



ESR-REIT > ANNUAL REPORT 2019

Empowered to deliver
A **Sustainable** and
Resilient Future

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EMPOWERED
SUSTAINABLE
RESILIENT

With an enlarged portfolio of high quality industrial assets, **ESR-REIT** has become a leading diversified Trust, displaying the **strength, stability** and **staying power** required to deliver sustainable growth and long term unitholder value. Fully focused on the way forward, we are determined to further strengthen our asset portfolio to meet the needs of industrialists of the future, today.

RESILIENT

OUR VISION

To be a leading Real Estate Investment Trust with a portfolio of quality industrial assets

OUR MISSION

To deliver stable returns and long-term capital growth to our Unitholders

To develop a resilient and diversified portfolio through strategic investments in quality assets, proactive asset management of our properties, and prudent capital and risk management

To operate with credibility for the benefit of our Unitholders, tenants, employees, partners and other stakeholders within the communities in which we do business

OUR CORPORATE PROFILE

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2019 has a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 15.1 million sq ft and a property value of S\$3.2 billion⁽¹⁾. The properties are in the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable income stream through the successful implementation of the following strategies:

- > **Acquisition of value-enhancing properties;**
- > **Proactive asset management;**
- > **Divestment of non-core properties;** and
- > **Prudent capital and risk management.**

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned namely by, ESR Cayman Limited (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit www.esr-reit.com.sg.

⁽¹⁾ Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standards (FRS) 116 Leases which became effective on 1 January 2019.



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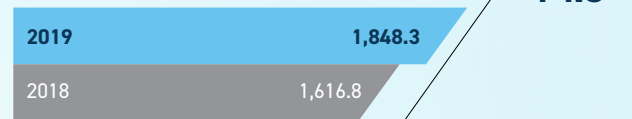


120 Pioneer Road
General Industrial

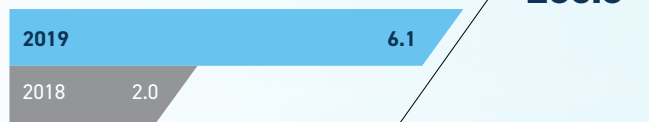
KEY HIGHLIGHTS

STABLE RETURNS

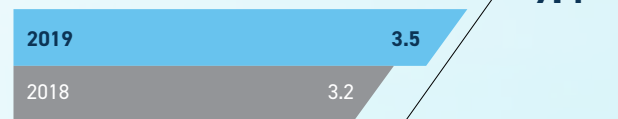
Market Capitalisation
(S\$ million)



Average Daily Trading Volume
(million units)



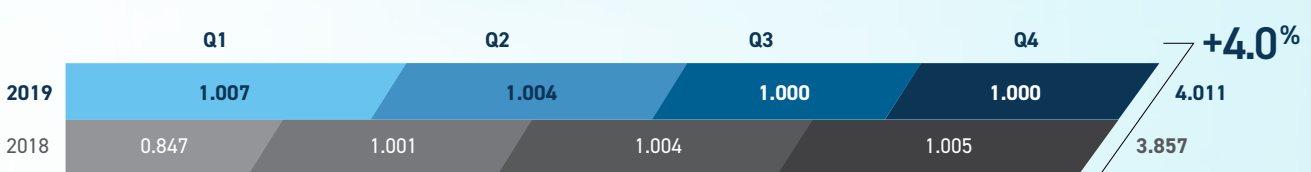
Number of Units
(billion)



Distribution Yield
(%)

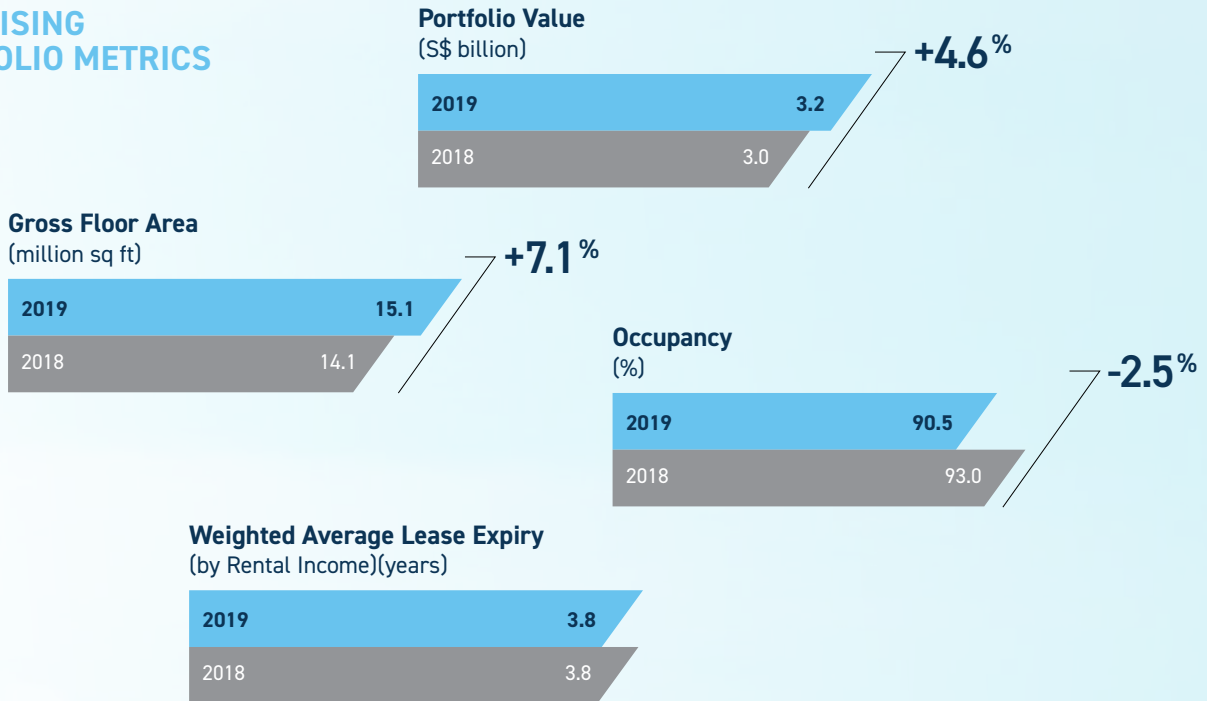


Distribution per Unit
(cents)

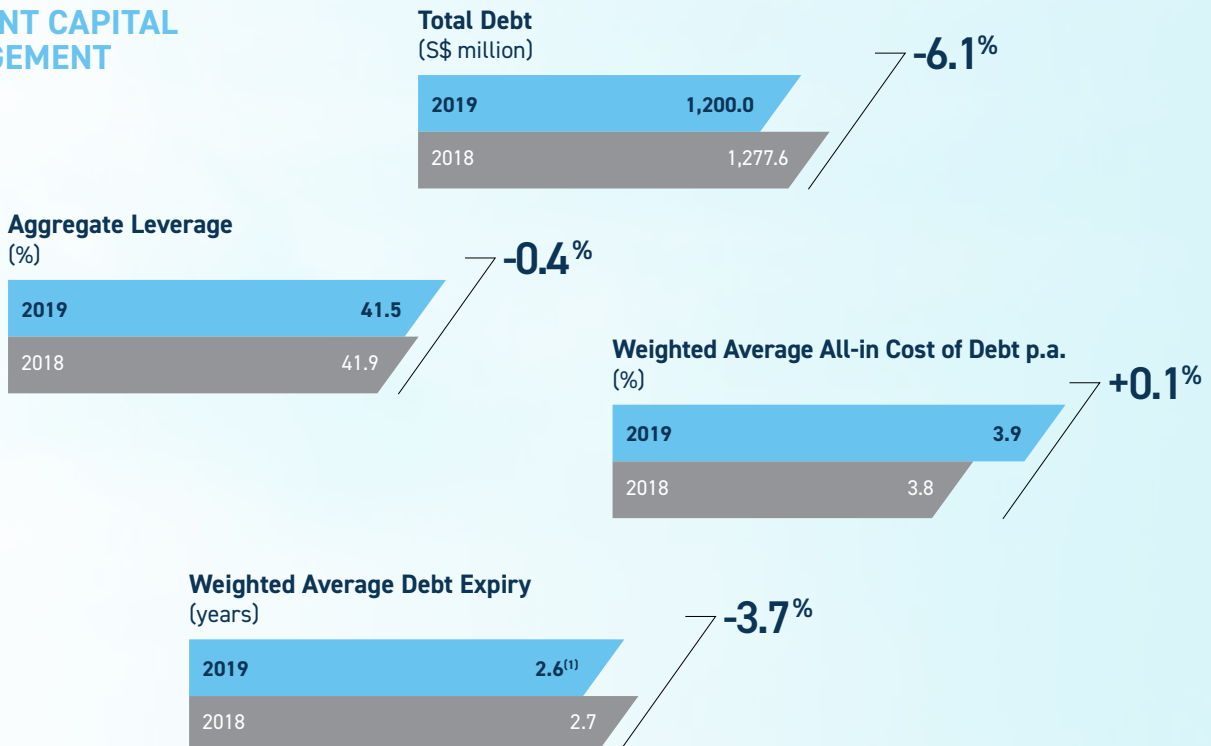


KEY HIGHLIGHTS

STABILISING PORTFOLIO METRICS



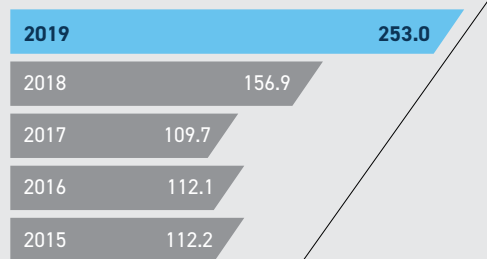
PRUDENT CAPITAL MANAGEMENT



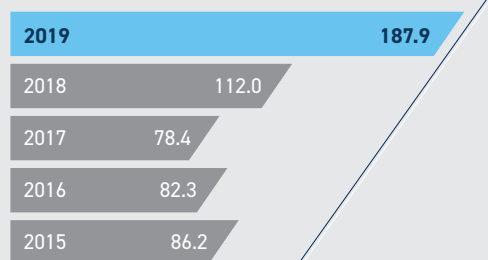
⁽¹⁾ Assume utilisation of new loan facility to refinance the maturing medium term notes post execution of a S\$200.0 million loan facility agreement with MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation, Singapore Branch on 28 February 2020. Post execution of the loan, the Weighted Average Debt Expiry is 3.1 years.

FIVE-YEAR FINANCIAL HIGHLIGHTS

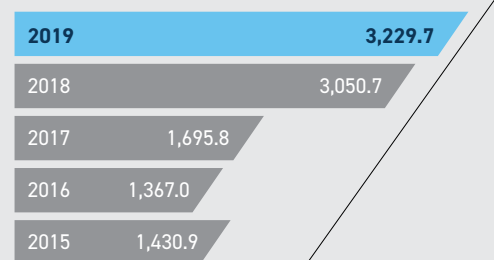
Gross Revenue (S\$ million)



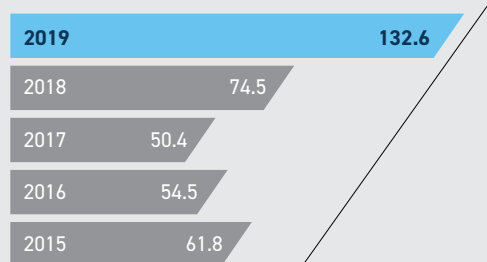
Net Property Income (S\$ million)



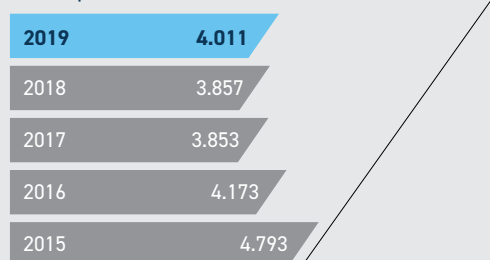
Total Assets (S\$ million)



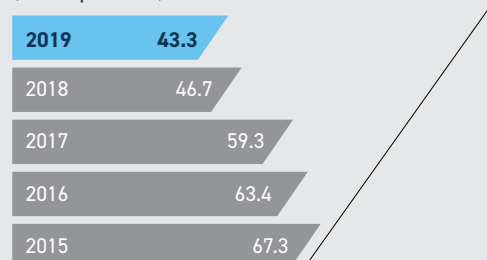
Total Distribution to Unitholders (S\$ million)



DPU (cents per unit)



Net Asset Value (cents per unit)



FIVE-YEAR FINANCIAL HIGHLIGHTS

	2019	2018	2017	2016	2015
Financial Position					
Total Assets (S\$ million)	3,229.7	3,050.7	1,695.8	1,367.0	1,430.9
Total Net Borrowings (S\$ million)	1,191.1	1,268.2	669.8	509.6	525.3
Unitholders' Funds (S\$ million)	1,508.6	1,479.7	778.9	827.0	872.9
Key Financial Ratios					
Debt to Total Assets (%)	41.5 ⁽²⁾	41.9	39.6	37.5	36.9
Weighted average all-in cost of debt (p.a.) (%)	3.9	3.8	3.6	3.7	3.7
Interest Coverage (times) ⁽³⁾	3.7	4.0	3.5	3.6	4.0
Capital Management					
Total Loan Facilities Available (S\$ million)	1,290.0	1,360.0	715.0	615.0	565.0
Gross Borrowings (S\$ million)	1,200.0	1,277.6	672.0	512.5	528.5
Perpetual Securities Issued (S\$ million)	150.0	150.0	150.0	-	-
Units in Issue (million)	3,487.3	3,170.2	1,313.6	1,304.4	1,297.8
Market Capitalisation (S\$ million) ⁽⁴⁾	1,848.3	1,616.8	742.2	704.4	733.2
Trading Statistics for Financial Year					
Opening price (S\$)	0.505	0.565	0.540	0.565	0.680
Highest price (S\$)	0.565	0.595	0.615	0.580	0.725
Lowest price (S\$)	0.500	0.470	0.535	0.485	0.530
Closing price (S\$)	0.530	0.510	0.565	0.540	0.565
Volume Weighted Average Price (S\$)	0.530	0.525	0.571	0.539	0.657
Total Volume Traded (million Units)	1,520.1	490.4	320.0	415.0	333.9
Average Volume per Day (million Units)	6.1	2.0	1.3	1.7	1.4
Total Return (%)⁽⁵⁾	12.06	-2.75	11.85	3.15	-10.46

⁽¹⁾ Includes ESR-REIT's 49% share of the borrowings, lease liabilities and total assets of PTC Logistics Hub LLP but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019 where such effects relate to operating leases that were entered into in the ordinary course of ESR-REIT's business and were in effect before 1 January 2019.

