and make well-informed investment decisions. Interim updates, in addition to mandatory financial statements, are also provided to Unitholders. Such updates include: discussions of the significant factors that affected MUST's interim performance, relevant market trends, and the foreseeable risks and opportunities that may have a material impact on MUST's prospects. These interim updates provide Unitholders with a better understanding of MUST's performance in the context of the current business environment. To this end, Unitholders and members of the investment community can subscribe for email alerts on MUST's corporate website to stay abreast of the latest announcements, press releases and events.

The Manager has a dedicated IR team that regularly interacts with analysts, media and investors to engage and facilitate communication. In FY2023, the Manager met with more than 2,060 investors, analysts and media through virtual conferences, calls, meetings, non-deal roadshows and webinars.

More information of the Manager's IR and media activities can be found on pages 56 to 59 of this Annual Report.

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

MUST's distribution policy is to distribute at least 90.0% of its distributable income and distributions are paid on a semi-annual basis in which the Manager determines the actual level of distribution. For every dividend declaration made, Unitholders will be notified via an announcement made through SGXNet. This distribution policy is also subject to the conditions as stipulated in Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, in that, if MUST were to declare a distribution in excess of profits, the Manager should be able to certify, in consultation with DBS Trustee Limited, in its capacity as trustee of MUST, that it is able to satisfy on reasonable grounds that, immediately after making the distribution, MUST will be able to fulfil, from the deposited property of the property fund, the liabilities of MUST as they fall due.

Pursuant to the Recapitalisation Plan set out in the circular to Unitholders dated 29 November 2023 and the entry into the Master Restructuring Agreement, Manulife US REIT will be halting distributions to Unitholders till 31 December 2025, unless the early reinstatement conditions, being (i) consolidated total liabilities to consolidated total deposited properties being no more than 45%; or (ii) consolidated total liabilities to consolidated total deposited properties being more than 45% but not more than 50% and the interest coverage ratio is more than 2.5 times, and there are no potential events of default continuing for at least one financial quarter (the "Early Reinstatement Conditions"), are achieved earlier.

The Manager is committed to providing Unitholders with the opportunity to participate effectively in and vote at general meetings, and also informs Unitholders of the rules governing such general meetings.

The forthcoming AGM will be held in a wholly physically format on 18 April 2024. There will be no options for Unitholders to participate in the AGM virtually. Details of the AGM on 18 April 2024, including physical attendance at the AGM and submission of questions to the Chairman of the Meeting in advance of the AGM by Unitholders are set out in the Notice of AGM dated 27 March 2024 and may be accessed at MUST's website at https://www.manulifeusreit.sg and on the SGX website at https://www.sgx.com/securities/company-announcements.

Unitholders may download the Annual Report and/or circulars at MUST's website at https://www.manulifeusreit.sg, prior to the convening of general meetings. In line with MUST's ongoing commitment to protect the environment, the Manager will only provide printed copies of the Annual Report and circulars upon request from Unitholders, who may request for such physical copies to be despatched by way of a request form. Notices of general meetings will also be accessible at MUST's website at https://www.manulifeusreit.sg and on the SGX website at https://www.sgx.com/securities/company-announcements. The rationale and explanation for each agenda item which requires Unitholders' approval at a general meeting are provided in the notice of the general meeting issued to Unitholders prior to the convening of the general meeting. This enables Unitholders to exercise their votes on an informed basis.

Provision 11.4 of the CG Code requires an issuer's constitution to allow for absentia voting at general meetings of Unitholders. MUST's Trust Deed currently does not permit Unitholders to vote at general meetings in absentia (such as via mail or email). The Manager will consider implementing the relevant amendments to MUST's Trust Deed to permit absentia voting after it has carried out careful study and is satisfied that the integrity of information and the authentication of the identity of Unitholders through the internet will not be compromised, and after the implementation of legislative changes to recognise remote voting.

The Manager is of the view that despite the deviation from Provision 11.4 of the Code, Unitholders nevertheless have opportunities to communicate their views on matters affecting MUST even when they are not in attendance at general meetings. For example, Unitholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings.

Unitholders are strongly encouraged to communicate their views on matters pertaining to MUST. Prior to the AGM, Unitholders are encouraged to email all substantial and relevant questions to the Chairman of the AGM and may do so via email to srs.teamE@boardroomlimited.com with the subject title "MUST AGM Questions". Unitholders will be able to raise questions on the motions being considered at these meetings where representatives of the Directors (including Chairman of the Board, ARC and NRC) and senior management will be present to address their questions and clarify any issues on the proposed resolutions. Five out of six Directors attended the general meeting held during their tenure in FY2023. Directors' attendance at such meetings held during the financial year is disclosed on page 106 of this Annual Report. The external auditors are also present to address enquiries on the audit and financial statements of MUST.

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

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

(E) Managing Stakeholders' Relationships

Engagement with Stakeholders

Principle 13

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

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

MUST's stakeholders include employees, investment community, local community, tenants, regulators and industry associations and business partners. MUST is able to strengthen its relationships with its stakeholders and obtain valuable feedback through open and regular communications, and has tailored various engagement initiatives to meet stakeholders' needs.

More information of MUST's key engagement initiatives, performance and targets set for the forthcoming year can be found on page 92 of this Annual Report.

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

FINANCIAL STATEMENTS

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REPORT OF THE TRUSTEE

For the year ended 31 December 2023

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Manulife US Real Estate Investment Trust (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the holders of units ("Unitholders") in the Trust. In accordance with the Securities and Futures Act 2001, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Manulife US Real Estate Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries during the period covered by these financial statements set out on pages 132 to 178, 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

Chan Kim Lim
Director

Singapore
13 March 2024

STATEMENT BY THE MANAGER

For the year ended 31 December 2023

In the opinion of the directors of Manulife US Real Estate Management Pte. Ltd. (the "Manager"), the manager of Manulife US Real Estate Investment Trust (the "Trust"), the accompanying financial statements set out on pages 132 to 178 comprising the Statements of Financial Position of the Trust and its subsidiaries (the "Group") and the Trust as at 31 December 2023, the Statements of Changes in Unitholders' Funds of the Group and the Trust, and the Consolidated Statement of Comprehensive Income, Distribution Statement, Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2023, Statement of Portfolio of the Group as at 31 December 2023 and notes to the financial statements are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2023, the consolidated financial performance, distribution, consolidated cash flows, consolidated changes in unitholders' funds and portfolio holdings of the Group, and changes in unitholders' funds of the Trust, in accordance with the International Financial Reporting Standards and the provisions of the Trust Deed between DBS Trustee Limited and the Manager dated 27 March 2015 (as amended and restated) and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet the respective financial obligations as and when they materialise.

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

Marc Lawrence Feliciano
Director

Singapore
13 March 2024

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") and its subsidiaries (collectively, the "Group"), which comprise the Statements of Financial Position of the Group and the Trust as at 31 December 2023, the Statements of Changes in Unitholders' Funds of the Group and the Trust, and the Consolidated Statement of Comprehensive Income, Distribution Statement, Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2023, Statement of Portfolio of the Group as at 31 December 2023 and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the Statement of Financial Position and the Statement of Changes in Unitholders' Funds of the Trust are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs"), relevant provisions of the Trust Deed and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore (the "MAS"), so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2023, the consolidated financial performance, distributions, consolidated cash flows, consolidated changes in unitholders' funds and portfolio holdings of the Group, and changes in unitholders' funds of the Trust for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Going concern assessment
The Group reported a net loss of US$380.0 million for the year ended 31 December 2023, which is largely attributed by the net fair value decrease in investment properties of US$438.6 million during the period. As disclosed in Notes 2.2, 6, 9 and 21 to the financial statements, the Group has undergone a restructuring of existing credit facilities through a recapitalisation plan set out in the circular to Unitholders dated 29 November 2023 ("Recapitalisation Plan") pursuant to the Group's breach of financial covenants during the financial year.

The consolidated financial statements have been prepared on a going concern basis. Management's assessment of the Group's ability to continue as a going concern considers the Group's available funds, ability to generate sufficient operating cash flows, and the Group's ability to continue meeting its obligations and covenants under the Recapitalisation plan and its existing loans and borrowings. As management's going concern assessment is a significant aspect of our audit, we have identified this as a key audit matter.

Key Audit Matters (cont'd)

As part of our audit, we discussed with management and reviewed relevant documents relating to its Recapitalisation Plan to obtain an understanding of its implementation and implications to the Group's ability to meet its financial obligations and debt covenants. We tested the Group's compliance with debt covenants applicable on the reporting date and evaluated the uncertainties related to the Group's ability to continue meeting the covenants, including those affected by the valuation of the Group's investment properties that is discussed in the following section.

We obtained management's cash flow forecast prepared for the purpose of the going concern assessment, evaluated the reasonableness of the key assumptions used in the forecast, including but not limited to net property income, finance expenses, capital expenditures, loan repayments, reserves and payments related to the Recapitalisation Plan. We reviewed the contracts and agreements related to these key assumptions and performed sensitivity analysis to evaluate the forecasting risk involved in management's cash flow forecast prepared for the purpose of the going concern assessment. We also assessed the adequacy of disclosures in Note 2.2, 9 and 21 to the financial statements.

Valuation of investment properties
As at 31 December 2023, the carrying amount of investment properties was US$1,411.8 million which accounted for 88.9% of total assets. The valuation of the investment properties is significant to our audit due to the magnitude and the complexity of the valuation which is highly dependent on a range of estimates made by the external appraisers engaged by the Manager. As disclosed in Note 6 to the financial statements, valuations of investment properties are sensitive to changes in the significant unobservable inputs, particularly those relating to market rents, discount rates and capitalisation rates. This is aggravated by an increase in the level of estimation uncertainty and judgement required arising from the rapid changes in market and economic conditions. Accordingly, we have identified this as a key audit matter.

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

We involved our internal real estate and valuation specialists to assist us in assessing the appropriateness of the valuation model and the reasonableness of the significant assumptions by reference to historical rates and market data. Our procedures also included checking the reliability of property related data used by the external appraisers, assessing the appropriateness of the valuation techniques and basis for the significant assumptions used, including key valuation adjustments made by the external valuers in response to the changes in market and economic conditions. We assessed the overall reasonableness of the movements in fair value of the investment properties and the associated deferred tax consequences. We also assessed the adequacy of disclosures in Note 6 to the financial statements, which includes disclosures on the management's plan to dispose certain assets after year-end as part of the Recapitalisation Plan and the estimation uncertainty in respect to the valuations and carrying amount of the investment properties as at 31 December 2023.