⁽²⁾ On 15 October 2018, ESR-REIT completed its merger with Viva Industrial Trust ("VIT") comprising Viva Industrial Real Estate Investment Trust and Viva Industrial Business Trust by way of a trust scheme of arrangement (the "Merger"). Computed based on EBITDA excluding gain on disposal of investment properties, fair value adjustments relating to the Merger and changes in the fair value of investment properties and financial derivatives divided by interest expenses.

⁽³⁾ Computed based on closing price and Units in issue at the end of the financial year.

⁽⁴⁾ Performance is calculated on the change in unit price over the year, based on the closing price of the last day of the preceding year and the closing price of the current year, including the assumption that distributions paid were reinvested at the closing price on the ex-distribution date.



**AS SINGAPORE'S
INDUSTRIAL LOGISTICS
SECTOR EVOLVES INTO
HIGHER VALUE-ADDED
SERVICES, OUR GROWTH
STRATEGY IS FOCUSED
ON POSITIONING
OUR ENLARGED AND
DIVERSIFIED PORTFOLIO
TO MEET THE NEEDS
OF TOMORROW'S
INDUSTRIALISTS, TODAY.**



2 Tuas South Avenue 2
General Industrial



2019 KEY MILESTONES

2019 has been a fruitful year. For the past year we have been improving our portfolio fundamentals, diversifying portfolio concentration, executing asset enhancements and rejuvenation plans as well as reducing risks in our capital structure. Today, we have become more resilient to deliver value and stable returns for our unitholders.

JUN

- > Entry into strategic partnership with Poh Tiong Choon Logistics Limited and announcement of proposed acquisition of 48 Pandan Road
- > Announcement of Asset Enhancement Initiatives for 7000 Ang Mo Kio Avenue 5 and UE BizHub EAST
- > Completed the divestment of 31 Kian Teck Way for S\$5.8 million, 1.7% above book value
- > Launch of Equity Fund Raising to raise gross proceeds of up to approximately S\$150.0 million
- > Successfully raised S\$100 million via Private Placement which was 2.5x subscribed, at an issue price of S\$0.515 per placement unit

JUL

- > Awarded in the Real Estate Category at the Singapore Business Review Listed Companies Awards 2019
- > Announcement of results for the second quarter ended 30 June 2019: DPU increased 0.3% y-o-y to 1.004 cents for 2Q2019

AUG

- > Completed the acquisition of 49% interest in 48 Pandan Road
- > Sponsored The Edge REITs Investment Forum as part of REIT's retail investor outreach programme



48 Pandan Road
Logistics & Warehouse



MAY

- > Entry into S\$150 million unsecured loan facility with CIMB Bank Berhad, Singapore Branch
- > Participated in the REITs Symposium 2019

APR

- > 10th Annual General Meeting was held on 24 April 2019 and all resolutions were approved by Unitholders
- > Announcement of results for the first quarter ended 31 March 2019: DPU increased by 18.9% y-o-y to 1.007 cents for 1Q2019



Participated in Shareinvestor's
REITs Symposium 2019

SEP

- > Extraordinary General Meeting held on 12 September 2019 and all resolutions were approved by Unitholders
- > Launched Preferential Offering to raise gross proceeds of approximately S\$50 million. Sponsor, ESR Cayman Limited, demonstrated support through full backstop



OCT

- > Preferential Offering was successfully completed and 2.13x subscribed, at an issue price of S\$0.510 per Unit
- > Announcement of results for the third quarter ended 30 September 2019: DPU increased 5.6% y-o-y to 3.011 cents for YTD3Q2019



NOV

- > Participated in SGX-REITAS Education Series as part of its retail investor outreach programme



The Edge REITS Investment Forum



Awarded in the Real Estate Category at the Singapore Business Review Listed Companies Awards 2019



MAR

- > Entry into S\$155 million unsecured loan facility with Australia and New Zealand Banking Group Limited, Singapore Branch; CTBC Bank Co., Ltd., Singapore Branch; and Standard Chartered Bank, Singapore Branch
- > Appointment of Ms. Stefanie Yuen Thio as Independent Non-Executive Director to the Board and the Audit, Risk Management & Compliance Committee

JAN

- > Announcement of results for the financial year ended 31 December 2018: DPU increased 8.2% y-o-y to 1.005 cents for 4Q2018

LETTER TO UNITHOLDERS

Dear Unitholders,

On behalf of the Board of Directors of ESR Funds Management (S) Limited ("ESR-FM" or the "Manager"), we are pleased to present the Annual Report for the year ended 31 December 2019 ("FY2019"). This report reflects the full-year results since the completion of the merger with Viva Industrial Trust on 15 October 2018.

FY2019 was a challenging year for the industrial property sector with a global slowdown and the slowest expansion Singapore has seen in its gross domestic product (GDP)⁽¹⁾ in a decade. Although the overall manufacturing sector appeared to have a slight uptick towards the end of 2019, it had contracted consecutively over the earlier months.



MR. OOI ENG PENG
Independent Chairman

MR. ADRIAN CHUI
*Chief Executive Officer and
Executive Director*

This could be attributed to the myriad of uncertainties arising from the US-China trade war, Brexit, the Hong Kong protests and the ongoing COVID-19 (Coronavirus Disease 2019) situation, all of which had impacted global business, market sentiments and economic growth in 2019.

Despite these challenges, our focus for FY2019 was to maximise occupancy, improve retention rates and enhance our portfolio while balancing our capital structure risks. Our goal was to have a resilient and diversified portfolio, aligned to industry trends and the evolving real estate needs of industrialists to create long-term value for our Unitholders. To this end, we executed our growth strategies to pursue value-adding acquisitions and asset enhancement initiatives ("AEI") to strengthen our portfolio.

We are now more than a year after consolidating our portfolio and platform with Viva Industrial Trust. We now have a stronger bench strength with new expertise to build a more competitive and resilient portfolio. From optimizing our portfolio to proactively managing our capital structure, we have expanded both our portfolio and capabilities to stay ahead of the curve and position our platform to be future-ready.

RECENT MILESTONES

In 3Q2019, we successfully completed the value-adding acquisition of 48 Pandan Road for an agreed purchase consideration of S\$225.0 million. The newly completed six-storey ramp-up logistics facility located in the Pandan logistics area measures approximately 1.1 million square feet in gross floor area and augments the portfolio's exposure to in-demand asset classes. The property is 100.0% occupied by Poh Tiong Choon Logistics Limited ("PTC"), an established third-party logistics player, under a 10-year lease with fixed annual rental escalations. The addition of 48 Pandan Road to our logistics and warehouse asset class is part of the broader transformation of our business to build and grow resilient income streams. Concurrently, a strategic partnership was also formed with PTC for us to provide real estate solutions for the latter's business expansion in Singapore and the region.

In 2Q2019, we unveiled AEI plans for two existing properties in our portfolio, including rejuvenation works at UE BizHub EAST, a business park located in close proximity to Changi International Airport and utilising untapped plot ratio at 7000 Ang Mo Kio Avenue 5 to develop a modern high-specifications industrial facility onsite. AEI works at UE BizHub EAST entailed a reconfiguration of public areas to improve accessibility and traffic circulation, refurbishment of building façade



WITH THE SUPPORT OF OUR SPONSOR, WE WILL CONTINUE TO PURSUE OPPORTUNITIES TO STRENGTHEN THE QUALITY AND SIZE OF OUR PORTFOLIO AND DIVERSIFY OUR PORTFOLIO RISKS WHILE MAINTAINING A DISCIPLINED AND BALANCED CAPITAL MANAGEMENT APPROACH TO GENERATE STABLE RETURNS AND LONG-TERM CAPITAL GROWTH FOR OUR UNITHOLDERS



and upgrading of public facilities. The common areas within the property will be improved in order to attract and retain quality tenants. The property will remain operational during the AEI. The development of a new building onsite at 7000 Ang Mo Kio Avenue 5 will increase its plot ratio from 1.7 to 2.1, with approximately 270,000 square feet of brand new high-specification industrial space. The AEI is expected to commence as soon as regulatory approval is granted and is expected to take 18 to 24 months to complete after commencement.

The acquisition and AEIs will cost around S\$90.0 million in total. Rejuvenation of UE BizHub EAST has commenced and is expected to complete by the end of the first quarter of 2021.

As part of our ongoing community engagement program, ESR-REIT has partnered with Nanyang Polytechnic's School of Design for students to produce art installations as part of their final year project. These installations are to be displayed at selected properties in the portfolio. UE BizHub EAST will be the first such platform to showcase the school's young artistic talents. This is part of our efforts to provide a platform for talented artists to showcase their works and to encourage awareness and appreciation of the arts in Singapore.

⁽¹⁾ Tang, S. K. (2020, January 2). "Singapore economy expands 0.7% in 2019, slowest in a decade". CNA NewsAsia. Retrieved from <https://www.channelnewsasia.com/news/business/singapore-economy-gdp-2019-q4-mti-12226222>

LETTER TO UNITHOLDERS

During the year, we divested 31 Kian Teck Way, a non-core property for S\$5.8 million at 1.7% above book value. This is in line with our strategy of enhancing our portfolio quality by disposing non-core properties and redeploying the proceeds for value-adding AEs and/or acquisitions.

FINANCIAL PERFORMANCE

In FY2019, we registered gross revenue of S\$253.0 million, a 61.3% increase year-on-year from FY2018. Consequently, our net property income ("NPI") at S\$187.9 million also increased by 67.7% over the previous year. The increase was mainly driven by contributions from the nine properties in Viva Trust's portfolio and 15 Greenwich Drive, which were acquired in October 2018, in addition to the leasing up of 30 Marsiling Industrial Estate Road 8 following the completion of its asset enhancements in early 2019, as well as rental escalations from the existing property portfolio.

The total distribution to Unitholders for FY2019 grew by 78.0% year-on-year to S\$132.6 million, due to a higher net property income performance of the portfolio related to higher revenue and gains distributed from properties divested in the prior years. Distribution per unit at 4.011 cents for FY2019 was 4.0% higher than the FY2018 DPU of 3.857 cents. This represented a total return of about 12.1%⁽²⁾ for our Unitholders in FY2019.

The total portfolio valuation as at 31 December 2019 was S\$3.2 billion⁽³⁾, a 4.6% increase as compared to 2018.

IMPROVING PORTFOLIO METRICS

As at 31 December 2019, our portfolio occupancy was 90.5% which was consistently above JTC's average of 89.3%⁽⁴⁾. As at 4Q2019, 70.0% of our portfolio comprises multi-tenanted buildings with the remaining being single-tenanted buildings. Our properties were home to over 328 tenants across different industries with no individual trade sector accounting for more than 27.6% of our rental income. The top ten tenants accounted for 30.5% of rental income as at 31 December 2019.

During the year, we have been proactive in tenant retention and space optimization. In FY2019, over 2.7 million square feet of space, approximately 20% of ESR-REIT's total net lettable area, was leased and renewed. As at 31 December 2019, our tenant retention rate stood at 69.6%. Rental reversions had improved slightly from -2.9% in FY2018 to 0% in FY2019.

The weighted average lease expiry by rental income was 3.8 years, with no more than 20.5% of leases expiring in any given year over the next three years.

PRUDENT CAPITAL MANAGEMENT

We continue to adopt a disciplined and balanced approach towards capital management. As part of our efforts to diversify our funding sources with alternative pools of capital, we activated the distribution reinvestment plan in 1Q2019. Furthermore, we tapped on the equity market with the successful completion of a fund raising exercise to raise gross proceeds of S\$150.0 million to fund the acquisition of 48 Pandan Road and the AEI of UE BizHub EAST and 7000 Ang Mo Kio Avenue 5. In June 2019, we launched a S\$100.0 million Private Placement at an issue price of S\$0.515 per placement unit. The placement was 2.5x subscribed and saw strong participation from new and existing institutional and other investors. Following the Placement, a Preferential Offering was launched in September 2019 at an issue price of S\$0.51 per new unit. 98.1 million new units were issued, raising gross proceeds of S\$50.0 million. Our Sponsor, ESR Cayman Limited, demonstrated its financial support by providing a full backstop for any unsubscribed units in the Preferential Offer and the subscription was 2.13x subscribed. The rationale for structuring the equity fund raising into a Private Placement tranche and a Preferential Offering tranche was to attract new quality investors to our unitholder base and allowing existing unitholders to participate in ESR-REIT's growth via the Preferential Offer tranche which was supported by our Sponsor's backstop in order to reduce execution uncertainty costs and signify alignment of interests.

In 1Q2019, we entered into a S\$155.0 million unsecured loan facility agreement with Australia and New Zealand Banking Group Limited, CTBC Bank Co., Ltd., and Standard Chartered Bank with the proceeds going towards refinancing of existing loan facilities and general working capital purposes. In 2Q2019, we also entered into a S\$150.0 million unsecured loan facility agreement with CIMB Bank Berhad to refinance existing loan facilities and general working capital purposes. These new loans offered better terms and rates. In addition, a commitment letter for a S\$200.0 million club loan facility with MUFG Bank Ltd and Sumitomo Mitsui Banking Corporation was executed on 30 December 2019, bringing our weighted average debt expiry as at 31 December 2019 from 2.6 years to 3.1 years⁽⁵⁾. The loan facility agreement was executed on 28 February 2020 with proceeds applied towards refinancing purposes. As at 31 December 2019, ESR-REIT's interest rate exposure was 88.8% hedged through interest rate swaps and fixed rate borrowings for 2.6 years.

⁽²⁾ Performance is calculated on the change in unit price over the year, based on the closing price of the last day of the preceding year and the closing price of the current year, including the assumption that distributions paid were reinvested at the closing price on the ex-distribution date.

⁽³⁾ Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standards (FRS) 116 Leases which became effective on 1 January 2019.

⁽⁴⁾ Based on 4Q2019 data from JTC.

⁽⁵⁾ Assume utilisation of new loan facility to refinance the maturing medium term notes post execution of a S\$200.0 million loan facility agreement with MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation, Singapore Branch on 28 February 2020.

STEPPING UP OUR SUSTAINABILITY EFFORTS

At ESR-REIT, we are committed to creating a sustainable future for our business and caring for the communities in which we operate. We will conduct our business in an environmentally and socially responsible manner while upholding strong corporate governance standards. We will continue to drive our sustainability practices to deliver greater value for our stakeholders and enhance our performance. In 2020, we will organise more activities to foster closer connections with our stakeholders. Our sustainability efforts and performance relating to each of our material Environmental Social and Governance factors are documented in our Sustainability Report 2019 on pages 104 to 136.

BEING FUTURE-READY

Uncertainties over the state of US-China trade talks and the dampening of global and domestic demand have impacted business confidence and industrial activities as output slumped. Consequently, demand for space is expected to remain muted in the short to medium term given the time lag between any improved business conditions and its impact on the industrial leasing market. According to the Ministry of Trade and Industry, the Singapore economy is projected to grow at a modest pace around 0.5% in 2020⁽⁶⁾.

In light of the COVID-19 situation, we have taken precautions at our properties in accordance with guidelines from the Ministry of Health. These include temperature screening, administration of historical and future travel declarations and frequent cleaning and disinfecting of common areas. Isolation rooms have also been set up within the properties. Our properties are extending assistance to tenants to implement these measures. We have advised all tenants, visitors, partners and employees to exercise good personal hygiene and monitor their health closely. As the outbreak has now spread globally and has impacted the global financial markets negatively, we expect that there will be some financial impact on ESR-REIT in the coming year due to the unexpected disruption and stress on the global economy and financial markets which the export-oriented Singapore economy is dependent on. Whilst we have limited control over the volatility of our unit price, we will continue to manage our property portfolio diligently to ensure the safety of our tenants and to assist them in continuing with their businesses so as to protect our portfolio value and income stream. The Manager has also put in place business continuity plans to minimise the impact to our daily operations.

Against this backdrop of a tough and uncertain business climate and sentiment, we will remain agile and focused in executing our strategies. Although our portfolio

remains Singapore-focused, we will continue to prudently explore opportunities – both within our portfolio and externally – in Singapore and the region by leveraging on potential opportunities in cities where our Sponsor has an established presence.

Industry 4.0 has brought new opportunities for ESR-REIT as tenants and business partners embrace a more digitally and technologically advanced world. The growing demand for smart factories that are well-located and better equipped may present greater opportunities to offer value-adding real estate solutions within our portfolio.

To become future-ready, we have embraced these currents of change and reshaped our portfolio. We are accelerating our portfolio transformation in preparation for a more intelligent future that will radically change the spaces that business owners are seeking.

With the support of our Sponsor, we will continue to pursue opportunities to strengthen the quality and size of our portfolio and diversify our portfolio risks while maintaining a disciplined and balanced capital management approach to generate stable returns and long-term capital growth for our unitholders. We will continue to unlock value in our portfolio to become future-ready for the industrialists-of-tomorrow, today.

ACKNOWLEDGEMENTS

On behalf of the Board, we would like to welcome Stefanie Yuen Thio as an Independent Non-Executive Director. With her legal background and vast experience across the real estate and capital markets, we strongly believe Stefanie will be invaluable to the Board in providing valuable perspectives to the business strategic directions and operations of ESR-REIT.

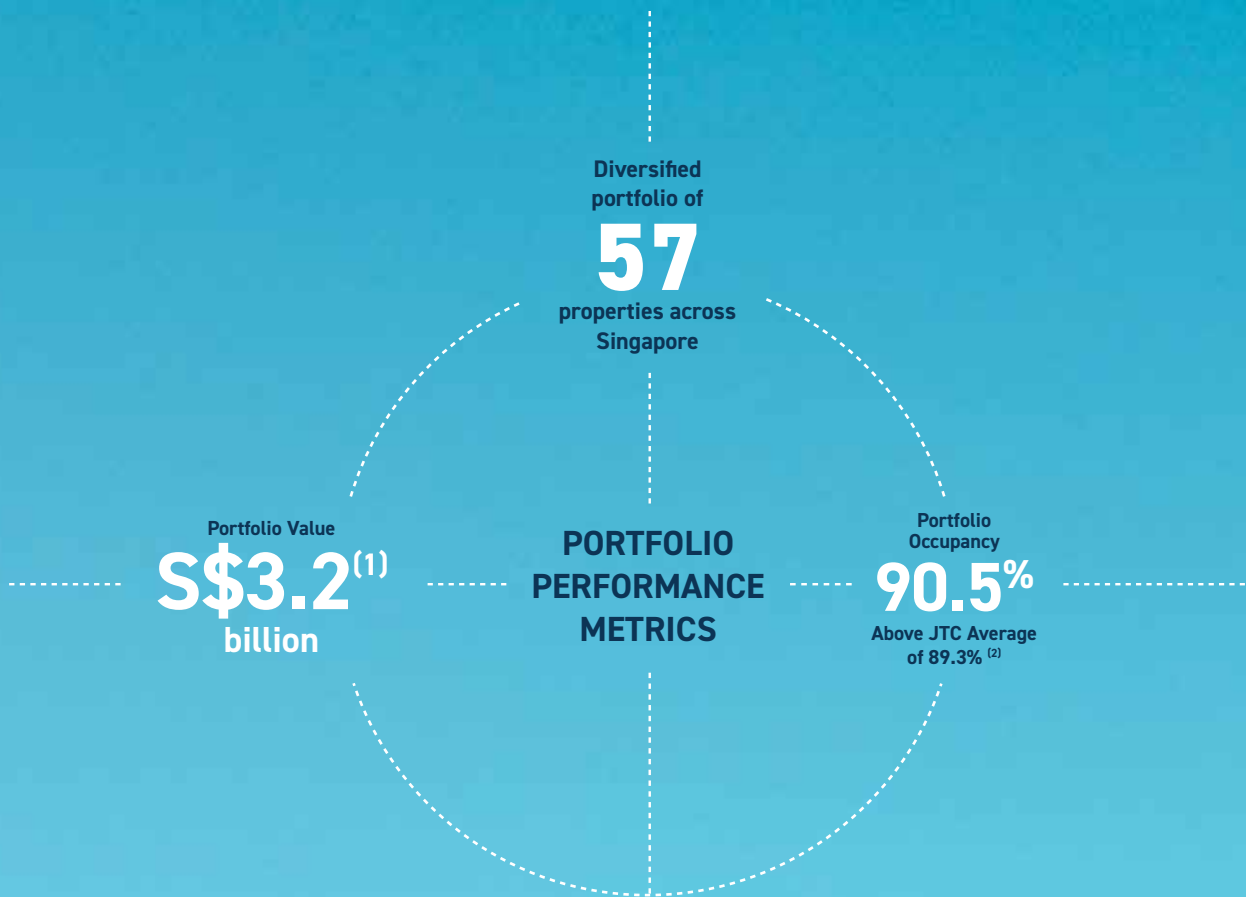
We would like to thank all our Unitholders, tenants, business partners and employees. We remain grateful for the steadfast support shown and we will continue to focus on creating and delivering sustainable long-term value. Our appreciation also goes to the Board and the ESR-REIT team for their unwavering dedication as we continue on our journey for success.

Sincerely yours,

MR. OOI ENG PENG
Independent Chairman

MR. ADRIAN CHUI
Chief Executive Officer and Executive Director

⁽⁶⁾ Ministry of Trade and Industry. (2020, 17 February), MTI Downgrades 2020 GDP Growth Forecast to -0.5% to 1.5%. Retrieved from <https://www.singstat.gov.sg/-/media/files/news/gdp4q2019.pdf>



⁽¹⁾ Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standards (FRS) 116 Leases which became effective on 1 January 2019.

⁽²⁾ Based on 4Q2019 data from JTC.



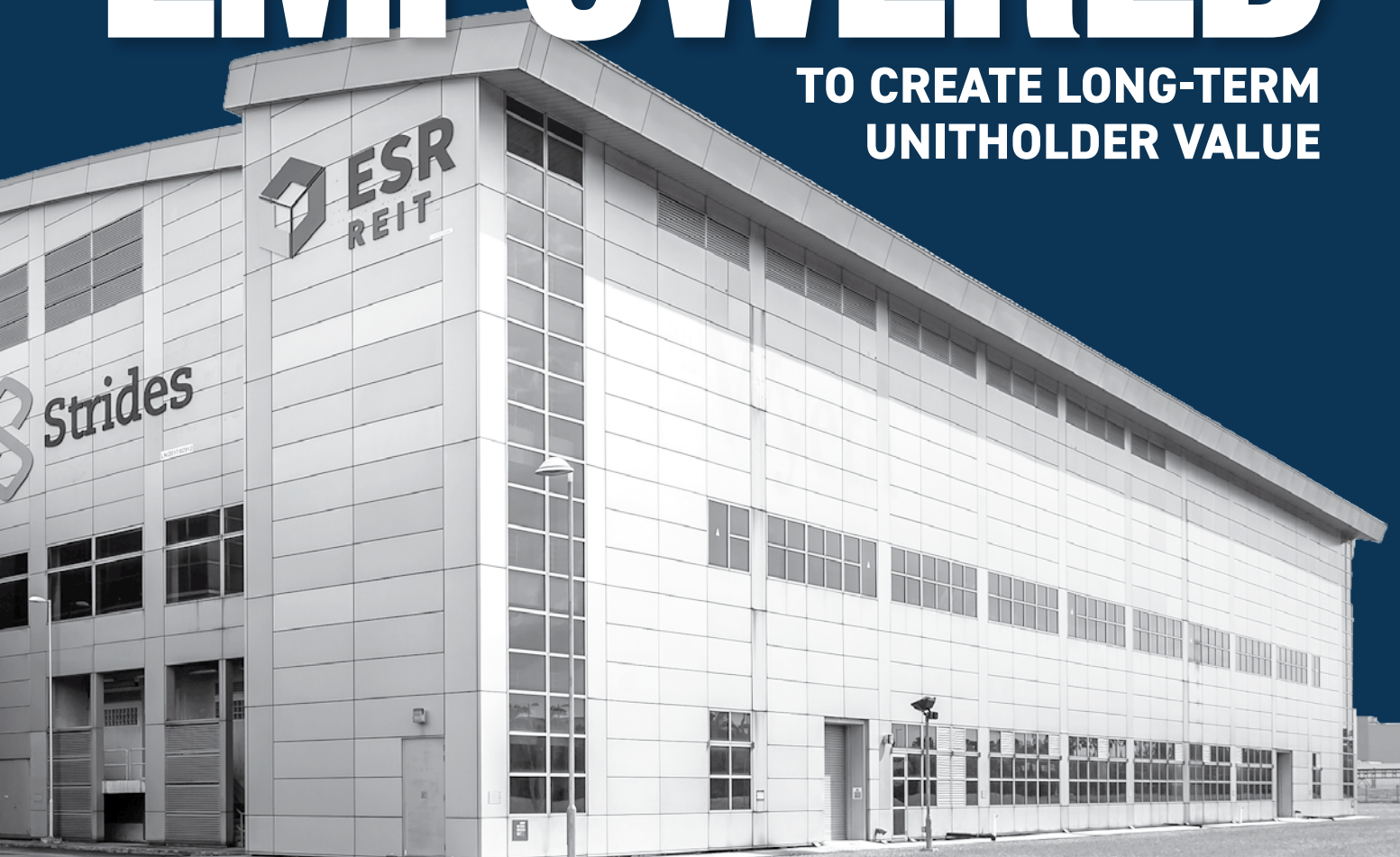
Empowering ESR-REIT's growth platform is a strategically diversified and balanced portfolio that enjoys occupancy rates higher than industry average – a compelling testament to the quality of our assets, the efficacy of our proactive lease management, as well as the strength of our synergies with valued tenants.

With a growing portfolio of 57 assets located in Singapore's key industrial zones, ESR-REIT will always strive to enhance its capacity to create steady, superior and sustainable unitholder returns.

ESR-REIT IS

EMPOWERED

**TO CREATE LONG-TERM
UNITHOLDER VALUE**



FY2019 ACHIEVEMENTS

ESR-REIT has bolstered its core capabilities to deliver value for its Unitholders. We have undertaken strategic initiatives to achieve our targets for 2019 and will continue to focus on executing and delivering our growth initiatives to create more value for our Unitholders.

STRATEGIC OBJECTIVES



ACTIVE ACQUISITION AND DEVELOPMENT GROWTH

PRIORITIES IN 2019

- Acquire yield-accretive, value-adding and strategic assets with long-term growth prospects; consistently supported by strong developer Sponsor.
- Continue to streamline portfolio to dispose non-core assets and redirect proceeds to fund future acquisitions and improve portfolio returns.



ACHIEVING ORGANIC GROWTH

- To develop and maximise underutilised plot ratio for assets in key precincts.
- Continue to focus on integration of enlarged portfolio to extract operational synergies, reduction in property expenses and cost of funding.
- Capitalise on favourable demand/ supply dynamics to attract value-added tenants.



EXERCISING PRUDENT AND BALANCED CAPITAL MANAGEMENT

- Maintain a disciplined approach towards proactive capital management to sustain future development and growth.
- Continue to optimise borrowing costs and lengthen average loan tenor to ensure financial stability and flexibility.
- Reduce risks by optimising hedged tenor and hedged ratio.



ACHIEVEMENTS

- ▶ In FY2019, we jointly acquired 48 Pandan Road, a newly completed, modern ramp-up logistics warehouse strategically located within Jurong industrial estate. This acquisition improved the overall portfolio quality and strengthened our portfolio exposure with logistics/warehouses comprising 21.9% of our total portfolio by rental income (as at 31 Dec 2019). 48 Pandan Road is 100% leased to Poh Tiong Choon Logistics Limited (PTC Logistics) for a lease term of ten years with a fixed rental escalation per annum, thereby providing stable and growing distributions for Unitholders.
 - ▶ We have also developed a strategic partnership with PTC Logistics, a leading third-party logistics provider, giving us valuable access and exposure to their business expansion and logistics real estate needs.
 - ▶ We have divested 31 Kian Teck Way, a non-core asset at S\$5.8 million at 1.7% premium above book value.
-
- ▶ Two high value properties in our portfolio 7000 Ang Mo Kio Avenue 5 and UE BizHub EAST have been identified for AEI to unlock value and provide Unitholders with sustainable income and NAV growth over the long term. The AEIs are expected to cost S\$45.7 million and bring about a blended yield on cost of up to 9%.
 - ▶ Since FY2018, we have embarked on an in-house property management strategy by setting up cluster offices at various key assets to allow property managers to enhance our customer service and relationship. This also positions the REIT to capture cost savings from economies of scale in time to come.
 - ▶ Our diversified tenant mix is aligned with current market trends, which spans across 17 different sectors with Logistics and Warehousing, Info-Comm & Technology and Manufacturing making up the top three sectors. The ability to identify value-adding prospects to enhance its portfolio is central to ESR-REIT's long-term sustainable growth. We continually refresh and enhance tenant offerings at our properties through active asset management and leasing efforts.
 - ▶ During the year, we have leased spaces out to several notable companies including Bio-Rad Laboratories (Singapore) Pte Ltd, a global leader in developing products for life science research and clinical diagnostics; Future Electronics Inc. (Distribution) Pte Ltd, a worldwide leader in electronic components distribution; and LS Modular (S) Pte Ltd a specialist in sales, rental and trade-in of new and used containers for retail use.
-
- ▶ We have completed an equity fund raising exercise comprising S\$100 million Private Placement which was 2.5x subscribed and S\$50 million Preferential Offering which was 2.13x subscribed to raise proceeds for the acquisition of 48 Pandan Road and the two AEIs.
 - ▶ Our weighted average debt expiry has improved from 2.7 years in 2018 to 3.1 years⁽¹⁾ in 2019 at reduced debt margins.
 - ▶ A significant proportion of our interest rate exposure is fixed from 83.4% in 2018 to 88.8% in 2019.