Other Information

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

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

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

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of financial statements in accordance with the IFRSs, relevant provisions of the Trust Deed and relevant requirements of the CIS Code issued by the MAS, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Low Yen Mei.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
13 March 2024

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Note	Group		Trust	
		2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
Current assets					
Cash and cash equivalents	4	127,145	112,863	96,513	10,350
Prepayments		2,133	1,669	165	54
Trade and other receivables	5	13,926	5,399	279	42,304
Financial derivatives	10	2,584	1,264	2,584	1,264
		145,788	121,195	99,541	53,972
Non-current assets					
Investment properties	6	1,411,800	1,947,000	–	–
Investment in subsidiaries	7	–	–	1,410,170	1,848,645
Financial derivatives	10	30,682	47,655	30,682	47,655
		1,442,482	1,994,655	1,440,852	1,896,300
Total assets		1,588,270	2,115,850	1,540,393	1,950,272
Current liabilities					
Trade and other payables	8	38,222	31,268	11,742	6,076
Loans and borrowings	9	49,880	144,635	49,880	39,700
Security deposits		819	390	–	–
Rent received in advance		9,912	8,107	–	–
		98,833	184,400	61,622	45,776
Non-current liabilities					
Trade and other payables	8	4,728	2,369	–	–
Loans and borrowings	9	870,443	884,350	870,443	884,350
Security deposits		3,950	4,262	–	–
Preferred units	11	904	1,078	–	–
Deferred tax liabilities	12	777	19,075	–	–
		880,802	911,134	870,443	884,350
Total liabilities		979,635	1,095,534	932,065	930,126
Net assets attributable to Unitholders		608,635	1,020,316	608,328	1,020,146
Represented by:					
Unitholders' Fund		608,635	1,020,316	608,328	1,020,146
Net assets attributable to Unitholders		608,635	1,020,316	608,328	1,020,146
Units in issue and to be issued ('000)	13	1,835,124	1,798,425	1,835,124	1,798,425
Net asset value per Unit (US$) attributable to Unitholders	14	0.33	0.57	0.33	0.57

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	Group 2023 US$'000	Group 2022 US$'000
Gross revenue	15	208,025	202,559
Property operating expenses	16	(93,419)	(89,396)
Net property income		114,606	113,163
Interest income		617	46
Manager's base fee		(7,833)	(8,787)
Trustee's fee		(267)	(304)
Other trust expenses	17	(2,970)	(2,397)
Finance expenses	18	(46,020)	(33,935)
Net income before tax and fair value changes		58,133	67,786
Net fair value change in derivatives		(15,653)	48,008
Net fair value change in investment properties	6	(438,561)	(263,631)
Loss on disposal of investment properties		(908)	–
Net loss for the year before tax		(396,989)	(147,837)
Tax income	19	17,026	18,116
Net loss for the year attributable to Unitholders		(379,963)	(129,721)
Earnings per Unit ("EPU") (US cents)			
Basic and diluted EPU	20	(21.39)	(7.34)

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

DISTRIBUTION STATEMENT

For the year ended 31 December 2023

	Group 2023 US$'000	Group 2022 US$'000
Amount available for distribution to Unitholders at the beginning of the year	38,075	5,682
Net loss for the year	(379,963)	(129,721)
Distribution adjustments (Note A)	454,255	217,591
Income available for distribution to Unitholders for the year	74,292	87,870
Amount available for distribution to Unitholders	112,367	93,552
Distributions to Unitholders:		
– Distribution of US 0.32 cent per Unit for the period from 9 December 2021 to 31 December 2021	–	(5,613)
– Distribution of US 2.61 cents per Unit for the period from 1 January 2022 to 30 June 2022	–	(46,043)
– Distribution of US 2.14 cents per Unit for the period from 1 July 2022 to 31 December 2022	(38,019)	–
Total distribution to Unitholders	(38,019)	(51,656)
Amount available for distribution to Unitholders at the end of the year	74,348	41,896
Distribution amount to Unitholders (after retention) at the end of the year[1]	–	38,075
Number of Units in issue at the end of the year ('000)	1,776,565	1,776,565
Distribution per Unit ("DPU") (US cents):		
– DPU (after retention)[2]	–	4.75
Note A – Distribution adjustments comprise:		
– Property related non-cash items[3]	8,346	4,350
– Amortisation of upfront debt-related transaction costs[4]	2,121	1,696
– Manager's base fee paid/payable in Units[5]	3,795	8,787
– Property Manager's management fee paid/payable in Units[5]	2,506	5,190
– Trustee's fee	267	304
– Net fair value change in derivatives	15,653	(48,008)
– Net fair value change in investment properties	438,561	263,631
– Loss on disposal of investment properties	908	–
– Deferred tax income	(18,298)	(18,186)
– Other items[6]	396	(173)
Distribution adjustments	454,255	217,591

1 Manulife US REIT's distribution policy is to distribute at least 90% of its annual distributable income. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager. However, pursuant to the Recapitalisation Plan and the entry into the master restructuring agreement as announced on 18 December 2023 (the "Master Restructuring Agreement") and further disclosed in Note 2.2, Manulife US REIT will be halting distributions to Unitholders till 31 December 2025, unless the early reinstatement conditions, being (i) consolidated total liabilities to consolidated total deposited properties being no more than 45%; or (ii) consolidated total liabilities to consolidated total deposited properties being more than 45% but not more than 50% and the interest coverage ratio is more than 2.5 times, and there are no potential events of default continuing for at least one financial quarter (the "Early Reinstatement Conditions"), are achieved earlier.

2 The DPU relates to the distributions in respect of the relevant financial year. The distribution for the period from 1 July 2022 to 31 December 2022 was paid in 2023.

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

4 Upfront debt-related transaction costs and costs incurred in relation to the Master Restructuring Agreement are amortised over the life of the loans and borrowings.

5 The Manager has elected to receive 100% payment of the Manager's base fee in the form of cash commencing from 1 July 2023. The Property Manager has also elected to receive 100% payment of the property management fee in the form of cash commencing 1 July 2023 as directed by each of the property holding U.S. entities of the Group.

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

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 December 2023

	Note	Attributable to Unitholders Units in issue and to be issued US$'000	Accumulated losses US$'000	Total US$'000
Group				
At 1 January 2023		1,234,544	(214,228)	1,020,316
Operations				
Net loss for the year		–	(379,963)	(379,963)
Net decrease in net assets resulting from operations		–	(379,963)	(379,963)
Unitholders' transactions				
Issue of new Units:				
– Manager's base fee paid/payable in Units		3,795	–	3,795
– Property Manager's management fee paid/ payable in Units		2,506	–	2,506
Distribution		–	(38,019)	(38,019)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		6,301	(38,019)	(31,718)
At 31 December 2023		1,240,845	(632,210)	608,635
At 1 January 2022		1,228,500	(40,784)	1,187,716
Operations				
Net loss for the year		–	(129,721)	(129,721)
Net decrease in net assets resulting from operations		–	(129,721)	(129,721)
Unitholders' transactions				
Issue of new Units:				
– Manager's base fee paid/payable in Units		8,787	–	8,787
– Property Manager's management fee paid/ payable in Units		5,190	–	5,190
Distributions	13	(7,933)	(43,723)	(51,656)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		6,044	(43,723)	(37,679)
At 31 December 2022		1,234,544	(214,228)	1,020,316

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 December 2023

	Note	Units in issue and to be issued US$'000	Accumulated losses US$'000	Total US$'000
Trust				
At 1 January 2023		1,234,544	(214,398)	1,020,146
Operations				
Net loss for the year		–	(380,100)	(380,100)
Net decrease in net assets resulting from operations		–	(380,100)	(380,100)
Unitholders' transactions				
Issue of new Units:				
– Manager's base fee paid/payable in Units		3,795	–	3,795
– Property Manager's management fee paid/payable in Units		2,506	–	2,506
Distribution		–	(38,019)	(38,019)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		6,301	(38,019)	(31,718)
At 31 December 2023		1,240,845	(632,517)	608,328
At 1 January 2022		1,228,500	(66,052)	1,162,448
Operations				
Net loss for the year		–	(104,623)	(104,623)
Net decrease in net assets resulting from operations		–	(104,623)	(104,623)
Unitholders' transactions				
Issue of new Units:				
– Manager's base fee paid/payable in Units		8,787	–	8,787
– Property Manager's management fee paid/payable in Units		5,190	–	5,190
Distributions	13	(7,933)	(43,723)	(51,656)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		6,044	(43,723)	(37,679)
At 31 December 2022		1,234,544	(214,398)	1,020,146

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	Group 2023 US$'000	Group 2022 US$'000
Cash flows from operating activities			
Net loss for the year before tax		(396,989)	(147,837)
Adjustments for:			
Amortisation	6	8,346	4,350
Net change in provision for expected credit losses	5	634	1,003
Interest income		(617)	(46)
Finance expenses	18	46,020	33,935
Manager's base fee paid/payable in Units		3,795	8,787
Property Manager's management fee paid/payable in Units		2,506	5,190
Net fair value change in derivatives		15,653	(48,008)
Net fair value change in investment properties	6	438,561	263,631
Loss on disposal of investment properties		908	–
Net unrealised foreign exchange gains		(42)	(27)
Operating income before working capital changes		118,775	120,978
Changes in working capital:			
Trade and other receivables		(9,161)	(852)
Prepayments		(464)	(225)
Trade and other payables		10,574	1,691
Security deposits		117	547
Rent received in advance		1,805	88
Cash from operating activities		121,646	122,227
Tax paid		(90)	(65)
Interest paid		(44,735)	(30,174)
Net cash from operating activities		76,821	91,988
Cash flows from investing activities			
Proceeds from disposal of investment properties (net of transaction costs)		130,441	–
Payment for capital expenditure and other costs related to investment properties		(44,475)	(25,414)
Interest received		617	46
Net cash from/(used in) investing activities		86,583	(25,368)
Cash flows from financing activities			
Proceeds from issuance of preferred units	11	–	345
Redemption of preferred units	11	(253)	–
Payment of transaction costs relating to preferred units	11	–	(92)
Proceeds from loans and borrowings	9	242,000	380,400
Repayment of loans and borrowings	9	(349,000)	(322,716)
Payment of transaction costs relating to loans and borrowings, including costs incurred in relation to the Master Restructuring Agreement	9	(3,882)	(1,688)
Distributions paid to Unitholders		(38,019)	(88,618)
Movement in interest reserve account		(22,419)	–
Net cash used in financing activities		(171,573)	(32,369)
Net (decrease)/increase in cash and cash equivalents		(8,169)	34,251
Cash and cash equivalents at beginning of the year		112,863	78,581
Effect of exchange rate fluctuations on cash held in foreign currency		32	31
Cash and cash equivalents at end of the year	4	104,726	112,863

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

STATEMENT OF PORTFOLIO

As at 31 December 2023

Description of Property	Tenure of Land	Occupancy Rate[1] as at 31 December 2023 %	Occupancy Rate[1] as at 31 December 2022 %	Fair Value as at 31 December 2023 US$'000	Fair Value as at 31 December 2022 US$'000	Percentage of Total Net Assets as at 31 December 2023 %	Percentage of Total Net Assets as at 31 December 2022 %
Group							
Commercial Office Properties							
Figueroa	Freehold	81.9	76.3	139,000	211,000	22.8	20.7
Michelson	Freehold	83.3	90.7	240,000	292,000	39.4	28.6
Peachtree	Freehold	78.9	84.7	171,000	205,000	28.1	20.1
Plaza	Freehold	83.4	91.1	58,000	92,000	9.5	9.0
Exchange	Freehold	86.6	86.2	234,000	290,000	38.5	28.4
Penn	Freehold	90.9	90.9	108,000	156,000	17.8	15.3
Phipps	Freehold	78.8	94.5	176,000	210,000	28.9	20.6
Centerpointe	Freehold	86.4	88.1	75,800	101,000	12.5	9.9
Capitol	Freehold	86.6	85.4	158,000	190,000	26.0	18.6
Diablo	Freehold	93.7	91.1	52,000	63,500	8.5	6.2
Total investment properties, excluding Tanasbourne and Park Place				1,411,800	1,810,500	232.0	177.4
Tanasbourne[2]	Freehold	–	100.0	–	33,500	–	3.3
Park Place[3]	Freehold	–	100.0	–	103,000	–	10.1
Total investment properties				**1,411,800**	**1,947,000**	**232.0**	**190.8**
Other assets and liabilities (net)				(803,165)	(926,684)	(132.0)	(90.8)
Net assets				**608,635**	**1,020,316**	**100.0**	**100.0**

1 Based on committed leases.
2 The divestment of Tanasbourne was completed on 11 April 2023 (U.S. time).
3 The divestment of Park Place was completed on 15 December 2023 (U.S. time).