⁽¹⁾ Assume utilisation of new loan facility to refinance the maturing medium term notes post execution of a S\$200.0 million loan facility agreement with MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation, Singapore Branch on 28 February 2020.

KEY DRIVERS OF OUR VALUE PROPOSITION

OUR COMPETITIVE STRENGTHS



Resilient and balanced portfolio

A balanced portfolio with 57 quality income-producing industrial properties valued at S\$3.2 billion⁽¹⁾ across four sub-asset classes in key industrial zones within Singapore. We have reduced risks to our portfolio by sub-sector type, tenants and geographic diversification.



Diversified tenant network

An extensive tenant base of 328 clients creates a network that reduces overall exposure to any one particular sector.



Prudent and balanced capital and risk management

ESR-REIT has a stable and secure income stream supported by prudent capital and risk management strategies. Diversified sources of funding ensure ESR-REIT can tap into alternative pools of capital in order to optimise Unitholder returns.



Active asset management

Maximising the growth potential of the portfolio is done through proactive asset management focusing on marketing and leasing, delivering high standards of property management and customer service, improving operational efficiency and costs, and embarking on Asset Enhancement Initiatives.



Experienced and Professional Management Team

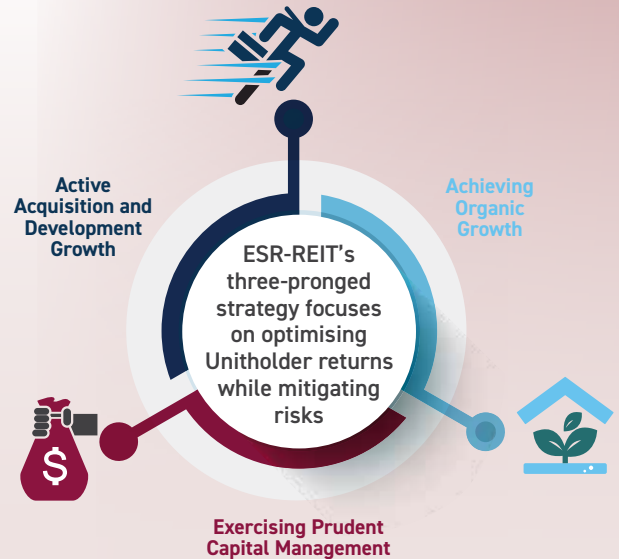
ESR-REIT's management team comprises real estate and finance professionals with proven track records and a wealth of experience across local and regional real estate companies and financial institutions, setting the tone for a collaborative team culture focused on results.



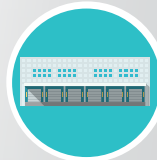
Backed by Strong and Committed Sponsor

ESR-REIT is sponsored by ESR Cayman Limited, the largest APAC focused integrated logistics real estate platform. ESR has 15.3m sqm of GFA of properties completed and under development.

OUR LONG-TERM STRATEGY



OUR PROPERTIES



Business Parks



High-Specs Industrial



Logistics/Warehouse



General Industrial

⁽¹⁾ Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standards (FRS) 116 Leases which became effective on 1 January 2019.

Active Acquisition and Development Growth

1. Yield-accretive, scalable and value-enhancing acquisition opportunities in Singapore
2. Potential pipeline of assets from the Sponsor, ESR Cayman Limited
3. Exploring opportunities to participate in development projects, either individually or in joint ventures with Sponsor
4. Divest non-core assets and redeploy capital to acquire and develop higher value-adding properties

Achieving Organic Growth

1. Focus on asset enhancements to unlock value and attract high value tenants
2. Proactive asset management to maximise returns
3. Enhance tenant quality and base by leveraging on Sponsor's networks and capabilities

Asset Type: Business Parks

Business Parks are properties that caters to industries/businesses relating to high-technology, research and development (R&D) value-added and knowledge-intensive sectors.

Asset Type: High-Specs Industrial

Mainly comprising mixed-use industrial buildings with high proportion of space allocated for office use. These buildings have modern facades, air-conditioned units and sufficient floor loading, ceiling height and electrical power capacities to enable both manufacturing and supporting office functions to be carried out concurrently.

Asset Type: Logistics/Warehousing

Logistics facilities that are equipped with high floor loading and high floor-to-ceiling height. Such buildings can be either single-storey or multi-storey properties with vehicular ramp access and /or heavy-duty cargo lift access.

Asset Type: General Industrial

General industrial buildings can be single or multi-storey facilities dedicated to general and heavy manufacturing or factory and storage activities.

Exercising Prudent Capital Management

1. Maintain a well-staggered debt maturity profile and long-term debt to total assets target range of 30 to $\pm 40\%$ to mitigate financial and liquidity risk
2. Diversify funding sources into alternative pools of capital
3. Broaden and strengthen banking relationships across products

Tenant Profile:

Companies that engage in a range of activities which are technology and research-oriented industries and non-manufacturing in nature such as technical support, information-communication, product design, research and development, call and service centre and back-end office function.

Read more on pages 48 to 49

Tenant Profile:

Companies in technology, R&D and knowledge-intensive sectors involved in light industrial activities such as precision engineering and data centres.

Read more on pages 50 to 51

Tenant Profile:

Third-party logistics providers, wholesalers, distributors and import/export companies.

Read more on pages 52 to 53

Tenant Profile:

Companies that engaged in general manufacturing activities.

Read more on pages 54 to 57

OUR PRIORITIES FOR 2020

1 Source for income-producing quality assets locally and regionally; with growth consistently supported by Sponsor

Strengthen collaborations with strategic partners to capture growth opportunities in the region **2**

3 Continue to streamline portfolio to dispose non-core assets and redirect proceeds to fund future acquisitions and improve portfolio returns

Carry out selective asset optimisation and improvements to capitalise on the Manager's AEI capabilities and optimise the value of the portfolio **4**

5 Maintain an optimal 60-70% MTB and 30-40% STB mix

Proactive marketing and leasing of space to maintain healthy portfolio occupancy rate **6**

7 Increase free float of market capitalisation to increase trading liquidity and visibility of the units

OUR SPONSOR

ABOUT ESR

ESR is the largest Asia-Pacific focused logistics real estate platform by gross floor area (GFA) and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, Goldman Sachs, CPPIB, OMERS, PGGM, Ping An and Allianz Real Estate. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India.

As of December 31, 2019, the value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US\$22.6 billion, and GFA of properties completed and under development⁽¹⁾ as well as GFA to be built on land held for future development comprised over 16.4 million sqm in total. ESR has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 November 2019 and as of 31 December 2019 has a market capitalisation of US\$6.9 billion.

AUM
 **US\$22.1 bn**
 As of 31 December 2019

GFA
17.2 million sqm
 in operation and under development⁽¹⁾
 As of 31 December 2019



ESR'S DEMONSTRATION OF SUPPORT FOR ESR-REIT

- Payment of S\$62.0 million for the VI-REIT Manager to facilitate the Merger with Viva Industrial Trust
- Financial commitment to grow ESR-REIT via a S\$50.0 million backstop for Preferential Offering in October 2019 and a S\$125.0 million backstop for Preferential Offering in March 2018



THE PRC PLATFORM

- #1** e-commerce landlord⁽²⁾
- #1** development pipelines⁽³⁾
- #2** largest portfolio of logistics properties⁽⁴⁾



INDIA

Quickly emerged as one of the leading logistics developers in India

Formed c. **US\$1 billion** development JV with a real estate investor based in Germany⁽⁶⁾

Over 2 million sqm GFA with MOUs signed since 2017



SOUTH KOREA PLATFORM

- #1** largest owner of logistics stock⁽⁵⁾
- #2** development pipeline in the Seoul Metropolitan Area⁽⁵⁾



JAPAN PLATFORM

- #1** development pipeline in the Greater Tokyo and Greater Osaka regions⁽⁵⁾



AUSTRALIA

Acquired CIP, the leading logistics development / construction business in 2018

Completed acquisition of Propertylink, which has A\$1.8 billion of AUM

Largest shareholder of Centuria⁽¹⁰⁾, which has A\$7.3 billion of AUM



SINGAPORE

#1 non-Temasek affiliated industrial REIT platform⁽⁷⁾, which has S\$4 billion of AUM⁽⁸⁾

Leading operator of 75 industrial properties⁽⁹⁾

Completed **first** ever REIT merger in Singapore

(1) Consisting of approximately 9.2 million sqm of GFA of completed properties, approximately 4.7 million sqm of GFA of properties under construction and approximately 3.3 million sqm of GFA to be built on land held for future development as of 31 December 2019

(2) In terms of proportion of total area occupied in China in comparison to only GLP as of September 2017 when GLP was privatised

(3) In Greater Shanghai, Greater Beijing and Greater Guangzhou as measured by GFA and development pipeline from 2020 to 2021

(4) As of 4Q2019, in Greater Shanghai, Greater Beijing and Greater Guangzhou as measured by GFA

(5) By GFA from 2019 to 2020

(6) Total initial capital commitments in the India Fund of US\$228.9 million, with the potential to increase to US\$428.2 million. Based on the indicated leverage ratio of each fund, the total development size of the JV will be c. US\$1 billion

(7) In terms of number of assets

(8) Including ESR REIT and Sabana REIT, Sabana REIT AUM c. S\$0.9 billion, ESR holds c. 93.8% equity interest in Sabana Manager as of 31 December 2019

(9) Including 57 properties in ESR REIT and 18 properties in Sabana REIT as of 31 December 2019

(10) 19.9% stake in Centuria

KEY TRENDS UNDERPINNING OUR STRATEGY

01



EVOLVING NEEDS OF INDUSTRIALISTS

For many industrial space occupiers, location is no longer the only consideration. Forward-looking companies are increasingly having to meet the demands of an agile, modern workforce that requires more advanced technical specifications and automation, a space for ideas to blossom, businesses to expand and communities to thrive.

Opportunities for Growth

In 2019, ESR-REIT announced that UE BizHub EAST would be undergoing asset enhancement initiatives (AEI). A dynamic extension of the city, the business park is sought after by businesses looking to move away from the city centre. To enhance its holistic "work, live, play" environment, improvements will be made to the current suite of amenities and accessibility of the building. ESR-REIT also increasingly looks at incorporating eco-friendly green features in its buildings, to provide sustainable built environment solutions.

02



BALANCING SUPPLY AND DEMAND

The last few years have seen Singapore's industrial real estate market experience an oversupply in the amount of space introduced to market. However, the balance between supply and demand of space is slowly shifting towards a scenario where new supply is being introduced at a slower pace to meet demand.

Opportunities for Growth

A tapering supply of new industrial space may provide more stability in prices and rents over the next few years. ESR-REIT's proactive approach towards asset and lease management enables it to maximise any potential opportunities from these improved market conditions. The portfolio of 57 properties across the four different asset classes also enables the REIT to capture upside in demand from the various business trade sectors.

03



MANAGING ECONOMIC UNCERTAINTIES

Wider uncertainty surrounding global trade markets has affected the ability of companies to plan and make decisions. Volatile markets set amidst a dampened macroeconomic outlook and fluctuating interest rate environment may also cast further uncertainty but can also bring potential economic and financial benefits.

Opportunities for Growth

ESR-REIT demonstrates active leasing strategies with a strong focus on tenant relationships to drive value. In line with its proactive tenant management, ESR-REIT has forged strong and productive relationships with tenants, enabling it to consistently engage them well ahead of expiries to manage vacancy risks.

Diversifying its sources of capital and strengthening its credit profile has also enabled ESR-REIT to better manage its risks. Active steps have been taken to guard against interest rate volatility, with close to 88.8% of the REIT's interest rate exposure fixed with a weighted average fixed debt expiry of 2.6 years. In this way, we are able maintain financial flexibility to optimise investment opportunities when they arise and leverage on opportunities to further create value for our investors.

04



TAPPING ON SINGAPORE'S INDUSTRY 4.0 INITIATIVES

The fourth industrial revolution or "Industry 4.0" refers to the rise of smart technologies. The increased prevalence of technology, digitisation and design innovation not only has the potential to change the face and functionality of buildings but also the profile of tenants that lease these spaces. Singapore Government has acknowledged the need to revamp its manufacturing model into one that provides more innovation-based and high-value added production, and initiatives are in place to help the sector gear up.

Opportunities for Growth

In line with the Singapore Government's push towards Industry 4.0, ESR-REIT is repositioning its properties to cater to the evolving needs of high value industrialists. AEIs at selected properties also enable ESR-REIT to improve building specifications to attract tenants of tomorrow.

Tenant
Retention
69.6%

Weighted
Average Lease
Expiry of

3.8
Years

Renewals and
New Leases

2.7m
sqft

UE BizHub East
Business Park





Always taking a long-term view, ESR-REIT's strategic thrust allows us to deliver a sustainable operational performance and organic growth founded on a growing portfolio. Through proactive asset management, sound investment and optimisation of our assets' synergies, the Trust looks to generate lasting stable returns to unitholders.

ESR-REIT HAS A SUSTAINABLE

STRATEGY TO FLOURISH IN THE LONG TERM



OPERATIONS REVIEW



Located in the Pandan logistics cluster within the Jurong Industrial Estate, 48 Pandan Road is well-positioned to strengthen ESR-REIT's portfolio exposure to logistics sectors with its in-demand modern ramp-up features.

CREATED VALUE FOR OUR UNITHOLDERS

ESR-REIT is committed to bring together the capabilities, tenant base, capital resources and global connections to deliver stable returns for our Unitholders. During FY2019, the Manager has unlocked value through a value-adding acquisition of 48 Pandan Road and optimised the portfolio with the divestment of 31 Kian Teck Way, a non-core asset. At the same time, enhancement initiatives for 7000 Ang Mo Kio Avenue 5 and UE BizHub EAST were unveiled to rejuvenate the assets and meet industrialists' evolving business needs.

Completed Acquisition

In August 2019, the Manager completed the acquisition of a 49% interest in 48 Pandan Road for a purchase consideration of S\$225.0 million (on a 100% basis). The agreed purchase price was in line with the valuation conducted by Savills Valuation & Professional Services (S) Pte Ltd as at 3 May 2019.

48 Pandan Road is a newly-completed six-storey modern ramp-up logistics facility located within the Pandan area, a key logistics cluster adjacent to the Jurong Industrial Estate in Singapore. The property has a gross floor area ("GFA") of 1,093,415 sqft and is 100% occupied. With this acquisition, ESR-REIT now holds interests in four in-demand and modern ramp-up logistics properties, representing 21.9% of its logistics/warehouse portfolio by rental income.

This acquisition also underpins the Manager's strategy of building a portfolio of resilient assets with higher value to cater to the evolving needs of industrialists. 48 Pandan Road is under a 10-year master lease arrangement with a fixed annual rental escalation with Poh Tiong Choon Logistics Limited, an established third-party logistics provider, providing stable income stream for the REIT.

Property	48 Pandan Road
Purchase Price	S\$225.0 million (S\$110.3 million based on 49% interest)
Completion Date	7 August 2019

Ongoing Asset Enhancement Initiatives

In 2019, the Manager announced two asset enhancement initiatives (AEI) which include utilising untapped plot ratio to develop a modern high-specification industrial facility on the site of 7000 Ang Mo Kio Avenue 5 and rejuvenation works at UE BizHub EAST.

The development of a new building onsite at 7000 Ang Mo Kio Avenue 5 will increase its plot ratio from 1.7 to 2.1, adding approximately 270,000 sqft of brand new high-specification industrial space. The property has another 225,000 sqft of GFA remaining for future development. The AEI is expected to commence as soon as regulatory approval is granted and is targeted to complete in 18 to 24 months after commencement.

UE BizHub EAST will be undergoing AEI to enhance its work-live-play offerings for a city-lifestyle experience to attract surrounding working professionals and quality tenants. The proposed scope of works include improving the accessibility of the property with an extended drop-off area, reconfiguration of lift lobbies and public areas in addition to upgrading the internal food street. The building façade will be given a facelift to achieve a sleek and contemporary look. Alfresco dining and entertainment options as well as communal spaces will be refreshed to promote community activities and placemaking initiatives. AEI has commenced and is targeted to complete in 1Q2021.

These enhancement initiatives are aimed at rejuvenating the existing portfolio to capture value and deliver growth in net asset value as well as to increase the attractiveness and efficiency of its assets to attract high value tenants. The properties will remain fully operational during the AEI.

Divestment Activity

During the year, ESR-REIT continued its strategy to divest non-core lower yielding assets. The Manager completed its divestment of 31 Kian Teck Way for a total consideration of S\$5.8 million on 28 June 2019. The sale consideration was 1.7% over the property's valuation of S\$5.7 million as at 31 December 2018. Divestment proceeds were utilised for general working capital purposes.

Property	31 Kian Teck Way
Sale Price (S\$ million)	5.8
Valuation (S\$ million)	5.7
Completion Date	28 June 2019

PORTFOLIO OVERVIEW

As at 31 December 2019, ESR-REIT holds interests in 57 properties, each located in key industrial clusters across Singapore, with an aggregate gross floor area of 15.1 million sqft. The properties were valued at S\$3.2 billion⁽¹⁾ as at 31 December 2019.

Key Portfolio Statistics

Property	As at 31 December 2019	As at 31 December 2018	Variance (%)
Number of Properties	57	57	n.m.
Gross Floor Area (million sqft)	15.1	14.1	+7.1
Net Lettable Area (million sqft)	13.5	12.6	+7.1
Portfolio Valuation ⁽¹⁾ (S\$ million)	3,159.4	3,021.9	+4.6
Occupancy (%)	90.5	93.0	-2.5

Portfolio Occupancy

Portfolio occupancy remains stable at 90.5% as at 31 December 2019, consistently above the JTC average of 89.3% in FY2019 but dipped slightly from 93.0% in FY2018 due to properties converting from single-tenancy to multi-tenancy over the year.

	1Q2019	2Q2019	3Q2019	4Q2019
Occupancy (%)	92.0	91.0	91.0	90.5
JTC Average (%)	89.3	89.3	89.3	89.2

Active Lease Management

With a proactive tenant management and a focused leasing strategy, ESR-REIT's portfolio occupancy remains stable despite uncertainties in the global economy. Tenants secured this year came from diverse industries, resulting in a total of 328 tenants as at 31 December 2019. Total leases signed in FY2019 amounted to approximately 2.75 million sqft of prime industrial space. Quality tenants signed during the year include multinational corporations such as Future Electronics Inc. (Distribution) Pte Ltd, a global leader in electronic components distribution, Koa Denko (S) Pte Ltd, a high precision electronic component manufacturer from Japan and Giti Tyre Global Trading Pte Ltd, a global tire manufacturing company. The Manager ensures that its portfolio of tenants come from different geographical regions and trade sectors to allow diversification of portfolio risks and reduction in concentration to any sector.

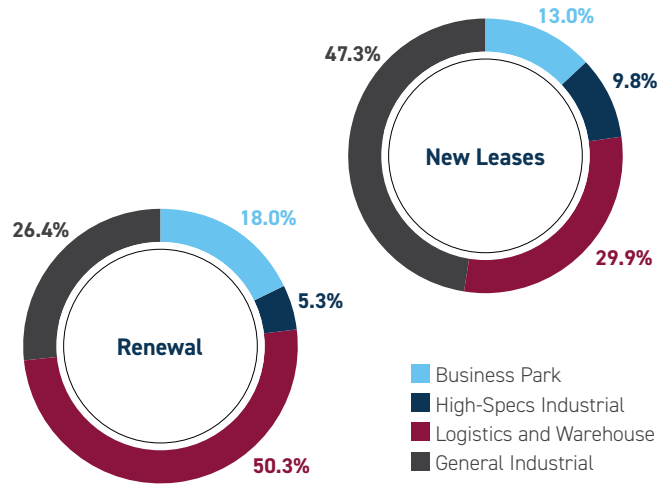
During the year, the Manager repositioned 8 Tuas South Lane by converting the property from a single majority tenanted building to multi-tenancy. To-date, we have secured three new tenants - P-Way Construction & Engineering Pte Ltd, a company specialising in railway construction, installation and maintenance; Ecoplas Manufacturing Pte. Ltd., a manufacturer of plastic resins and another tenant who is a manufacturer of copper wire, strengthening the property's tenant mix while reducing exposure to Hyflux Membrane Manufacturing (S) Pte. Ltd from 3.5% (as at 31 Dec 2018) to 3.0% (as at 31 Dec 2019) of the total portfolio rental. Together these tenants occupy approximately 191,000 sqft of space, representing 24.4% of the GFA. This is part of the Manager's proactive asset management to diversify tenant concentration risk and improve tenant quality within the portfolio.

⁽¹⁾ Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standards (FRS) 116 Leases which became effective on 1 January 2019.

OPERATIONS REVIEW

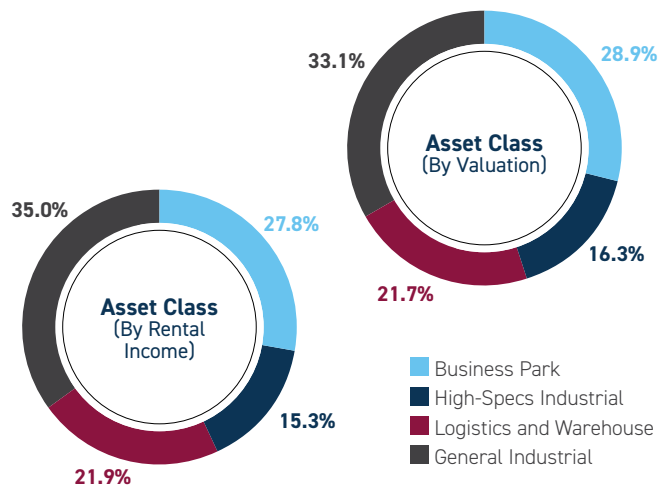
Breakdown of Renewals and New Leases for FY2019 as at 31 December 2019

Approximately 2.75 million sqft of prime industrial space were leased out during FY2019. Renewals accounted for 1.70 million sqft while new leases amounted to 1.05 million sqft of space in the portfolio. The Manager continues to focus on tenant retention to maintain a stable portfolio occupancy against the backdrop of uncertainty in macroeconomic conditions.



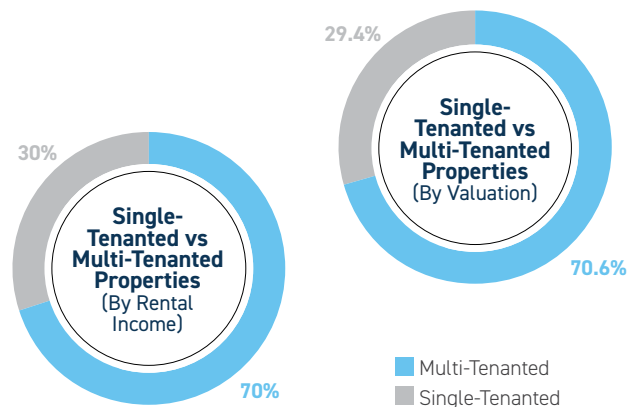
Well-diversified Portfolio (by rental income and valuation) as at 31 December 2019

ESR-REIT continues to own a range of industrial properties, comprising Business Parks, High-Specs Industrial, Logistics / Warehouse and General Industrial. Collectively, High-Specs Industrial and Business Parks account for 43.1% of the portfolio by rental income and 45.2% by valuation. With new technologies being adopted across a range of industry sectors and disciplines, advances in manufacturing would translate to stronger demand for better quality space in these higher rental sub-sectors with limited potential supply. ESR-REIT is well-positioned to capture the favourable demand-supply dynamics in High-Specs Industrial and Business Parks sub-sectors. The Manager will proactively manage its portfolio to scale up its proportion in asset classes that command higher rental.



Breakdown of Single-tenanted and Multi-tenanted Buildings (by rental income and valuation) as at 31 December 2019

The Manager aims to achieve a healthy mix of multi-tenanted buildings ("MTB") and single-tenanted buildings ("STB") in the portfolio through proactive asset and lease management. MTB provides tenant diversification while STB, with its longer leases and in-built rental escalation, generates rental stability. Proactive portfolio conversion over the years has changed ESR-REIT's exposure to MTBs and STBs, each constituting 70.0% and 30.0% of the portfolio respectively based on rental income as at 31 December 2019. Following the conversion, the portfolio is well-positioned to capture potential rental upside in an increasingly stabilised supply environment. Based on valuation, 29.4% of the portfolio constitutes STB while MTB make up the remaining 70.6%.



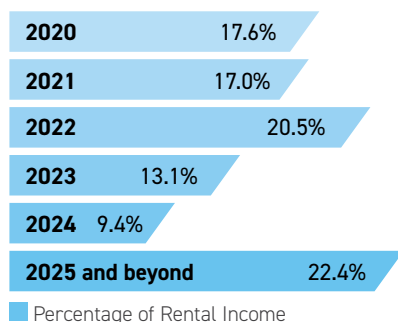
Well-Spread Lease Expiry Profile

In line with its proactive leasing strategy, the Manager has consistently engaged its tenants well ahead of lease expiries to manage vacancy risk. Together, these leases have a weighted average lease expiry ("WALE") of 3.8 years as at 31 December 2019. No more than 20.5% of the portfolio's total leases will expire in any one year over the next three years.

ESR-REIT's leases have either mark-to-market rent reviews at fixed periods or fixed rental escalations throughout the lease term. Some leases are also on a triple-net basis where tenants are responsible for property expenses such as property tax, land rent, insurance and maintenance. The WALE for new leases is 2.9 years and accounts for 8.2% of the portfolio's rental income. Likewise the WALE for renewal leases is 2.8 years and accounts for 11.3% of the portfolio's rental income.

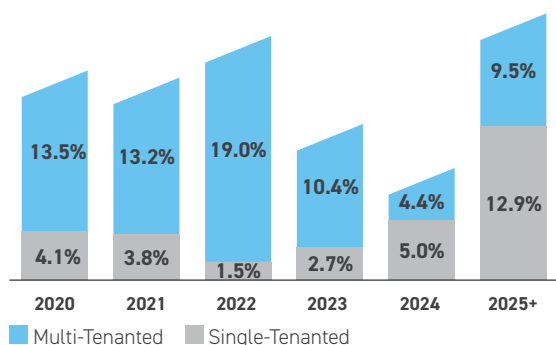
Portfolio Lease Expiry Profile (% of rental income)

as at 31 December 2019



Weighted Average Lease Expiry (by rental income)

as at 31 December 2019

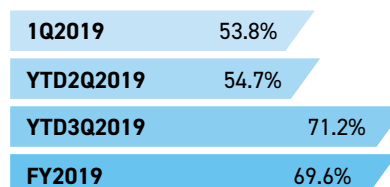


Tenant Retention Rate

ESR-REIT achieved a tenant retention rate of 69.6% as at 31 December 2019 compared to 56.6% over the same period last year. Larger retained tenants include Venture Corporation Limited, 1-Net Singapore Pte Ltd and Samsung SDS Asia Pacific Pte Ltd. This is a testament to our strong relationship with tenants as well as proactive lease management to continuously work together with our tenants so that we can deliver stable rental revenue and remain relevant and aligned to market trends.

Tenant Retention Rate (%)

as at 31 December 2019



TOP 10 TENANTS

ESR-REIT's rental income is well-spread across its portfolio of 328 tenants. The top 10 tenants account for 30.5% of rental income, an increase from 30.1% of rental income during the preceding year.

As at 31 December 2019, no single tenant contributed more than 5% of the portfolio's total rental income. The Manager will continue to diversify its tenant mix across trade sectors to mitigate concentration risk and enhance portfolio resilience.