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

These notes form an integral part of the financial statements.

1 GENERAL

Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") is a Singapore real estate investment trust constituted pursuant to a trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") made between Manulife US Real Estate Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group" and individually as "Group entities".

The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 May 2016.

The registered office and principal place of business of the Manager is located at 8 Cross Street, #16-03 Manulife Tower, Singapore 048424.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The primary objective of the Group is to provide Unitholders with regular and stable distributions and to achieve long-term growth in distributions and the net asset value per Unit, while maintaining an appropriate capital structure.

The consolidated financial statements relate to the Trust and its subsidiaries.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(a) Manager's fees

The Manager is entitled under the Trust Deed to receive the following remuneration for the provision of asset management services:

Base fee

Pursuant to the Trust Deed, the Manager is entitled to a base fee of 10.0% per annum of Trust's annual distributable income (calculated before accounting for the base fee and the performance fee). The base fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 100.0% of its base fee in the form of cash for the period from 1 July 2023 to 31 December 2023. For the period from 1 January 2023 to 30 June 2023, and the financial year ended 31 December 2022, the Manager has elected to receive 100.0% of its base fee in the form of Units.

The portion of the base fee, payable either in the form of cash or Units, is payable semi-annually in arrears for the financial years ended 31 December 2023 and 31 December 2022. Where the base fee is payable in Units, Units will be issued based on the volume weighted average price for a Unit for all trades transacted on SGX-ST in the ordinary course of trading for a period of 10 business days (as defined in the Trust Deed) immediately preceding the relevant business day.

Performance fee

Pursuant to the Trust Deed, the Manager is entitled to a performance fee of 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee, but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the performance fee is payable may be less than the DPU in any preceding financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 GENERAL (CONT'D)

(a) Manager's fees (cont'd)

Performance fee (cont'd)

The performance fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

No performance fee was payable for the financial years ended 31 December 2023 and 31 December 2022.

Acquisition fee

Pursuant to the Trust Deed, the Manager is entitled to receive an acquisition fee of 0.75% of the acquisition price of any real estate purchased, whether directly or indirectly through one or more subsidiaries, by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the real estate acquired) from related parties and 1.0% of the acquisition price for all other cases (or such lower percentage as may be determined by the Manager in its absolute discretion). Under Appendix 6 of the CIS Code (the "Property Funds Appendix"), in respect of any acquisition of real estate assets from interested parties, such a fee will be in the form of Units issued by the Trust at prevailing market price. Such Units may not be sold within one year from the date of their issuance. With respect to acquisitions from third parties, the acquisition fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

No acquisition fee was payable for the financial year ended 31 December 2023 and 31 December 2022.

Divestment fee

Pursuant to the Trust Deed, the Manager is entitled to receive a divestment fee of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of any real estate sold or divested, whether directly or indirectly through one or more subsidiaries, by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the real estate sold or divested).

The divestment fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager. Any payment to third party agents or brokers in connection with the disposal of any assets shall be paid to such persons out of the deposited property, and not out of the divestment fee received or to be received by the Manager.

As the Manager had waived its divestment fee in relation to the divestment of Tanasbourne and Park Place, no divestment fee was payable for the financial years ended 31 December 2023 and 31 December 2022.

(b) Trustee's fee

The Trustee's fee shall not exceed 0.1% per annum of the value of the deposited property, subject to a minimum of S$10,000 per month, excluding out-of-pocket expenses and GST, in accordance with the Trust Deed. The Trustee's fee is accrued daily and will be paid monthly in arrears in accordance with the Trust Deed. The actual fee payable will be determined between the Manager and the Trustee from time to time.

(c) Fees under the property management agreements

Under the property management agreement in respect of the properties, the property manager will provide property management services, lease management services and construction supervision services. The Property Manager is entitled to the following fees:

1 GENERAL (CONT'D)

(c) Fees under the property management agreements (cont'd)

Property management fee

The Property Manager is entitled to a monthly property management fee from each subsidiary of Hancock S-REIT Parent Corp. (the "U.S. Sub") for each property equal to the Applicable Fee Percentage (as defined herein) of the gross income from such property for each month, if any, for such month, payable monthly in arrears. The "Applicable Fee Percentage" is 2.5% for properties with greater than 300,000 square feet of net lettable area and 3.0% for properties with up to 300,000 square feet of net lettable area. The Applicable Fee Percentage for a property shall be adjusted every five years to reflect market management fees paid by owners of properties similar to such property in the same submarket to managers affiliated with owners.

The Property Management Fee is payable to the Property Manager in the form of cash and/or Units as each U.S. Sub may elect, in such proportions as may be determined by each U.S. Sub.

The U.S. Subs have elected for the Property Manager to receive 100.0% of its property management fee in the form of cash for the period from 1 July 2023 to 31 December 2023. For the period from 1 January 2023 to 30 June 2023, and the financial year ended 31 December 2022, the U.S. Subs have elected for the Property Manager to receive 100.0% of its property management fee in the form of Units.

Leasing Fee

The Property Manager is entitled to a leasing fee from each U.S. Sub equal to US$1.00 multiplied by the lettable square footage of any lease or amendment to a lease adding lettable space or extending the term (a "lease amendment") during the term of the applicable property management agreement or, as to any lease or lease amendment as to which the Property Manager shall have submitted a proposal and had direct communication with the tenant prior to expiration or earlier termination of the applicable property management agreement, if such lease or lease amendment is executed within six months thereafter; provided that no leasing fee shall be due and payable with respect to any lease amendment which merely confirms the exercise of any renewal, expansion or extension option contained in any lease and does not require material negotiation by the Property Manager, nor shall the Property Manager be entitled to any leasing fee as to any extension or renewal of a lease for a period less than one year. The leasing fee in connection with any lease or lease amendment shall be due and paid upon execution of the lease or lease amendment.

Construction Supervision Fee

The Property Manager is entitled to a construction supervision fee ("Construction Supervision Fee") from each U.S. Sub (or such U.S. Sub's taxable REIT subsidiary ("TRS") if in connection with services that are to be performed for such TRS) in connection with any construction project (including any series of related construction projects) the cost of which, excluding design fees and permit costs (the "Construction Cost"), is in excess of US$500,000 in any 12-month period, other than ordinary maintenance and repair and other than any costs incurred or improvements performed to leased premises pursuant to a lease equal to:

(i) 5.0% of the Construction Cost for any construction project (or series of related projects) between US$500,000 and US$1,000,000; and

(ii) 3.0% of the Construction Cost or any construction project (or series of related projects) in excess of US$1,000,000.

In addition, the Property Manager shall receive any construction, supervision or management fees that may be charged pursuant to a lease or otherwise relating to any alterations performed to any premises under a lease provided that the Construction Supervision Fee shall not be duplicative of any such fee.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

2.2 Basis of measurement and use of going concern assumption

The financial statements have been prepared on the historical cost basis except as otherwise disclosed in the accounting policies below.

The Group reported a net loss of US$380.0 million for the year ended 31 December 2023, which is largely attributed by the net decrease in fair value of the Group's investment properties of US$438.6 million. As disclosed in Note 9, during the financial year, the decrease in the fair value of the investment properties contributed to the Group's breach of a financial covenant imposed by the Group's lenders and limited the Group's ability to raise further debt funding. In response to these, the Group has undergone a restructuring of existing credit facilities through the Recapitalisation Plan that serves to augment the financial position and cash flows of the Group through divestment of assets, provision of long-term Sponsor-Lender Loan (as defined herein), partial repayment of existing loans, extension of maturities of existing loan facilities, waiver of past and existing breaches of financial covenants, temporary amendment of on-going financial covenants and the temporary halt of distributions to Unitholders.

The Manager has prepared the Group's financial statements on a going concern basis and have applied significant judgement in evaluating the Group's ability to meets its obligations as and when they fall due. As part of this evaluation, the Manager has considered the current and expected financial effects of the Recapitalisation Plan, the Group's continuing ability to meet the conditions, obligations and covenants under the Recapitalisation Plan and its existing loans and borrowings, the Group's available cash resources, and the cash flows forecasted to be generated from the Group's operating activities and planned divestment of assets.

2.3 Functional and presentation currency

The financial statements are presented in United States Dollars ("US$" or "USD"), which is the functional currency of the Trust. All financial information presented has been rounded to the nearest thousand (US$'000), unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements and accounting estimates in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- Note 2.2 – Basis of measurement and use of going concern assumption
- Note 5 – Measurement of expected credit losses ("ECLs") for trade receivables
- Note 6 – Valuation of investment properties
- Note 10 – Fair value of derivatives

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group uses third party appraisal firms and financial institutions to perform valuations. The Manager assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: for unadjusted prices quoted in active markets for identical assets or liabilities;
- Level 2: for inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: for inputs that are based on unobservable market data. These unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the Group's own data).

If inputs of different levels are used to measure the fair value of an asset or liability, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

3 MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Group consistently to the year presented in these financial statements.

The Group adopted the Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies from 1 January 2023, which require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in this Note.

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The accounting policies of subsidiaries have been changed where necessary to align with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency

Foreign currency transactions and balances

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity.

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical costs are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from settlement of monetary items or retranslation of monetary items at the end of reporting period are recognised in profit or loss.

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation, or both. Investment properties are not for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Investment properties are measured at cost, including transaction costs, on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The Trust Deed requires the investment properties to be valued by independent registered valuers in such manner and frequency required under the Property Funds Appendix of the CIS Code issued by the MAS.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised and the carrying amounts of the replaced components are written off to profit or loss. To the extent that lease commissions paid increase the future economic benefits of investment properties, they are capitalised as part of the assets.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the investment property) is recognised in profit or loss.

3.4 Financial instruments

Non-derivative financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group's non-derivative financial assets comprise of cash and cash equivalents and trade and other receivables, which are classified in the amortised cost measurement category.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Financial assets at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using effective interest method and are subject to impairment. Financial assets measured at amortised cost are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Non-derivative financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial liabilities as financial liabilities at amortised cost. Such financial liabilities are recognised initially at fair value and any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense, and gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Financial liabilities at amortised cost comprise trade and other payables, security deposits, loans and borrowings, and preferred units.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group does not hold or issue derivative financial instruments for trading purposes. The Group has not elected to apply hedge accounting for its derivative financial instruments.

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Preferred units

Preferred units are classified as financial liabilities if they are redeemable on a specific date or at the option of the holders of such units, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as finance expense in profit or loss as accrued.

Preferred units are recognised initially at fair value and any directly attributable transaction costs.