Top 10 Tenants (% of rental income)

as at 31 December 2019

Tenant	Trade Sector	Percentage of Rental Income (%)
AMS Sensors Singapore Pte. Ltd. ⁽³⁾	Electronics	4.9%
United Engineers Developments Pte Ltd	Hotel / Convention Hall	4.2%
Sharikat Logistics Pte. Ltd.	Logistics & Warehousing	3.3%
Poh Tiong Choon Logistics Limited	Logistics & Warehousing	3.3%
Meiban Investment Pte Ltd	Manufacturing	3.1%
Hyflux Membrane Manufacturing (S) Pte. Ltd. ⁽⁴⁾	Water & Energy	3.0%
Venture Corporation Limited	Logistics & Warehousing	2.4%
Data Centre Operator ⁽⁵⁾	Data Centre	2.2%
Ceva Logistics Singapore Pte Ltd	Logistics & Warehousing	2.1%
GKE Warehousing & Logistics Pte Ltd	Logistics & Warehousing	2.0%

10 Largest Tenants by Total Rental Income **30.5%**

⁽³⁾ Formerly known as Heptagon Micro Optics Pte Ltd.

⁽⁴⁾ Rental income is calculated based on the original contractual rent less the area that Hyflux has surrendered to the new subtenants that ESR-REIT has secured.

⁽⁵⁾ Tenant not named due to confidentiality obligations.

OPERATIONS REVIEW

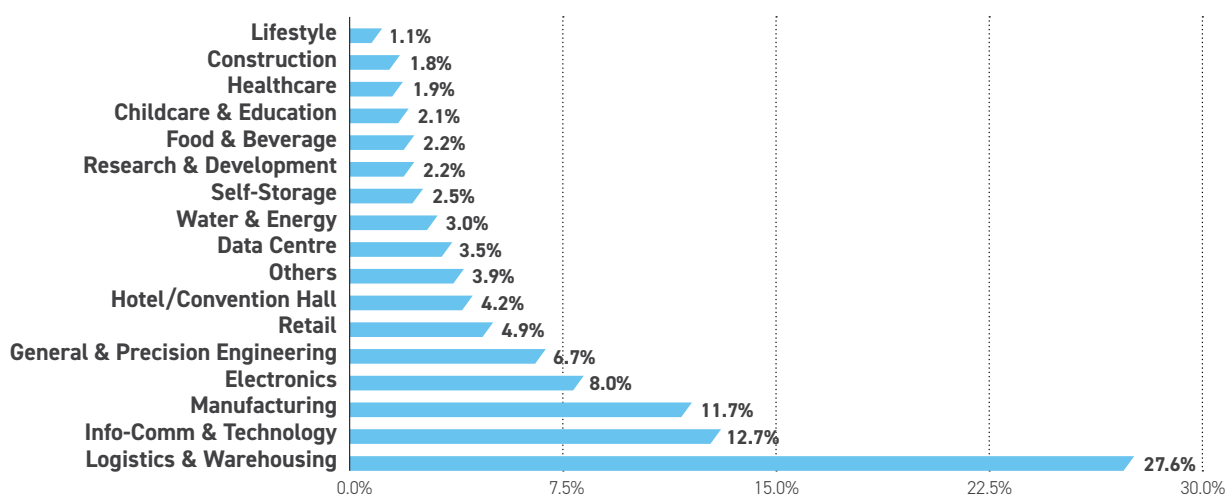
Trade Sector Analysis

ESR-REIT's portfolio is well-diversified across various industries including logistics & warehousing, info-comm & technology, manufacturing, electronics, general & precision engineering etc.

As at 31 December 2019, logistics and warehousing remained the largest contributor to rental income at 27.6% of the total portfolio. Info-Comm & Technology remained the second largest contributor to rental income at 12.7%. No individual trade sector accounts for more than 27.6% of the total rental income.

Breakdown of Trade Sectors (by rental income)

as at 31 December 2019



Valuation of Portfolio

It is a mandatory requirement to engage an independent appraisal to revalue the portfolio on a yearly basis.

compared to 31 December 2018 due to changing market conditions and shorter land lease.

The total valuation of ESR-REIT's 57 properties was S\$3.2billion⁽⁵⁾ as at 31 December 2019. Several properties within the portfolio registered a lower valuation as

As at 31 December 2019, the weighted average land lease expiry of ESR-REIT's portfolio was 32.3 years (by valuation), down from 33.2 years a year ago.

Land Lease Expiry Profile (by asset class)

as at 31 December 2019

Land Tenure Expiry	Business Park		High-Specifications Industrial		Logistics & Warehouse		General Industrial		Total	
	No of Properties	Asset Value (\$mil)	No of Properties	Asset Value (\$mil)	No of Properties	Asset Value (\$mil)	No of Properties	Asset Value (\$mil)	No of Properties	Asset Value ⁽⁶⁾ (\$mil)
≤ 20 years	1	299.3	-	-	4	167.6	8	186.0	13	652.9
20.1 to 30 years	-	-	1	48.0	3	301.7	2	24.8	6	374.5
30.1 to 40 years	1	30.6	4	348.7	4	179.2	20	619.3	29	1,177.8
40.1 to 50 years	1	531.0	2	88.5	-	-	6	158.9	9	778.4
Total									57	2,983.6

⁽⁵⁾ Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 & 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019.

⁽⁶⁾ Based on 80% of the valuation of 7000 Ang Mo Kio Avenue 5 and 49% of the valuation of 48 Pandan Road in which ESR-REIT holds interest in.

FINANCIAL REVIEW

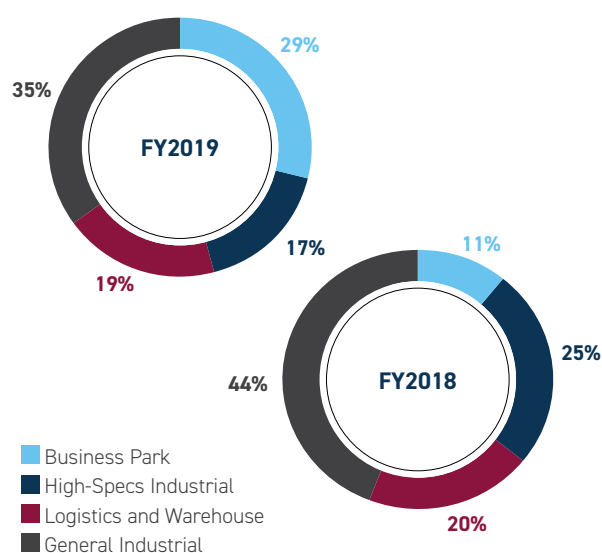
Statement of Net Income and Distribution	FY2019 (S\$'000)	FY2018 (S\$'000)	Fav/(Unfav) %
Gross revenue	253,044	156,916	61.3
Property expenses	(65,114)	(44,880)	(45.1)
Net property income ("NPI")	187,930	112,036	67.7
Manager's fees	(14,926)	(9,805)	(52.2)
Trust expenses	(2,578)	(1,891)	(36.3)
Interest income	15	48	(68.8)
Borrowing costs	(51,161)	(27,442)	(86.4)
Finance costs on lease liabilities for leasehold land	(10,799)	-	n.m.
Net income	108,481	72,946	48.7
Distributable Income	116,466	67,908	71.5
Distribution from Tax Exempt Income	-	519	n.m.
Distribution from Other Gains	16,100	6,039	166.6
Total Distribution to Unitholders	132,566	74,466	78.0
Distribution per unit ("DPU") cents	4.011	3.857	4.0

n.m. – not meaningful

Gross Revenue

Gross Revenue for FY2019 was S\$253.0 million, an increase of S\$96.1 million or 61.3% from FY2018. The growth in revenue was mainly attributable to the full year contributions from Viva Trust's nine properties and 15 Greenwich Drive, which were acquired in October 2018, the leasing up of 30 Marsiling Industrial Estate Road 8 following the completion of its asset enhancement in early 2019, as well as rental escalations from the existing property portfolio. The growth was partially offset by the lease conversion from single to multi-tenancies for certain properties within the portfolio.

Gross Revenue by Asset Class



FINANCIAL REVIEW

Net Property Income

NPI for FY2019 was S\$187.9 million, an increase of S\$75.9 million or 67.7% from FY2018 due to higher Gross Revenue as mentioned above partially offset by higher property expenses.

Property expenses increased by 45.1% from S\$44.9 million in FY2018 to S\$65.1 million in FY2019 mainly due to the Merger⁽¹⁾ and the acquisition of 15 Greenwich Drive in October 2018, as well as master lease conversions. Such increase was partially offset by the reclassification of lease payments for land rent from property expenses to finance cost on lease liabilities and change in fair value of the right-of-use of leasehold land due to the adoption of Financial Reporting Standard (FRS) 116 – *Leases* which became effective on 1 January 2019. ESR-REIT adopted FRS 116 on a modified retrospective basis on 1 January 2019 and did not adjust the FY2018 comparatives for the effects arising from the adoption of this new FRS.

Net Income

Net Income for FY2019 was S\$108.5 million, an increase of S\$35.5 million or 48.7% from FY2018 on the back of a higher NPI but was partially offset by higher Manager's fees and borrowing costs.

Higher management fees for the Manager in FY2019 was due to the higher deposited property of ESR-REIT, which was mainly attributable to the Merger and the acquisition of 15 Greenwich Drive in October 2018, and the acquisition of 49% interest in 48 Pandan Road via a new joint venture known as PTC Logistics Hub LLP in August 2019.

Borrowing costs were higher in FY2019 mainly due to more debts being drawn down in 4Q2018 to fund the acquisition of 15 Greenwich Drive and the costs related to the Merger which included the funding of the cash consideration, the payment of transaction costs and the refinancing of Viva Trust's borrowings.

Distributions to Unitholders

Total distributions to Unitholders for FY2019 amounted to S\$132.6 million, an increase of S\$58.1 million or 78.0% as compared to FY2018, which was mainly attributable to higher Net Income, higher management fees paid in ESR-REIT units and higher distribution of capital gains from disposal of investment properties in prior years. FY2019 DPU of 4.011 cents was 4.0% higher than the FY2018 DPU of 3.857 cents.

A breakdown of the changes in the number of issued units during FY2019 as compared to FY2018 is as follows:

	FY2019 Number of units	FY2018 Number of units
Issued units at beginning of the year	3,170,172,725	1,313,623,314
Issuance of new units pursuant to:		
- Management fees paid in units	15,915,230	1,449,130
- Distribution Reinvestment Plan	8,936,833	7,229,019
- Private Placement	194,174,000	-
- Preferential Offering	98,117,183	262,849,614
- Acquisition fees paid in units pursuant to the Merger	-	23,807,948
- Partial consideration paid in units pursuant to the Merger	-	1,561,213,700
Issued units at end of the year	3,487,315,971	3,170,172,725

⁽¹⁾ On 15 October 2018, ESR-REIT completed its merger with Viva Industrial Trust ("VIT") comprising Viva Industrial Real Estate Investment Trust and Viva Industrial Business Trust by way of a trust scheme of arrangement (the "Merger"). Under the Merger, ESR-REIT acquired all of VIT's issued stapled securities for S\$9.60 in cash and 160 new ESR-REIT units in exchange for every 100 VIT stapled securities held by the stapled securityholders of VIT.

During FY2019, the Manager issued a total of 317,143,246 new units pursuant to the distribution reinvestment plan, payment of management fees, a private placement and a preferential offering.

In FY2019, a total of 292,291,183 new units in ESR-REIT were issued via an equity fund raising exercise comprising a private placement and a preferential offering to raise total gross proceeds of S\$150.0 million to fund (a) the acquisition of 49% interest in 48 Pandan Road; (b) the asset enhancement initiatives at 7000 Ang

Mo Kio Avenue 5 and UE BizHub EAST; and (c) the partial repayment of existing debt.

ESR-REIT's distribution yield as at 31 December 2019 was 7.6%⁽²⁾ per annum. The REIT has been consistently delivering a yield higher than that of the Singapore Government 10-year SGD bond.

A breakdown of the quarterly DPU for FY2019, FY2018 and FY2017 is as follows:

Quarterly DPU	1 Jan to 31 Mar (1Q)	1 Apr to 30 Jun (2Q)	1 Jul to 30 Sep (3Q)	1 Oct to 31 Dec (4Q)	Total DPU for the year
	cents	cents	cents	cents	cents
FY2017	1.004	0.956	0.964	0.929	3.853
FY2018	0.847	1.001	1.004	1.005	3.857
FY2019	1.007	1.004	1.000	1.000	4.011

Net Assets Attributable to Unitholders

Total assets increased by 5.9% from S\$3.05 billion as at 31 December 2018 to S\$3.23 billion as at 31 December 2019. However, excluding the right-of-use of leasehold land of S\$227.7 million arising from the adoption of FRS 116 in FY2019, total assets as at 31 December 2019 decreased by 1.6% as compared to 31 December 2018. The decrease was mainly due to a decline in the total carrying value of the REIT's investment properties based on independent external valuations as at 31 December 2019 where a fair value loss of S\$91.6 million was recognised in FY2019, partially offset by the REIT's interest in a new joint venture, PTC Logistics Hub LLP.

Total liabilities increased by 10.6% from S\$1.42 billion as at 31 December 2018 to S\$1.57 billion as at 31 December 2019. However, excluding the lease liabilities for leasehold land of S\$227.7 million arising from the adoption of FRS 116 in FY2019, total liabilities as at 31 December 2019 decreased by 5.5% as compared to 31 December 2018. The decrease was mainly due to a reduction in borrowings as part of the proceeds from the equity fund raising exercise completed in FY2019 was used to repay debt.

NAV per unit as at 31 December 2019 was 43.3 cents as compared to 46.7 cents as at 31 December 2018.

	31 December 2019 S\$'000	31 December 2018 S\$'000	Variance %
Total Assets	3,229,652	3,050,708	5.9
Total Liabilities	1,569,961	1,419,925	10.6
Net Assets Attributable to Unitholders	1,508,576	1,479,668	2.0
Net Asset Value ("NAV") per Unit (cents)	43.3	46.7	(7.3)

Accounting Policies

The financial statements are prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 'Reporting Framework for Unit Trusts' (RAP 7) issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on Collective Investment Schemes issued by

the Monetary Authority of Singapore and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards.

⁽²⁾ Based on closing price of S\$0.530 as at 31 December 2019.

CAPITAL MANAGEMENT

ESR-REIT's capital management philosophy is grounded in the belief that cultivating diversified sources of capital and strengthening its credit profile is key to being better able to manage risks for Unitholders. The Manager adopts

a prudent and disciplined approach towards capital management to ensure financial flexibility in the REIT's capital structure.

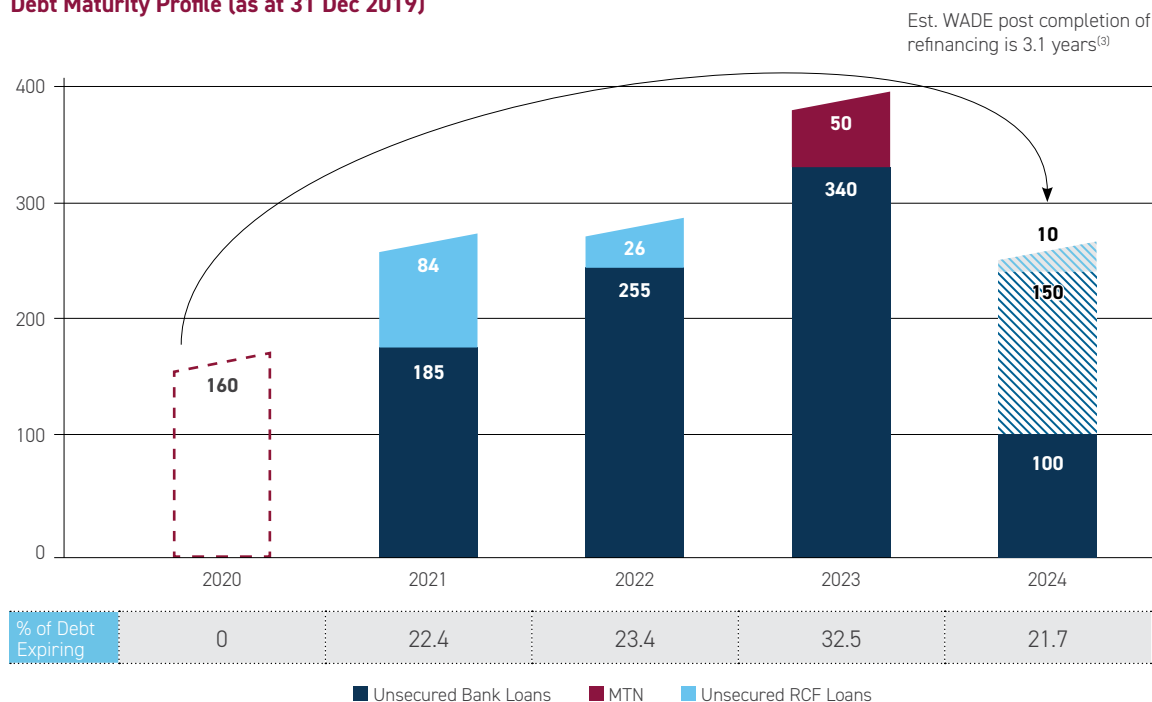
KEY FINANCIAL INDICATORS

	As at 31 Dec 2019	As at 31 Dec 2018
Total Gross Debt (S\$ million)	1,200.0	1,277.6
Debt to Total Assets (%)	41.5 ⁽¹⁾	41.9
Weighted Average All-in Cost of Debt (%) p.a.	3.92	3.81
Weighted Average Debt Expiry ("WADE") (years)	2.6	2.7
Interest Coverage Ratio (times)	3.7	4.0
Interest Rate Exposure Fixed (%)	88.8	83.4
Weighted Average Fixed Debt Expiry ("WAFDE") (years)	2.6	3.0
Proportion of Unencumbered Investment Properties (%)	100 ⁽²⁾	100
Debt Headroom (S\$ million)	195.2	173.2
Undrawn Available Committed Facilities (S\$ million)	90.0	82.4

As at 31 December 2019, ESR-REIT's Debt to Total Assets was 41.5%. The portfolio remains 100% unencumbered, and the weighted average debt expiry is currently at 2.6 years. ESR-REIT maintains a well-staggered debt

maturity profile, with no more than 32.5% of debt expiring in each year. 88.8% of interest rate exposures are fixed for a weighted average tenor of 3.1 years.⁽³⁾

Debt Maturity Profile (as at 31 Dec 2019)

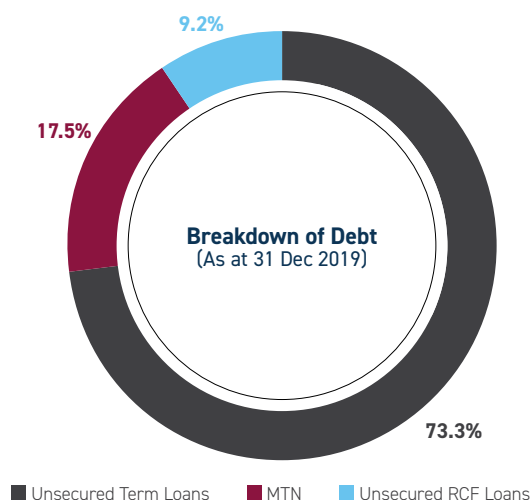


⁽¹⁾ Includes ESR-REIT's 49% share of the borrowings, lease liabilities and total assets of PTC Logistics Hub LLP but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019 where such effects relate to operating leases that were entered into in the ordinary course of ESR-REIT's business and were in effect before 1 January 2019, and the Committed Club Loan Facility described on page 33 is implemented.

⁽²⁾ Excludes ESR-REIT's 49% interest in 48 Pandan Road.

⁽³⁾ Assume utilisation of new loan facility to refinance the maturing medium term notes post execution of a S\$200.0 million loan facility agreement with MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation, Singapore Branch on 28 February 2020. Post execution of the loan, the Weighted Average Debt Expiry is 3.1 years.

As at 31 December 2019, Unsecured Term Loans and Medium-Term Notes make up 73.3% and 17.5% of total debt respectively.



DIVERSIFIED SOURCES OF FUNDING

In June 2019, the Manager launched an equity fund raising exercise to raise gross proceeds of up to S\$150.0 million comprising a Private Placement and a non-renounceable Preferential Offering of new units. The Private Placement of S\$100.0 million was completed on 18 June 2019 at the issue price of S\$0.515 per new unit. The exercise saw strong participation from new and existing unitholders and was approximately 2.5 times covered. During October 2019, the Manager completed the Preferential Offering with approximately 98.1 million new units issued, raising gross proceeds of around S\$50.0 million. The Preferential Offering was 2.13x subscribed. Proceeds from the equity fund raising exercise were deployed to finance the yield-accretive acquisition of PTC Logistics Hub and two asset enhancement initiatives (AEI) at 7000 Ang Mo Kio Avenue 5 and UE BizHub EAST, with the remaining used for debt repayment.

In 2019, ESR-REIT entered into the following unsecured loan facility agreements:

1. S\$155 million unsecured loan facility agreement with Australia and New Zealand Banking Group Limited, Singapore branch, CTBC Bank Co. Ltd. Singapore Branch, and Standard Chartered Bank, Singapore branch in March 2019; and
2. S\$150 million unsecured loan facility agreement with CIMB Bank Berhad, Singapore branch in May 2019.

Proceeds from both facilities were applied towards general corporate funding purposes. In September 2019, the Manager also updated the S\$750.0 million Multicurrency Debt Issuance Programme at more attractive terms.

A commitment letter for a S\$200.0 million committed club loan facility with MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation, Singapore Branch was executed on 30 December 2019 for refinancing of 2020 expiring bonds. The loan facility agreement was subsequently executed on 28 February 2020.

CASH FLOWS AND HEDGING

ESR-REIT has taken a proactive role in monitoring its cash flow position and requirements to ensure sufficient liquidity and adequate funding is available for distribution to the Unitholders as well as to meet any short-term obligations.

The Manager will continue to implement rigorous measures to mitigate interest rate volatilities.

SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

SINGAPORE ECONOMY

Given Singapore's open economy, Singapore's growth in 2019 was clouded by global economic uncertainties fueled by trade tensions between the US and China, ambiguities regarding Brexit and the slowdown in global electronics sector.

As such, Singapore's economy saw a modest growth of only 0.7% y-o-y in 2019. GDP performance was dragged down by the manufacturing sector, which contracted by 1.4% y-o-y. This was mainly due to the weakness in the electronics sector. On the other hand, the services producing industries sector grew 1.1% y-o-y in 2019, driven by the finance & insurance, other services and

business services sectors. Additionally, the construction sector expanded by 2.8% y-o-y on the back of an increase in construction works in both public and private sectors.

Despite weaker economic growth, Singapore's unemployment rate remained low, at 2.3% in 2019 compared to 2.1% in 2018.

The outlook for 2020 is expected to slow down, given the outbreak of the coronavirus disease 2019 (COVID-19). According to the Ministry of Trade and Industry (MTI), Gross Domestic Product (GDP) is forecast fall to around 0.5% in 2020. Nonetheless, Oxford Economics expects unemployment rate to stay resilient at 2.2%.

Singapore GDP Growth and Unemployment Rates

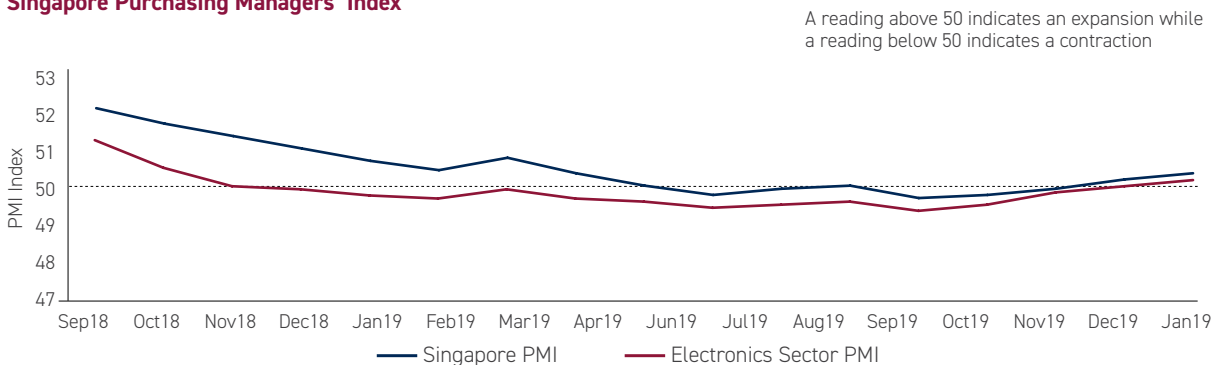
Year	2015	2016	2017	2018	2019	2020F
GDP Growth (%)	3.0	3.2	4.3	3.4	0.7	0.5
Unemployment Rate (%)	1.9	2.1	2.2	2.1	2.3	2.2

Source: MTI, Oxford Economics

Though the Singapore Purchasing Managers' Index (PMI), a barometer for the manufacturing economy, moved into positive territory (above 50 points) in December 2019,

COVID-19 outbreak is likely to temper manufacturing growth in 2020.

Singapore Purchasing Managers' Index



A reading above 50 indicates an expansion while a reading below 50 indicates a contraction.

Source: SIPMM Institute, Cushman & Wakefield Research

KEY GOVERNMENT POLICIES FOR SINGAPORE'S INDUSTRIAL MARKET

Encouraging Industry Transformation

The government continues to encourage transformation efforts for Singapore's manufacturing industry through the policies such as the Industry Transformation Programme and the Research Innovation Enterprise 2020 Plan (RIE2020).

Under the \$4.5 billion Industry Transformation Programme, Industry Transformation Maps (ITM) were developed for 23 industries, such as electronics, precision engineering and logistics etc. ITMs serve as road maps for industrialists to build integrated solutions and strategies to transform and stay relevant in the future manufacturing economy.

The RIE2020 plan is a \$19 billion commitment by the government to fund research and development (R&D) efforts in Singapore⁽¹⁾. Within the RIE2020 framework, Health and Biomedical Sciences and Advanced Manufacturing and Engineering are two of the four key domains with \$7.2 billion to be funneled towards their R&D efforts. For example, the Agency for Science, Technology and Research (A*Star) is leading a public-private partnership to develop solutions and provide a test bed for hyper-personalisation manufacturing⁽²⁾. The goal is to help manufacturers move beyond mass manufacturing, achieve scalable and cost-efficient highly-customisable manufacturing to meet rising consumer expectations.

The fruition of these long-term efforts should underpin growth in high-value and highly connected manufacturing activities and lead to higher demand for well-located and high-spec industrial spaces in the future.

Industrial Government Land Sales Programme

In view of economic uncertainties which have impacted the demand for industrial space, the government has moderated the supply of land from the Industrial Government Land Sales Programme (IGLS). Only 465,220 square feet (sf) of industrial space (GFA) will be released on the Confirmed List of the 1H2020 IGLS programme, as compared to 578,996 sf in 2H2019 and 894,058 sf in 1H2019. The government has continued to take a prudent approach by skewing the supply of land towards the Reserve List. There is 947,447 sf of industrial space that can be potentially triggered from the 1H2020 Reserve List.

Under the IGLS, the confirmed list comprises small-scale Business 2 sites with short lease tenure of 20 years and a single Business 2 site of 30 years under the reserve list. This reflects the current strategy of the government to provide affordable industrial spaces for end-user industrialists over private developers who would favour longer tenure sites.