3.5 Impairment

Non-derivative financial assets

The Group recognises an allowance for ECLs for all trade and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating units ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that a prior loss should be reversed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

3.6 Unitholders' funds

Unitholders' funds are classified as equity.

Issuance costs relate to expenses incurred in connection with the issue of Units. These expenses are deducted directly against Unitholders' funds.

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.7 Revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rental income from operating leases

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. The difference between revenue recognised and the contractual cash received is included in the carrying value of the investment property and subsequently adjusted to fair value change in profit or loss. Tenant lease incentives are included in the cost basis of the investment property and recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

Recoveries from tenants are recognised as revenue in the period in which the applicable costs are incurred. The operating lease agreements include certain services to tenants comprising the overall property management, including common area maintenance services (such as cleaning, security, landscaping, utilities, and repairs and maintenance) as well as other administrative and support services. These services are specified in the lease agreements and separately invoiced. The Group has determined that these services constitute distinct non-lease components and are within the scope of IFRS 15 *Revenue from Contracts with Customers*. The Group has allocated the consideration in the contract to the separate lease and non-lease components on a relative basis. These services, which are provided to tenant in exchange for operating cost recoveries, are considered to be a single performance obligation delivered to tenants over time.

Lease termination fees are recognised as revenue on a straight-line basis over the remaining term of the lease once an agreement is reached with the tenant to terminate the lease and the collectability is reasonably assured.

Car park income

Car park income consists of monthly and hourly parking income. Monthly and hourly parking income are recognised on utilisation of car parking facilities. In addition, car park income represents the right to park in a determined amount of parking stalls on certain tenant leases.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

3.8 Finance expenses

Finance expenses comprise interest expense on loans and borrowings, amortisation of transaction costs incurred on the borrowings, commitment and financing fees, and dividends on preferred units that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

3.9 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.9 Tax (cont'd)

Current tax assets and liabilities are offset only if certain criteria are met.

The Group applies judgement in identifying uncertainties over income tax treatments. The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised except for:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

3 MATERIAL ACCOUNTING POLICIES (CONT'D)

3.10 Distribution Policy

Manulife US REIT's distribution policy is to distribute at least 90% of its annual distributable income. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager. Both distributions made in cash and in Units of the Trust are recorded in the Statements of Changes in Unitholders' Funds.

Pursuant to the Recapitalisation Plan and the Master Restructuring Agreement, Manulife US REIT will be halting distributions till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

3.11 Leases – As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.7.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term fixed deposits which are subject to an insignificant risk of changes in value.

3.13 Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components;
- whose operating results are regularly reviewed by the Chief Executive Officer and the directors of the Manager to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Group's investment properties comprise commercial office properties located in the United States. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in these financial statements.

3.14 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations have been issued as of the reporting date but are not yet effective for the financial year ended 31 December 2023. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
• Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
• Amendments to IAS 1: Non-current Liabilities with Covenants	1 January 2024

The Group expects that the adoption of the standards above will have no significant impact on the financial statements in the year of initial application.

4 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2023 US$'000	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**
Cash at bank	69,726	112,863	39,094	10,350
Short term fixed deposits	57,419	–	57,419	–
Total cash and cash equivalents	127,145	112,863	96,513	10,350
Less: Interest reserves[1]	(22,419)	–	(22,419)	–
Cash and cash equivalents per consolidated statement of cash flows	104,726	112,863	74,094	10,350

1 Pursuant to the Master Restructuring Agreement, Manulife US REIT is required to maintain interest reserve accounts comprising an interest reserve of six months for its loans and borrowings. The interest reserve accounts are cash collaterals charged in favour to the lenders and the use of the cash balance held within the interest reserve is restricted and is dedicated to funding the Group's interest payments for loans and borrowings in Note 9.

5 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2023 US$'000	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**
Trade receivables	13,488	3,330	–	–
Impairment losses	(1,902)	(1,304)	–	–
Trade receivables, net	11,586	2,026	–	–
Other receivables	2,340	3,373	279	3,384
Dividends receivable	–	–	–	38,920
	13,926	5,399	279	42,304

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants. The Group's historical experience in the collection of trade receivable falls within the recorded allowances, if any. Due to these factors, the Manager believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in the Group's trade receivables.

Impairment losses

The ageing of trade receivables at the end of the reporting date is as follows:

	Gross		Impairment	
	2023 US$'000	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**
Group				
Past due 0 to 1 month	11,249	1,321	17	57
Past due 1 to 3 months	357	347	196	71
Past due more than 3 months	1,882	1,662	1,689	1,176
	13,488	3,330	1,902	1,304

5 TRADE AND OTHER RECEIVABLES (CONT'D)

The movement in allowance for impairment losses recognised in respect of trade receivables during the year is as follows:

	Group	
	2023	**2022**
	US$'000	**US$'000**
As at 1 January	1,304	833
Provision for ECLs	849	1,166
Reversal of provision for ECLs	(215)	(163)
Amount written off	(36)	(532)
As at 31 December	1,902	1,304

Receivables not impaired

The Group has trade receivables amounting to US$11.6 million (2022: US$2.0 million) that are not impaired at the end of the reporting period, including a termination fee receivable of US$9.0 million which was fully received subsequent to the reporting date.

The Manager believes that no provision of ECLs is necessary in respect of the remaining trade receivables as majority of the balances are not past due or relate to creditworthy debtors and counterparties with good payment record.

The Group's and Trust's exposure to credit risk related to trade and other receivables are set out in Note 21.

6 INVESTMENT PROPERTIES

	Group	
	2023	**2022**
	US$'000	**US$'000**
Consolidated Statement of Financial Position		
As at 1 January	1,947,000	2,184,400
Capital expenditure capitalised	43,907	30,581
Disposal of investment properties	(132,200)	–
Fair value changes in investment properties	(446,907)	(267,981)
As at 31 December	1,411,800	1,947,000
Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(446,907)	(267,981)
Net effect of amortisation and straight lining	8,346	4,350
Net fair value changes recognised in the statement of comprehensive income	(438,561)	(263,631)

Investment properties comprise commercial office properties which are leased to external tenants.

6 INVESTMENT PROPERTIES (CONT'D)

Details of the investment properties as at 31 December 2023 and 31 December 2022, which are all located in United States, are set out below:

Description of property	Tenure	Location	Existing use	Appraised value 2023 US$'000	Appraised value 2022 US$'000
Group					
Los Angeles					
Figueroa	Freehold	865 South Figueroa Street, Los Angeles, California 90017	Commercial	139,000	211,000
Irvine					
Michelson	Freehold	3161 Michelson Drive, Irvine, Orange County, California 92612	Commercial	240,000	292,000
Atlanta					
Peachtree	Freehold	1100 Peachtree Street NE, Atlanta, Fulton County, Georgia 30309	Commercial	171,000	205,000
Phipps	Freehold	3438 Peachtree Road NE, Atlanta, Fulton County, Georgia 30326	Commercial	176,000	210,000
New Jersey					
Plaza	Freehold	500 and 600 Plaza Drive, Secaucus, Hudson County, New Jersey 07094	Commercial	58,000	92,000
Exchange	Freehold	10 Exchange Place, Jersey City, Hudson County, New Jersey 07302	Commercial	234,000	290,000
Washington, D.C.					
Penn	Freehold	1750 Pennsylvania Avenue NW, Washington, D.C. 20006	Commercial	108,000	156,000
Fairfax					
Centerpointe	Freehold	4000 & 4050 Legato Road, Fairfax, Virginia 22033	Commercial	75,800	101,000
Sacramento					
Capitol	Freehold	400 Capitol Mall, Sacramento, California 95814	Commercial	158,000	190,000
Tempe					
Diablo	Freehold	2900 South Diablo Way, Tempe, Arizona 85282	Commercial	52,000	63,500
Hillsboro					
Tanasbourne	Freehold	3188 & 3175 NE Aloclek Drive and 3300 NE 83rd Avenue, Hillsboro, Oregon 97124	Commercial	–	33,500

6 INVESTMENT PROPERTIES (CONT'D)

Description of property	Tenure	Location	Existing use	Appraised value 2023 US$'000	2022 US$'000
Chandler					
Park Place	Freehold	1650 & 1700 South Price Road, Chandler, Arizona 85286	Commercial	–	103,000
Total				1,411,800	1,947,000

Pursuant to the Recapitalisation Plan and Master Restructuring Agreement, the Manager is authorised to dispose the Group's existing investment properties in above list to provide funds for the Group's approved capital expenditures and repayment of outstanding loans and borrowings. During the financial year, the Group completed the divestment of the investment properties named Tanasbourne for US$33.5 million and Park Place for US$98.7 million to John Hancock Life Insurance Company (U.S.A.), an indirect wholly-owned subsidiary of the Sponsor on 11 April 2023 (U.S. time) and 15 December 2023 (U.S. time), respectively.

Under the terms and conditions of the Recapitalisation Plan and Master Restructuring Agreement, the Group is required to procure, on a best endeavours basis, the sale of the Group's properties prioritised by specified tranches, and to achieve minimum cumulative net sale proceeds targets (each a "Minimum Sale Target") by certain dates as follows:

- by 31 December 2024: Minimum cumulative net sale proceeds of US$230.0 million ("2024 Net Proceeds Target")

- by 30 June 2025: Minimum cumulative net sale proceeds of US$328.7 million (inclusive of the above 2024 Net Proceeds Target)

The minimum cumulative net sale proceeds shall be made up from the sale of up to four of the following assets, being Centerpointe, Diablo, Figueroa and Penn (collectively, the "Tranche 1 Assets") and Capitol, Exchange, Peachtree and Plaza (collectively, the "Tranche 2 Assets"), of which not more than two may be Tranche 2 Assets. Under the Master Restructuring Agreement, (A) the sale of each Tranche 1 Assets for less than the pre-approved pricing would require the approval from either (i) the sponsor-included majority lenders or (ii) all lenders (including the Sponsor-Lender), depending on how much less the asset is sold below the pre-approved pricing, (B) the sale of each Tranche 2 Assets requires the approval of either (i) the sponsor-included majority lenders or (ii) all lenders (including the Sponsor-Lender), depending on where the sale price is as compared to the latest appraisal, while (C) the sale of Michelson and/or Phipps is subject to the necessary consents under each of the respective facility agreements. The pre-approved pricing is the higher of the reference price provided in the Recapitalisation Plan and 95% of the prevailing market value.

If the 2024 Net Proceeds Target is not achieved by 31 December 2024, the Group is required to pay the higher of, a flat fee of 1% on the shortfall amount between the 2024 Net Proceeds Target and the cumulative net sale proceeds received, and an additional interest margin payment, at a rate of 0.75% per annum on the outstanding amounts under the existing facilities as at 31 December 2024 for a period of 180 days. The prior approval of the majority lenders (for the avoidance of doubt, excluding the Sponsor-Lender) is required to waive any failure to meet a Minimum Sale Target by 15% or less. Any failure to meet a Minimum Sale Target by more than 15% will have to be waived by all lenders.

For details, please refer to the key terms of the Recapitalisation Plan in paragraph 3.1 of the circular dated 29 November 2023, and the announcement on "Update On Restructuring Of The Existing Facilities" dated 13 December 2023.

6 INVESTMENT PROPERTIES (CONT'D)

The fair value measurement of the Group's investment properties at the reporting date are estimated based on the measurement of objective of IFRS 13 *Fair value measurement* i.e., to reflect the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions. Depending on the future market conditions, and the commercial considerations of the Manager and the Trustee in procuring the sale of the Group's properties under the terms and conditions of the above-mentioned Recapitalisation Plan and Master Restructuring Agreement, the actual subsequent sales proceeds from the Group's properties may be different from their fair value measurement estimated as at 31 December 2023 provided in the list above, and whose information on fair value hierarchy, the valuation techniques and inputs applied are provided below.

Measurement of fair value

(i) Fair value hierarchy

As at 31 December 2023, the investment properties, were stated at fair value based on independent valuations undertaken by JLL Valuation & Advisory Services, LLC, except for Diablo, which was undertaken by Colliers International Valuation & Advisory Services, LLC. As at 31 December 2022, all investment properties were stated at fair value based on independent valuations undertaken by JLL Valuation & Advisory Services, LLC. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values were generally calculated using the income approach. The two primary income approaches that may be used are the Discounted Cash Flow ("DCF") and the Direct Capitalisation Method ("DCM"). DCF calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine the fair value. DCM measures the relationship of value to the stabilised net operating income, normally at the first year. Both the DCF and DCM approaches convert the earnings of a property into an estimate of value. The market or direct comparison approach may also be used, which is based on sound considerations for similarity and comparability between properties. Considerations may include geographic location, physical, legal, and revenue generating characteristics, market conditions and financing terms and conditions. The final step in the appraisal process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

6 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

(ii) Level 3 fair value

Valuation techniques and significant unobservable inputs

The following table shows the significant unobservable inputs used in the measurement of fair value of investment properties:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow approach	Rental rate per square foot per year 2023: US$15.00 – US$55.00 (2022: US$15.50 – US$55.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Discount rate 2023: 7.25% – 9.75% (2022: 6.00% – 9.00%) Terminal capitalisation rate 2023: 6.50% – 8.00% (2022: 5.25% – 7.75%)	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Direct capitalisation method	Rental rate per square foot per year 2023: US$15.00 – US$55.00 (2022: US$15.50 – US$55.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Capitalisation rate 2023: 6.50% – 8.25% (2022: 5.25% – 7.75%)	Higher capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Market or Direct comparison approach	Price per square foot 2023: US$165 – US$485 (2022: US$204 – US$575)	Higher price per square foot would result in a higher fair value, while a lower price per square foot would result in a lower fair value.

The table below presents the sensitivity analysis of the valuation to changes in the most significant assumptions underlying the valuation of investment properties:

	Group 2023 US$'000	Group 2022 US$'000
Fair value of investment properties as at 31 December		
Increase in discount and terminal capitalisation rate of 25 basis points	(60,878)	(87,281)
Decrease in discount and terminal capitalisation rate of 25 basis points	65,576	94,659

7 INVESTMENT IN SUBSIDIARIES

	Trust 2023 US$'000	Trust 2022 US$'000
Unquoted equity investment, at cost	1,977,344	2,044,431
Impairment losses	(567,174)	(195,786)
	1,410,170	1,848,645

During the year, the Trust has assessed the carrying amount of the investments in subsidiaries following indicators of impairment mainly from a decrease in fair value of investment properties held by subsidiaries, and recognised an impairment loss of US$371.4 million (2022: US$195.8 million) on its investment in subsidiaries. The recoverable amounts of the subsidiaries were assessed based on fair value less costs to sell, estimated based on the net assets of the subsidiaries which approximates their fair values as at the reporting date. The fair value measurement was categorised as level 3 on the fair value hierarchy, and the information on the fair value of the investment properties held by the subsidiaries that the recoverable amounts are based on is provided in Note 6.

Details of the key subsidiaries of the Trust are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held 2023 %	Effective equity interest held 2022 %
Direct subsidiaries:				
Manulife US REIT Alpha (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 2 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 3 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 4 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 5 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 6 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 7 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 8 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 9 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 10 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100

7 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held 2023 %	2022 %
Indirect subsidiaries:				
Hancock S-REIT Parent Corp.[2]	United States	Investment holding	100	100
Hancock S-REIT LA Corp.[2]	United States	Property owner	100	100
Hancock S-REIT Irvine Corp.[2]	United States	Property owner	100	100
Hancock S-REIT ATL LLC[2]	United States	Property owner	100	100
Hancock S-REIT SECA LLC[2]	United States	Property owner	100	100
Hancock S-REIT JCITY LLC[2]	United States	Property owner	100	100
Hancock S-REIT DC 1750 LLC[2]	United States	Property owner	100	100
Hancock S-REIT ATL Phipps LLC[2]	United States	Property owner	100	100
Hancock S-REIT Centerpointe LLC[2]	United States	Property owner	100	100
Hancock S-REIT Sacramento LLC[2]	United States	Property owner	100	100
Hancock S-REIT Portland LLC[2]	United States	Property owner	100	100
Hancock S-REIT Chandler LLC[2]	United States	Property owner	100	100
Hancock S-REIT Tempe LLC[2]	United States	Property owner	100	100
MUSREIT HoldCo (Barbados) 1 SRL[3,4]	Barbados	Investment holding	100	100
MUSREIT HoldCo (Barbados) 2 SRL[3,4]	Barbados	Investment holding	100	100
MUSREIT HoldCo (Barbados) 3 SRL[3,4]	Barbados	Investment holding	100	100

1 Audited by Ernst & Young LLP Singapore
2 Audited by Ernst & Young LLP Canada
3 Not required to be audited under local regulations
4 In the process of liquidation as at reporting date

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

8 TRADE AND OTHER PAYABLES

	Group		Trust	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
Current				
Trade payables	2,230	3,076	–	–
Accrued expenses	23,034	17,406	6,731	1,230
Property tax payable	1,763	2,130	–	–
Interest payable	4,335	5,335	4,259	4,846
Withholding tax payable	1,183	–	752	–
Other payables	878	1,639	–	–
Deferred revenue	4,799	1,682	–	–
	38,222	31,268	11,742	6,076
Non-current				
Deferred revenue	4,728	2,369	–	–
	4,728	2,369	–	–
	42,950	33,637	11,742	6,076

As at 31 December 2023, accrued expenses include accrual for the Manager's base fee of US$4.0 million (2022: Nil) and property management fee of US$2.5 million (2022: Nil) for the period from 1 July 2023 to 31 December 2023, and other payables include tenant improvement payables of US$0.4 million (2022: US$0.5 million).

Deferred revenue relates to fees received in relation to lease termination and amendments for certain tenants to be amortised over the remaining lease term.

9 LOANS AND BORROWINGS

	Group		Trust	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
Current				
Secured bank loan	–	105,000	–	–
Unsecured bank loans	48,078	–	48,078	–
Unsecured revolving credit facility ("RCF")	1,922	39,700	1,922	39,700
Less: Unamortised transaction costs	(120)	(65)	(120)	–
	49,880	144,635	49,880	39,700
Non-current				
Unsecured bank loans	710,302	888,000	710,302	888,000
Unsecured RCF	28,398	–	28,398	–
Unsecured Sponsor-Lender Loan	137,000	–	137,000	–
Accrual for Sponsor-Lender Loan exit premium	99	–	99	–
Less: Unamortised transaction costs	(5,356)	(3,650)	(5,356)	(3,650)
	870,443	884,350	870,443	884,350
	920,323	1,028,985	920,323	924,050

9 LOANS AND BORROWINGS (CONT'D)

The Property Funds Appendix states that the aggregate leverage limit is not considered to be breached if exceeding the limit is due to circumstances beyond the control of the Manager. As a decline in the valuation of investment properties has resulted in the aggregate leverage of Manulife US REIT exceeding 50%, there is no breach of the aggregate leverage limit as defined by the Property Funds Appendix.

As at 31 December 2023, the Group had gross borrowings of US$925.7 million (2022: US$1,032.7 million), an aggregate leverage ratio of 58.3% (2022: 48.8%) and interest coverage ratio of 2.4 times (2022: 3.1 times). 91.3% of the gross borrowings have fixed interest rates or have been hedged (2022: 77.3%), which reduces short-term cash flow volatility from floating interest rate movements.

Pursuant to the Recapitalisation Plan, the approval of the resolutions during the Extraordinary General Meeting held on 14 December 2023, and the Master Restructuring Agreement, the Sponsor granted an unsecured loan of US$137.0 million for a period of six-years at an interest rate of 7.25% paid quarterly (the "Sponsor-Lender Loan") with an exit premium of up to 21.16%. In addition, Manulife US REIT is to utilise its cash balance to pay down an additional US$50.0 million of debt by 31 March 2024.

The weighted average interest rate on borrowings as at 31 December 2023 was 4.15% (2022: 3.74%) per annum, and the weighted average debt maturity was 3.3 years (31 December 2022: 2.8 years). Including the exit premium on the Sponsor-Lender Loan, the weighted average interest rate on borrowings as at 31 December 2023 was 4.55%.

While 89.2% of the Group's properties (based on appraised values) were unencumbered as at 31 December 2022, all of the Group's properties are unencumbered post refinancing of Phipps mortgage loan in March 2023.

Waiver and temporary amendment of loan covenant

The majority of existing loans of Manulife US REIT contain a financial covenant which states that Manulife US REIT must at all times ensure and procure that the ratio of consolidated total unencumbered debt to consolidated total assets (the "Unencumbered Gearing Ratio") for any measurement period (being a period of 12 months ending on the last day of each financial half-year of Manulife US REIT) is not more than 60:100. As announced on 18 July 2023, the Unencumbered Gearing Ratio as at 30 June 2023 was 60.2:100 as a result of the decline in valuation of investment properties and the breach of the financial covenant has triggered a cross default under all of the Group's loan facilities and interest rate swaps.

As part of the Master Restructuring Agreement, Manulife US REIT obtained a waiver of the breach in addition to an extension of all loan maturities of the existing facilities by one year, and a temporary amendment of financial covenants such that Unencumbered Gearing Ratio for any measurement period (being a period of 12 months ending on the last day of each financial year of Manulife US REIT) is not more than 80:100 and ratio of Consolidated EBITDA to Consolidated Interest Expense, as defined in the facility agreements, shall be no less than 1.5 times, till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

9 LOANS AND BORROWINGS (CONT'D)

The outstanding principal, interest rate and maturity of the facilities as at 31 December 2023 and 31 December 2022 are as set forth below:

	Nominal interest rate %	Year of maturity	2023 Face value US$'000	2023 Carrying amount US$'000	2022 Face value US$'000	2022 Carrying amount US$'000
Group						
Phipps mortgage loan	4.42	2023	–	–	105,000	104,935
Unsecured bank loans	1.88 – 7.02 (2022: 1.85 – 5.55)	2024 – 2028	758,380	752,904	888,000	884,350
RCF	6.79 (2022: 5.72)	2024 – 2025	30,320	30,320	39,700	39,700
Sponsor-Lender Loan	7.25[1]	2029	137,000	137,000	–	–
Accrual for Sponsor-Lender Loan exit premium			–	99	–	–
			925,700	920,323	1,032,700	1,028,985

	Nominal interest rate %	Year of maturity	2023 Face value US$'000	2023 Carrying amount US$'000	2022 Face value US$'000	2022 Carrying amount US$'000
Trust						
Unsecured bank loans	1.88 – 7.02 (2022: 1.85 – 5.55)	2024 – 2028	758,380	752,904	888,000	884,350
RCF	6.79 (2022: 5.72)	2024 – 2025	30,320	30,320	39,700	39,700
Sponsor-Lender loan	7.25[1]	2029	137,000	137,000	–	–
Accrual for Sponsor-Lender Loan exit premium			–	99	–	–
			925,700	920,323	927,700	924,050

1 Excludes amortisation of the exit premium.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

		Financing cash flows			Others	
	1 January US$'000	Net proceeds from / repayment of loans and borrowings US$'000	Net proceeds from issuance / redemption of preferred units US$'000	Payment of transaction costs US$'000	Finance expense US$'000	31 December US$'000
Group						
2023						
Loans and borrowings	1,028,985	(107,000)	–	(3,882)	2,220	920,323
Preferred units (Note 11)	1,078	–	(253)	–	79	904
	1,030,063	(107,000)	(253)	(3,882)	2,299	921,227

9 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

		Financing cash flows			Others	
	1 January US$'000	Net proceeds from / repayment of loans and borrowings US$'000	Net proceeds from issuance / redemption of preferred units US$'000	Payment of transaction costs US$'000	Finance expense US$'000	31 December US$'000
Group						
2022						
Loans and borrowings	971,293	57,684	–	(1,688)	1,696	1,028,985
Preferred units (Note 11)	825	–	345	(92)	–	1,078
	972,118	57,684	345	(1,780)	1,696	1,030,063

The details of credit facilities available and utilised as at 31 December are set out below:

	2023		2022	
	Facility available US$'000	Utilised US$'000	Facility available US$'000	Utilised US$'000
Group				
Secured				
Mortgage facility	–	–	105,000	105,000
Unsecured				
Trust-level term loans[2]	993,000	758,380	993,000	888,000
Sponsor-Lender Loan	137,000	137,000	–	–
Committed RCFs	50,000	30,320	100,000	39,700
Uncommitted RCF	–	–	200,000	–
	1,180,000	925,700	1,293,000	927,700
	1,180,000	925,700	1,398,000	1,032,700
Trust				
Unsecured				
Trust-level term loans[2]	993,000	758,380	993,000	888,000
Sponsor-Lender loan	137,000	137,000	–	–
Committed RCFs	50,000	30,320	100,000	39,700
Uncommitted RCF	–	–	200,000	–
	1,180,000	925,700	1,293,000	927,700
	1,180,000	925,700	1,293,000	927,700

2 For the Trust-level term loans, the Group entered into interest rate swaps to hedge the floating rate under certain loans drawn to a fixed rate. Please refer to Note 10.

10 FINANCIAL DERIVATIVES

	Group and Trust	
	2023	2022
	US$'000	US$'000
Current		
Derivative assets		
Interest rate swaps used for hedging	2,584	1,264
Non-current		
Derivative assets		
Interest rate swaps used for hedging	30,682	47,655
	33,266	48,919
Financial derivatives as a percentage of the Group's net assets	5.5%	4.8%
Financial derivatives as a percentage of the Trust's net assets	5.5%	4.8%

The Group has entered into interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing borrowings by swapping the interest expense on these borrowings from floating rates to fixed rates. As at the reporting date, the notional principal amount of the financial instruments was US$708.0 million (2022: US$693.0 million).

The changes in fair value of the interest rate swaps are recognised in profit or loss for the financial year.

Offsetting financial assets and financial liabilities

The Group entered into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the Statements of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

10 FINANCIAL DERIVATIVES (CONT'D)

Offsetting financial assets and financial liabilities (cont'd)

The following table sets out the carrying amounts of recognised financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statements of Financial Position:

	Gross amounts of recognised financial instruments US$'000	Gross amounts of recognised financial instruments offset in the Statement of Financial Position US$'000	Net amounts of financial instruments presented in the Statement of Financial Position US$'000	Related financial instruments that are not offset US$'000	Net amount US$'000
Group and Trust					
2023					
Financial assets					
Interest rate swaps	33,266	–	33,266	–	33,266
2022					
Financial assets					
Interest rate swaps	48,919	–	48,919	–	48,919

11 PREFERRED UNITS

	Group 2023 US$'000	Group 2022 US$'000
As at 1 January	1,078	825
Issuance of preferred units (net of issuance costs)	–	253
Redemption of preferred units	(174)	–
31 December	904	1,078

In connection with the divestment of Tanasbourne and Park Place, Hancock-SREIT Portland LLC, which held the Tanasbourne property, and Hancock S-REIT Chandler LLC, which held the Park Place property, each redeemed all outstanding preferred units held by the preferred unitholders on 31 May 2023 and 22 December 2023 respectively. The total cash paid for the redemption was approximately US$0.3 million and was funded from internal resources and the proceeds from the divestment of Tanasbourne.

11 PREFERRED UNITS (CONT'D)

On 26 January 2022, Hancock S-REIT Portland LLC, Hancock S-REIT Chandler LLC and Hancock S-REIT Tempe LLC each issued 115 preferred units at US$1,000 per preferred unit to persons who are unrelated to The Manufacturers Life Insurance Company and the Group.

The preferred units which are issued by indirect subsidiaries of the Trust with a par value of US$0.01 per preferred unit, and they rank senior to all units of the indirect subsidiaries. Each holder of the preferred units is entitled to receive cumulative preferential cash dividends (recorded as finance expense) at a rate 12.0% per annum per preferred unit plus all accrued and unpaid dividends which is payable annually in arrears.

The preferred units are not convertible into, or exchangeable for, any other property or securities of the subsidiaries. The Board of Directors of the subsidiaries may, in its sole and absolute discretion, cause the subsidiaries to redeem units of the preferred units at US$1,000 per unit plus all accrued and unpaid dividends.

The preferred units have been classified as financial liabilities in accordance with IAS 32.

12 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group	
	2023 US$'000	2022 US$'000
Investment properties	777	19,075

	At 31 December 2021 US$'000	Statement of Comprehensive Income (Note 19) US$'000	At 31 December 2022 US$'000	Statement of Comprehensive Income (Note 19) US$'000	At 31 December 2023 US$'000
Deferred tax liabilities					
Investment properties					
– Change in fair value of investment properties	(18,982)	(33,822)	(52,804)	(32,710)	(85,514)
– Tax depreciation	56,243	15,636	71,879	14,412	86,291
	37,261	(18,186)	19,075	(18,298)	777

Deferred income tax assets are recognised for changes in fair value of investment properties carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. As at 31 December 2023, the Group had unrecognised deferred tax assets of US$136.8 million (2022: US$$44.0 million) arising from changes in fair value of investment properties at the end of the financial year which can be carried forward and used to offset against future fair value changes subject to meeting certain requirements.

13 UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust			
	2023		2022	
	No of Units '000	US$'000	No of Units '000	US$'000
Units in issue				
As at 1 January	1,776,565	1,227,728	1,754,155	1,221,878
Issuance of Units:				
– Manager's base fee paid in Units	–	–	14,400	8,857
– Property Manager's management fees paid in Units	–	–	8,010	4,926
Capital distribution	–	–	–	(7,933)
As at 31 December	1,776,565	1,227,728	1,776,565	1,227,728
Units to be issued				
Manager's base fee payable in Units	35,541	7,985	13,440	4,190
Property Manager's management fees payable in Units	23,018	5,132	8,420	2,626
	58,559	13,117	21,860	6,816
Total Units issued and to be issued as at 31 December	1,835,124	1,240,845	1,798,425	1,234,544

For the financial year ended 31 December 2023,

- The Manager deferred the issuance of units in Manulife US REIT in relation to the Manager's base fee and the Property Manager's management fee for the periods from 1 July 2022 to 31 December 2022 ("2H 2022") and 1 January 2023 to 30 June 2023 ("1H 2023") to a date where the Manager is satisfied that such issuance would be in compliance with the unit ownership limit of 9.8% prescribed in the Trust Deed.

- There are 21,859,395 Units to be issued in satisfaction of the Manager's base fee and Property Manager's management fee for 2H 2022 based on the volume weighted average price for the last 10 Business Days immediately preceding 31 December 2022 of US$0.3118, and 36,699,067 Units to be issued in satisfaction of the Manager's base fee and Property Manager's management fee for 1H 2023 based on the volume weighted average price for the last 10 Business Days immediately preceding 30 June 2023 of US$0.1717. Actual Units from payment of property management fees may be different as it will be based on the higher of (i) volume weighted average price for last 10 Business Days immediately preceding 31 December 2022 and 30 June 2023 respectively, or (ii) the closing price on the day of issuance of Units in payment of property management fees.

For the financial year ended 31 December 2022,

- 14,399,879 new Units were issued at issue prices ranging from US$0.5738 to US$0.6669 per Unit, amounting to US$8,857,000 as satisfaction of the Manager's base in Units for the period 1 July 2021 to 30 June 2022.

- 8,010,853 new Units were issued at issue prices ranging from US$0.5738 to US$0.6669 per Unit, amounting to US$4,926,000 as satisfaction of the Property Manager's management fee payable in Units for the period 1 July 2021 to 30 June 2022.

- There were 13,439,596 Units to be issued in satisfaction of the Manager's base fee for the period from 1 July 2022 to 31 December 2022 and 8,419,799 Units to be issued in satisfaction to Property Manager's management fee for the period from 1 July 2022 to 31 December 2022. Units to be issued are based on the volume weighted average price for the last 10 Business Days immediately preceding the year end of US$0.3118.

13 UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and included the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
- attend all Unitholders' meetings. The Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or Unitholders representing not less than 10% of the total Units issued give written request for a meeting to be convened.

A Unitholder has no equitable or proprietary interest in the underlying asset of the Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate or interest in any asset and the real estate-related assets (or any part thereof) of the Group.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

As disclosed under Distribution Statement, the Trust will be halting distributions to Unitholders till 31 December 2025, unless the Early Reinstatement Conditions are achieved earlier.

14 NET ASSET VALUE PER UNIT

	Note	Group		Trust	
		2023	**2022**	**2023**	**2022**
Net asset value per Unit is based on:					
– Net assets (US$'000)		608,635	1,020,316	608,328	1,020,146
– Total Units issued and to be issued at 31 December ('000)	13	1,835,124	1,798,425	1,835,124	1,798,425

15 GROSS REVENUE

	Group	
	2023 US$'000	**2022 US$'000**
Rental income	120,242	115,131
Recoveries income	71,990	72,709
Car park income	13,633	12,896
Others	2,160	1,823
	208,025	202,559

16 PROPERTY OPERATING EXPENSES

	Group	
	2023	**2022**
	US$'000	**US$'000**
Real estate taxes	28,883	28,235
Repairs and property maintenance expenses	22,136	21,211
Utilities	10,718	10,415
Property management fees and reimbursements	14,335	13,820
Net provision for ECL	634	1,003
Other operating expenses	16,713	14,712
	93,419	89,396

Other operating expenses include non-cash amortisation of leasing commission, insurance premiums and car park-related expenses.

17 OTHER TRUST EXPENSES

	Group	
	2023	**2022**
	US$'000	**US$'000**
Audit fees paid/payable to:		
– Auditors of the Group	426	346
Non-audit fees paid/payable to:		
– Auditors of the Group	–[1]	11
Valuation fees	105	143
Tax and legal expenses	1,006	598
Investor relations and related expenses	230	246
Foreign exchange (gains)/losses	(13)	10
Other expenses	1,216	1,043
	2,970	2,397

1 Non-audit fees of US$88,775 paid/payable to Auditors of the Group, have been included as part of the loss on disposal of investment properties.

18 FINANCE EXPENSES

	Group	
	2023	**2022**
	US$'000	**US$'000**
Interest expense on loans and borrowings	43,277	31,728
Amortisation of upfront debt-related transaction costs	2,121	1,696
Exit premium on Sponsor-Lender Loan	99	–
Dividends on preferred units	171	177
Redemption of preferred units	79	–
Commitment and financing fees	273	334
	46,020	33,935

19 TAX INCOME

	Group	
	2023 US$'000	2022 US$'000
Current tax expense		
Income tax	90	70
Withholding tax	1,182	–
	1,272	70
Deferred tax income		
Movement in temporary differences	(18,298)	(18,186)
	(17,026)	(18,116)
Reconciliation of effective tax rate		
Net loss for the year before tax	(396,989)	(147,837)
Tax calculated using Singapore tax rate of 17% (2022: 17%)	(67,488)	(25,132)
Effect of different tax rate in foreign jurisdictions	(36,056)	(11,602)
Income not subject to tax	–	(8,161)
Expenses not deductible for tax purposes	2,661	–
Change in unrecognised temporary differences	82,675	26,779
Withholding tax	1,182	–
	(17,026)	(18,116)

Provision for Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations in the jurisdictions in which the Group operates and the amount and timing of future taxable income. Given the span of tax regulations which may apply to the various taxable entities or persons within the Group, the cross-border and long-term nature and complexity of the contractual arrangements and the conditions to the tax rulings which have been obtained, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions recorded or require new or additional tax provisions to be recorded. The Group establishes provisions, based on reasonable estimates, for anticipated tax liabilities or possible consequences of audits by the tax authorities of the respective jurisdictions in which it operates. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations between the taxable entity or person involved and the relevant tax authority and anticipated future changes in the tax laws that may have a direct impact on any tax ruling or favourable tax treatment relied upon. Such instances may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective entity or person involved.

20 EARNINGS PER UNIT

Basic earnings per Unit is based on:

	Group	
	2023 US$'000	2022 US$'000
Net loss for the year	(379,963)	(129,721)
	No. of Units '000	No. of Units '000
Weighted average number of Units	1,776,726	1,767,087

Basic EPU is calculated based on the weighted number of Units for the year. This is comprised of:

(i) the weighted average number of Units in issue for the year; and

(ii) the estimated weighted average number of Units issuable as payment of the Manager's fees and Property Manager's management fees for the year.

Diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the year.

21 FINANCIAL RISK MANAGEMENT

Capital management

The Manager's objective when managing capital is to optimise the Group's capital structure within the borrowing limits set out in the CIS Code by the MAS to fund future acquisitions and asset enhancement projects at the Trust's properties. To maintain or achieve an optimal capital structure, the Manager may issue new Units or source additional borrowings from both financial institutions and capital markets.

The Group has a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Manager monitors the yield, which is defined as net property income from the property divided by the latest valuation for the property. The Manager also monitors the level of distributions made to Unitholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Manager actively monitors the term of each loan facility, the weighted average cost of debt, and variable debt as a proportion of overall debt outstanding. The Manager also monitors the debt covenants on an ongoing basis and ensures there is sufficient cash available to make the payments under the loan agreement.

During the year ended 31 December 2023, the Group's breach of a financial covenant imposed by the Group's lenders limited the Group's ability to raise further debt funding. These resulted in the restructuring of existing credit facilities through the Recapitalisation Plan and the details pertinent to the Group's capital management are disclosed in Notes 2.2, 4, 6, and 9.

21 FINANCIAL RISK MANAGEMENT (CONT'D)

Overview of risk management

The Group's activities expose it to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalised in the Manager's organisational and reporting structure, operating manuals and delegation of authority guidelines.

Market risk

Foreign Currency risk

Foreign currency risk arises when transactions are denominated in a currency other than the functional currency of the Group, and such changes will impact the Group's profit.

The Group has transactional currency exposures arising from cash and cash equivalents and trade and other payables that are denominated in a currency other than its functional currency. These transactions are mainly denominated in Singapore Dollars ("SGD"). Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

The exposures to currency risk of the Group and the Trust are as follows:

	Group		Trust	
	2023 US$'000	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**
Cash and cash equivalents	1,964	1,803	1,944	1,781
Trade and other payables	(1,403)	(799)	(1,325)	(730)
Net assets	561	1,004	619	1,051

A 5.0% weakening of USD against the following foreign currency at the reporting date would increase the profit or loss by the amounts shown below. This sensitivity analysis assumes that all other variables, in particular, interest rates, remain constant.

	Group		Trust	
	2023 US$'000	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**
SGD	28	50	31	53

A 5.0% strengthening of USD against the above currency would have had an opposite effect of similar quantum on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

As at 31 December 2023, the Group had US$845.0 million (2022: US$798.0 million) of fixed rate interest-bearing borrowings, including borrowings which are hedged with interest rate swaps, and US$80.7 million (2022: US$234.7 million) of unhedged variable rate interest-bearing borrowings.

For the variable rate interest-bearing borrowings, a 1.0% (2022: 1.0%) increase in interest rate at the reporting date, with all other variables held constant, would decrease the Group's profit or loss by US$0.8 million (2022: US$2.3 million). A 1.0% decrease in interest rate would have had an opposite effect of similar quantum on the basis that all other variables remain constant.

21 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. In addition, tenants may experience financial difficulty and are unable to fulfil their lease commitments or tenants may fail to occupy and pay rent in accordance with lease agreements. The Group mitigates credit risk through staggered lease maturities, diversification of revenue sources by ensuring no individual tenant contributes a significant percentage of the Group's gross revenue and obtaining security deposits or letter of credits from the tenants. At the end of the reporting period, approximately 78% (2022: 60%) of the Group's trade receivables were due from 3 tenants.

The Group's risk for trade receivables is disclosed in Note 5. The Manager believes that there is no other credit risk inherent in the Group's remaining trade receivables, based on historical payment behaviours and the security deposits held. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Cash is placed with financial institutions which are regulated.

Financial derivatives are entered into with bank and financial institution counterparties which are regulated.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors the liquidity risk of the Group and maintains a level of cash and credit facilities deemed adequate to finance its operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The Group's credit facilities are set out in Note 9.

As disclosed in Note 2.2, 6 and 9, the Group has undertaken a Recapitalisation Plan during the year to strengthen the Group's balance sheet, fund the liquidity needs of the Group, and allow it to manage its aggregate leverage level.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

			Cash flows		
	Carrying amount US$'000	**Contractual cash flows US$'000**	**Within 1 year US$'000**	**Within 2 to 5 years US$'000**	**More than 5 years US$'000**
Group					
2023					
Non-derivative financial liabilities					
Trade and other payables and security deposits^	38,192	38,192	34,242	1,550	2,400
Preferred units	904	1,265	–	–	1,265
Loans and borrowings	920,323	1,131,684	89,770	866,130	175,784
	959,419	1,171,141	124,012	867,680	179,449
2022					
Non-derivative financial liabilities					
Trade and other payables and security deposits^	34,238	34,238	29,976	1,831	2,431
Preferred units	1,078	1,495	–	–	1,495
Loans and borrowings	1,028,985	1,150,142	179,763	970,379	–
	1,064,301	1,185,875	209,739	972,210	3,926

^ Excluding deferred revenue

21 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount US$'000	Contractual cash flows US$'000	Cash flows Within 1 year US$'000	Within 2 to 5 years US$'000	More than 5 years US$'000
Trust					
2023					
Non-derivative financial liabilities					
Trade and other payables	11,742	11,742	11,742	–	–
Loans and borrowings	920,323	1,131,684	89,770	866,130	175,784
	932,065	1,143,426	101,512	866,130	175,784
2022					
Non-derivative financial liabilities					
Trade and other payables	6,076	6,076	6,076	–	–
Loans and borrowings	924,050	1,042,912	72,533	970,379	–
	930,126	1,048,988	78,609	970,379	–

The maturity analyses show the contractual undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/outflows relate to these instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that have simultaneous gross cash settlement e.g. interest rate swaps. Net settled derivative instruments are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate interest-bearing loans.

The interest payments on floating rate loans and borrowings in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes.

22 FAIR VALUES OF ASSETS AND LIABILITIES

(a) Classification and fair value of financial instruments

The fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	FVTPL US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group									
2023									
Financial assets measured at fair value									
Financial derivatives	10	–	–	33,266	33,266	–	33,266	–	33,266
Financial assets not measured at fair value									
Cash and cash equivalents	4	127,145	–	–	127,145				
Trade and other receivables^	5	13,819	–	–	13,819				
		140,964	–	–	140,964				
Financial liabilities not measured at fair value									
Trade and other payables#	8	–	33,423	–	33,423				
Loans and borrowings	9	–	920,323	–	920,323	–	–	925,700	925,700
Security deposits		–	4,769	–	4,769				
Preferred units	11	–	904	–	904	–	–	1,265	1,265
		–	959,419	–	959,419				

^ Excluding GST receivables
# Excluding deferred revenue

22 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	FVTPL US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group									
2022									
Financial assets measured at fair value									
Financial derivatives	10	–	–	48,919	48,919	–	48,919	–	48,919
Financial assets not measured at fair value									
Cash and cash equivalents	4	112,863	–	–	112,863				
Trade and other receivables^	5	5,381	–	–	5,381				
		118,244	–	–	118,244				
Financial liabilities not measured at fair value									
Trade and other payables#	8	–	29,586	–	29,586				
Loans and borrowings	9	–	1,028,985	–	1,028,985	–	–	1,031,669	1,031,669
Security deposits		–	4,652	–	4,652				
Preferred units	11	–	1,078	–	1,078	–	–	1,495	1,495
		–	1,064,301	–	1,064,301				

^ Excluding GST receivables
# Excluding deferred revenue

22 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	FVTPL US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Trust									
2023									
Financial assets measured at fair value									
Financial derivatives	10	–	–	33,266	33,266	–	33,266	–	33,266
Financial assets not measured at fair value									
Cash and cash equivalents	4	96,513	–	–	96,513				
Trade and other receivables^	5	172	–	–	172				
		96,685	–	–	96,685				
Financial liabilities not measured at fair value									
Trade and other payables	8	–	11,742	–	11,742				
Loans and borrowings	9	–	920,323	–	920,323	–	–	925,700	925,700
		–	932,065	–	932,065				

^ Excluding GST receivables

22 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	FVTPL US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Trust									
2022									
Financial assets measured at fair value									
Financial derivatives	10	–	–	48,919	48,919	–	48,919	–	48,919
Financial assets not measured at fair value									
Cash and cash equivalents	4	10,350	–	–	10,350				
Trade and other receivables^	5	42,286	–	–	42,286				
		52,636	–	–	52,636				
Financial liabilities not measured at fair value									
Trade and other payables	8	–	6,076	–	6,076				
Loans and borrowings	9	–	924,050	–	924,050	–	–	927,700	927,700
		–	930,126	–	930,126				

^ Excluding GST receivables

22 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) Measurement of fair values

The following is a description of the valuation techniques and inputs used in the measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Financial derivatives

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Loans and borrowings

The fair values of loans and borrowings are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

23 COMMITMENTS

(a) Operating lease commitments – as lessor

Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2023	**2022**
	US$'000	**US$'000**
Within 1 year	128,493	149,405
After 1 year but within 5 years	398,879	486,655
After 5 years	200,921	215,203
	728,293	851,263

The above operating lease receivables are based on the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

(b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2023	**2022**
	US$'000	**US$'000**
Capital commitments in respect of investment properties	56,275	21,141

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions were carried out at terms agreed between the parties during the financial years:

	Group	
	2023 US$'000	2022 US$'000
Rental received/receivable from a related party	686	977
Disposal of investment properties to a related party (Note 6)	132,200	–
Unsecured loan extended by the Sponsor (Note 9)	137,000	–
Interest expense paid/payable pursuant to the Sponsor-Lender Loan	276	–
Manager's base fee paid/payable	7,833	8,787
Property manager's management fee paid/payable	5,044	5,190
Trustee's fee paid/payable	298[1]	304
Leasing fees to a related party	489	581
Construction supervision fee to a related party	427	23
Reimbursements to a related party	4,144	3,377
Settlement of liabilities including withholding taxes	174	539

1 Including fees accruing to the Trustee in connection with the disposal of investment properties to a related party during the year (Note 6), and the Master Restructuring Agreement (Note 9).

As disclosed in Note 1(a), the divestment fee accruing to the Manager in relation to the disposal of investment properties to a related party (Note 6) was waived.

25 FINANCIAL RATIOS

	Group	
	2023 %	2022 %
Ratio of expenses to weighted average net assets[1]		
– including performance component of the Manager's management fees	1.31	0.94
– excluding performance component of the Manager's management fees	1.31	0.94
Portfolio turnover rate[2]	–	–

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not incur any performance fee for the period ended 31 December 2023 and 31 December 2022.

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value in accordance with the formulae stated in the CIS Code.

26 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Manager and the Trustee on 13 March 2024.

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year, which fall under the Listing Manual of the SGX–ST and Property Funds Appendix of the Code of Collective Investment Scheme, are as follows:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
Manulife US Real Estate Management Pte. Ltd.	Manager		
– Base fees		7,833	–
The Manufacturers Life Insurance Company	Sponsor		
– Total interest and exit premium payable for a period of six years pursuant to the Sponsor-Lender loan		89,439	–
John Hancock Life Insurance Company (U.S.A) (JHUSA)	A subsidiary of the controlling shareholder of the Manager		
– Divestment of Tanasbourne		33,500	–
– Divestment of Park Place		98,700	–
– Rental and other related income		107	–
– Property management fees, leasing fees and construction supervision fees including reimbursable		10,104	–
– Reimbursement of withholding taxes paid by JHUSA to U.S. Internal Revenue Service on behalf of Manulife US REIT		174	–
DBS Trustee Ltd	Trustee		
– Trustee fees		298[1]	–

For the purpose of the disclosure, the full contract sum was used where an interested person transaction had a fixed term and contract value, while the annual amount incurred and accrued was used where an interested person transaction had an indefinite term or where the contract sum was not specified.

Save as disclosed above, there were no additional interested person transactions (excluding transactions less than S$100,000) and Manulife US REIT has not obtained a general mandate from Unitholders for interested person transactions.

The fees and charges payable by Manulife US REIT to the Manager under the Trust Deed and to JHUSA under the Master Property Management Agreement and the Property Management Agreements form part of the Exempted Agreements as set out in Manulife US REIT's Prospectus dated 12 May 2016, each of which constitutes an Interested Person Transaction. Accordingly, such transactions are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that specific information on these agreements have been disclosed in the Prospectus and there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Manulife US REIT.

Please also see Significant Related Party Transactions in Note 24 to the Financial Statements.

SUBSCRIPTION OF MANULIFE US REIT UNITS

For the year ended 31 December 2023, no Units were issued and subscribed for in relation to the Manager's base fees and Property Manager's management fees.

1 Including fees incurred in connection with the divestments during the financial year and the costs incurred in relation to the Master Restructuring Agreement, which have been included as part of the loss on disposal of investment properties and unamortised transaction costs respectively.

STATISTICS OF UNITHOLDINGS

As at 29 February 2024

ISSUED AND FULLY PAID UNITS

There were 1,776,565,421 Units issued in MUST as at 29 February 2024 (voting rights: one vote per Unit).

There is only one class of Units in MUST.

No treasury units and no subsidiary holdings held.

Market Capitalisation: US$97,711,098 based on market closing price of US$0.055 per Unit on 29 February 2024.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99	114	1.30	5,369	0.00
100 – 1,000	533	6.10	404,841	0.02
1,001 – 10,000	3,333	38.17	19,147,011	1.08
10,001 – 1,000,000	4,701	53.83	323,367,615	18.20
1,000,001 AND ABOVE	52	0.60	1,433,640,585	80.70
TOTAL	**8,733**	**100.00**	**1,776,565,421**	**100.00**

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	DBS NOMINEES (PRIVATE) LIMITED	373,675,402	21.03
2	RAFFLES NOMINEES (PTE.) LIMITED	243,814,304	13.72
3	CITIBANK NOMINEES SINGAPORE PTE LTD	236,120,884	13.29
4	DBSN SERVICES PTE. LTD.	72,576,906	4.09
5	DB NOMINEES (SINGAPORE) PTE LTD	56,321,199	3.17
6	PHILLIP SECURITIES PTE LTD	55,328,591	3.11
7	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	35,012,291	1.97
8	HSBC (SINGAPORE) NOMINEES PTE LTD	30,495,958	1.72
9	ABN AMRO CLEARING BANK N.V.	30,381,599	1.71
10	OCBC SECURITIES PRIVATE LIMITED	30,296,501	1.71
11	IFAST FINANCIAL PTE. LTD.	29,861,460	1.68
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	24,309,058	1.37
13	UOB KAY HIAN PRIVATE LIMITED	21,308,648	1.20
14	MAYBANK SECURITIES PTE. LTD.	21,206,947	1.19
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	18,000,329	1.01
16	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	17,420,733	0.98
17	TIGER BROKERS (SINGAPORE) PTE. LTD.	15,199,800	0.86
18	NG HWEE KOON	14,236,600	0.80
19	BPSS NOMINEES SINGAPORE (PTE.) LTD.	11,955,679	0.67
20	MOOMOO FINANCIAL SINGAPORE PTE. LTD.	11,640,539	0.66
	TOTAL	**1,349,163,428**	**75.94**

STATISTICS OF UNITHOLDINGS

As at 29 February 2024

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholdings as at 29 February 2024)

Name of Substantial Unitholders	Direct Interest No. of Units	%[1]	Deemed Interest No. of Units	%[1]	Total Interest No. of Units	%[1]
Manulife Financial Asia Limited[2]	1	n.m.[6]	162,254,652	9.13	162,254,653	9.13
Manulife Holdings (Bermuda) Limited[3]	–	–	162,254,653	9.13	162,254,653	9.13
The Manufacturers Life Insurance Company[4]	–	–	162,254,653	9.13	162,254,653	9.13
Manulife Financial Corporation[5]	–	–	162,254,653	9.13	162,254,653	9.13

Notes:

1 The percentage of unitholding is calculated based on the total number of 1,776,565,421 Units in issue as at 29 February 2024.

2 Manulife (International) Limited ("**MIL**") is a wholly-owned subsidiary of Manulife International Holdings Limited ("**MIHL**"). MIHL is therefore deemed interested in MIL's direct interest in 84,657,792 Units. Manulife Financial Asia Limited ("**MFAL**") wholly owns (i) MIHL and is deemed to be interested in MIHL's deemed interest in 84,657,792 Units, (ii) Manufacturers Life Reinsurance Limited ("**MLRL**") and is deemed to be interested in MLRL's direct interest in 65,007,467 Units, and (iii) Manulife US Real Estate Management Pte. Ltd. ("**MUSREM**") and is deemed to be interested in MUSREM's direct interest in 12,589,393 Units.

3 MFAL is a wholly-owned subsidiary of Manulife Holdings (Bermuda) Limited ("**MHBL**"). MHBL is therefore deemed interested in (i) MFAL's direct interest in 1 Unit; and (ii) MFAL's deemed interest in 162,254,652 Units.

4 MHBL is a wholly-owned subsidiary of The Manufacturers Life Insurance Company (the "**Sponsor**"). The Sponsor is therefore deemed interested in MHBL's deemed interest in 162,254,653 Units.

5 The Sponsor is a wholly-owned subsidiary of Manulife Financial Corporation ("**MFC**"). MFC is therefore deemed interested in the Sponsor's deemed interest in 162,254,653 Units.

6 Not meaningful.

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2024)

Directors	Direct interest No. of Units	%[1]	Deemed interest No. of Units	%[1]
Marc Lawrence Feliciano[2]	–	–	–	–
Koh Cher Chiew Francis[3]	50,000	0.003	–	–
Veronica Julia McCann[4]	793,364	0.045	–	–
Choo Kian Koon	–	–	–	–
Karen Tay Koh	–	–	–	–

Notes:

1 The percentage of unitholding is calculated based on the total number of 1,776,565,421 Units in issue as at 21 January 2024.

2 Marc Lawrence Feliciano was appointed as a Director of the Manager on 18 September 2023.

3 The 50,000 Units are jointly owned by Professor Koh Cher Chiew Francis and his spouse, Ms Chan Wah Mei.

4 The 793,364 Units are jointly owned by Veronica Julia McCann and her spouse, Mr Steven John Baggott.

FREE FLOAT:

Based on information available to the Manager as at 29 February 2024, 90.82% of the Units in MUST are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

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CORPORATE INFORMATION

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Board of Directors

Mr Marc Feliciano
Chairman and
Non-Executive Director

Professor Koh Cher Chiew Francis
Independent Non-Executive Director,
Lead Independent Director

Ms Veronica McCann
Independent Non-Executive Director

Dr Choo Kian Koon
Independent Non-Executive Director

Mrs Karen Tay Koh
Independent Non-Executive Director

Audit and Risk Committee

Ms Veronica McCann
Chairman

Professor Koh Cher Chiew Francis

Mrs Karen Tay Koh

Nominating and Remuneration Committee

Dr Choo Kian Koon
Chairman

Mr Marc Feliciano

Professor Koh Cher Chiew Francis

Mrs Karen Tay Koh
(Appointment Date: 1 March 2024)

Management Team

Mr Tripp Gantt
Chief Executive Officer

Ms Caroline Fong
Deputy CEO, Chief Investor Relations
and Sustainability Officer

Mr Robert Wong
Chief Financial Officer

Mr Patrick Browne
Chief Investment Officer

Ms Daphne Chua
Chief Compliance Officer

Mr Choong Chia Yee
Head of Finance

Company Secretary

Ms Ling Chui Shee

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Partner-in-charge
Ms Low Yen Mei
(with effect from financial year ended 31 December 2021)

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US REIT

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