Industrial Government Land Sales Programme 1H2020

Source	No.	Location	Site Area (ha)	Zoning	GPR	Estimated GFA (sf)	Tenure (Years)
Confirmed List	1	Plot 1, Jalan Papan	1.23	B2	1.4	185,356	20
	2	Plot 2, Tampines North Drive 3	0.48	B2	2.5	129,168	20
	3	Plot 3, Gambas Avenue/Sembawang Avenue	0.7	B2	2	150,696	20
Reserved List	4	Plot 4, Kaki Bukit Road 5	2.02	B2	2.5	543,582	30
	5	Plot 20, Tuas South Link 3	0.44	B2	1.4	66,306	20
	6	160 Gul Circle	0.4	B2	1.4	60,278	20
	7	Gul Avenue	0.6	B2	1.4	90,418	20
	8	Plot 2, Jalan Papan	1.24	B2	1.4	186,863	20

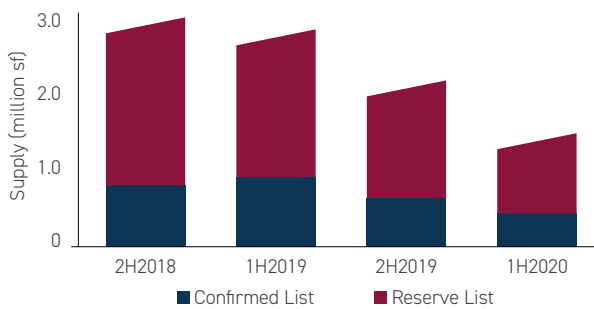
Source: JTC, Cushman & Wakefield Research

⁽¹⁾ National Research Foundation: Research Innovation Enterprise 2020 Plan, 8 January 2016

⁽²⁾ Business Times: S\$38m initiative for hyper-personalised manufacturing among new Industry 4.0 moves, 23 October 2019

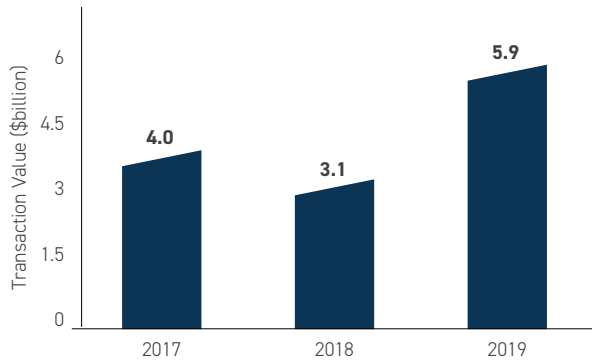
SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

Supply of Land from Industrial Government Land Sales Programme



Source: JTC, Cushman & Wakefield Research

Industrial Investment Sales



Source: Cushman & Wakefield Research

Major Investment Sales

Industrial investment sales in 2019 was dominated by related-party business park transactions. The largest transaction was the acquisition of Mapletree Business City

Phase 2 by Mapletree Commercial Trust for \$1.55 billion. For the whole of 2019, industrial investment sales reached \$5.9 billion, surpassing 2018's sales of \$3.1 billion.

Selected Industrial Investment Sales 2019

Building	Property Type	Land Tenure (years)	Estimated NLA (sf)	Seller	Buyer	Transaction Value (\$m)	Transaction Value (\$ psf NLA)
Mapletree Business City II	Business Park	77	1,184,700	Mapletree Investments	Mapletree Commercial Trust	1,550	1,308
Nucleos	Business Park	52	410,600	CapitaLand	Ascendas REIT	289	704
FM Global Centre	Business Park	73	125,000	CapitaLand	Ascendas REIT	91	728
IBM Singapore Technology Park	Business Park	20+30	431,000*	IBM	Boustead Projects & Abu Dhabi Investment Council	77	180**
Century Warehouse (CS)	Warehouse	FH	56,500	Collective Sale	Private Investment Company	49	858
121 Banyan Drive Warehouse (Sale & Leaseback)	Warehouse	23+29	707,900*	Vibrant Group	SGRE Banyan	228	321**
12 Tai Seng Street (Sale & Leaseback)	Factory	18+30	179,200*	Luxasia Group	PGIM Real Estate	66	371**
72 Loyang Way	Factory	19	171,300	Soilbuild REIT	Kim Hock Enterprise	34	199

Source: Cushman & Wakefield Research

*Gross Floor Area

** \$PSF GFA

FACTORY OVERVIEW

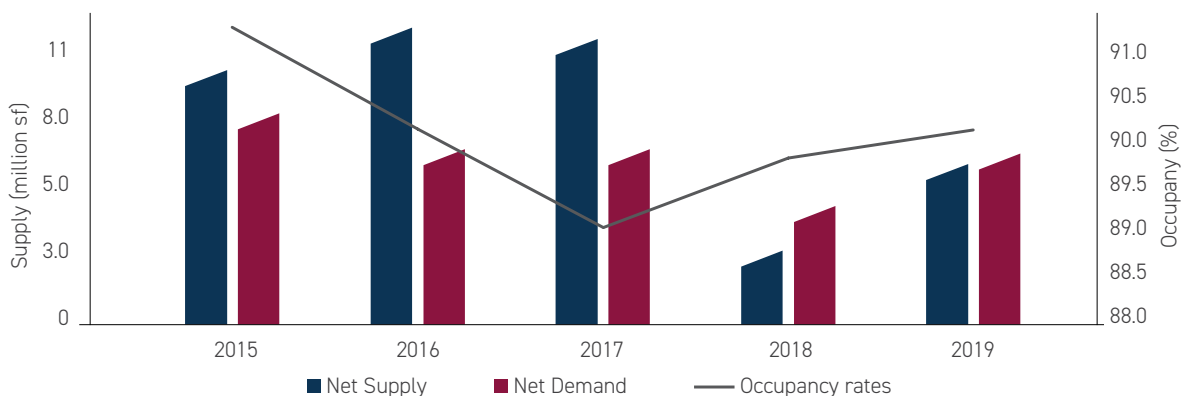
Factory Demand and Supply

In 2019, island-wide factory net demand outpaced net supply driving overall occupancy rates to 89.8%. This is the second consecutive year that net demand has exceeded net supply, amidst a decline of new factory supply. Total net demand and supply was mainly driven by new single-user factory space which are usually built-to-suit and pre-committed. As such, single-user factory occupancy rates remained high at 90.8%. Notably, occupancy rates of multi-user factory rose to 87.5% as net supply of multi-user

factory space shrank due to asset enhancement initiatives (AEI) works at some factories.

For single-user factory space, major completions include Micron Technology's new facility at 1 North Coast Drive (2,797,700 sf) and Syscon's new factory at 30 Tuas Bay Drive (524,400 sf). For multi-user factory space, trendspace at 5 Sungei Kadut Street (662,100 sf) and Solaris @ Kallang 164 (586,500 sf) are amongst those completed in 2019.

Factory Demand, Supply & Occupancy Rates

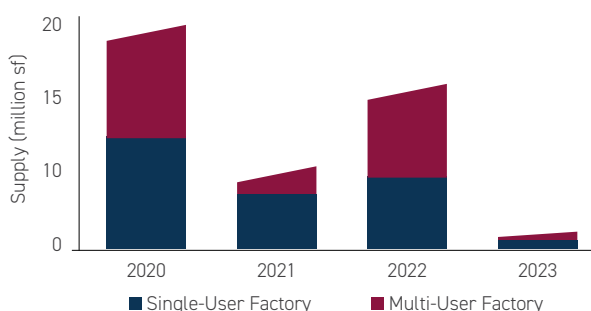


Source: JTC, Cushman & Wakefield Research

New Factory Supply

Supply of Factory space is expected to rise sharply in 2020, at around 18,374,100 sf, split evenly between single-user (49.7%) and multi-user (50.3%) factory space. Subsequently, factory supply will taper off, and only around 21,409,600 sf of factory space will be completed from 2021 to 2023.

Upcoming Factory Supply



Source: JTC, Cushman & Wakefield Research

SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

Selected Upcoming Multi-User Factory Projects in 2020

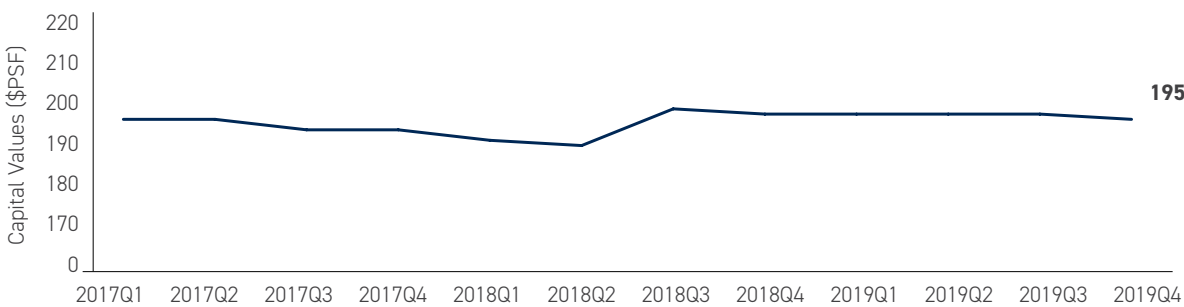
Project Name	Street Name	Developer	GFA (sf)
JTC Defu Industrial City	Defu South Street 1	JTC Corporation	3,518,100
TimMac @ Kranji	Kranji Loop/Kranji Road	JTC Corporation	1,542,200
JTC Bedok Food City	Bedok North Avenue 4	JTC Corporation	1,134,200
Tuas South Connection	Tuas South Link 1	Yee Lee Development Pte Ltd	507,600
Multiple-user factory development	North Coast Avenue	JTC Corporation	493,100
Multiple-user factory development	North Coast Avenue	JTC Corporation	399,300
JTC aeroSpace Three	Seletar Aerospace Link/Crescent	JTC Corporation	167,100
Ispring	New Industrial Road	SB (29NIR) Investment Pte Ltd	104,500
Food Concept @ 239 Pandan Loop	Pandan Loop	JVA Pandan Pte Ltd	75,700

Source: JTC, Cushman & Wakefield Research

Factory Capital Values

Overall 30-year leasehold factory capital values saw a marginal fall of -0.4% q-o-q to reach \$195 psf in 4Q2019. This marks a change of -0.4% y-o-y.

30-Year Leasehold Factory Capital Values



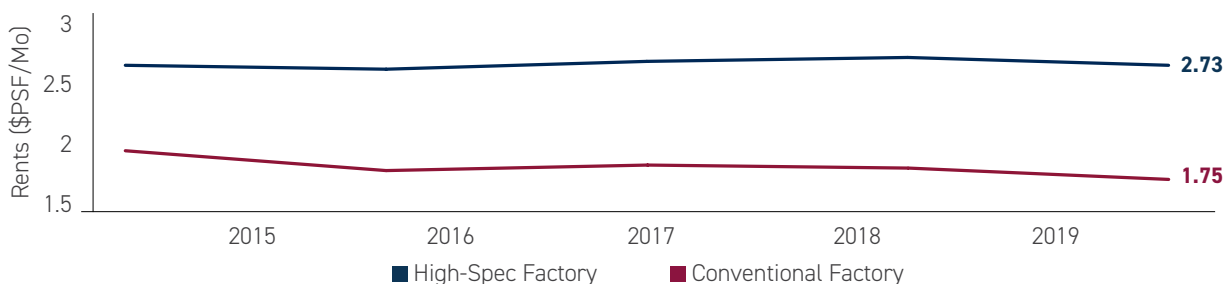
Source: Cushman & Wakefield Research

Factory Rents

Industrial rents were mainly stable as economic uncertainties and oversupply from preceding years continued to weigh down the market. Island-wide conventional factory rents registered a marginal decline from \$1.77 per square foot per month (psf/mo) in 2018

to \$1.75 psf/mo in 2019, representing a fall of 1.1% y-o-y. High-specs factory rents were more resilient and fell 0.6% y-o-y, to reach \$2.73 psf/mo, due to limited supply and continued demand from technology and high-value manufacturing sectors.

Island-wide Factory Rents, breakdown by high-spec factory and conventional factory



Source: JTC, Cushman & Wakefield Research

Factory Outlook

Despite the subdued industrial environment, foreign firms remain attracted to Singapore’s innovation and talent eco-system and continue to make long-term commitments to Singapore. For example, global industrial gases and manufacturing giant, Linde is building a US\$1.4 billion integrated manufacturing complex, which will be located and integrated with its existing gasification facility on Jurong island⁽³⁾. Also, German orthopedic implant manufacturer Syntellix opened its first overseas production facility in Singapore, with projected investment expected to reach \$200 million by 2024 due to the growth of the medtech sector⁽⁴⁾.

Over the short term, factory rents are expected to see a slight moderation, in view of stronger supply pressure and persistent weak economic growth in 2020. New factory supply is expected to surge in 2020, led by multi-user factory space which has seen slower demand over the last few years. As demand for multi-user factory space is expected to remain muted in 2020, overall factory occupancy rates could see a slight dip in 2020.

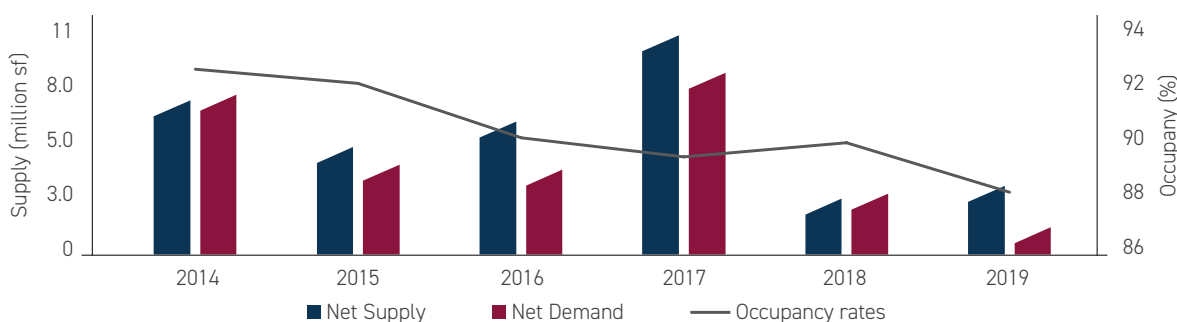
WAREHOUSE OVERVIEW

Warehouse Demand and Supply

Amidst the consolidation of logistics demand into newer and high-spec logistics spaces, net supply continued to outweigh net demand in 2019. Notably, warehouse space net demand was only 1,059,100 sf in 2019, the lowest in a decade. As such, overall warehouse occupancy rates fell to 88% in 2019 from 89.5% in 2018.

Major warehouse completions in 2019 include French logistics and transport company Bollore Logistics’s \$100m new logistics facility (539,300 sf) and Radha Exports new distribution centre (379,800 sf), both located in the western region of Singapore.

Warehouse Demand, Supply & Occupancy Rates



Source: JTC, Cushman & Wakefield Research

⁽³⁾ Business Times: Linde breaks ground on US\$1.4b Jurong plant expansion, 27 August 2019

⁽⁴⁾ Business Times: German firm Syntellix opens first overseas facility in Singapore, 11 November 2019

SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

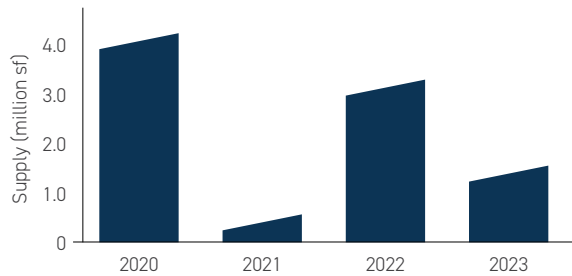
New Warehouse Supply

New supply of warehouse space will spike in 2020 and 2022, reaching 3,616,700 sf and 2,777,100 sf respectively. Warehouse supply will see a reprieve in 2021, with only 376,700 sf of supply coming onstream, allowing demand to catch up with supply.

Warehouse Capital Values

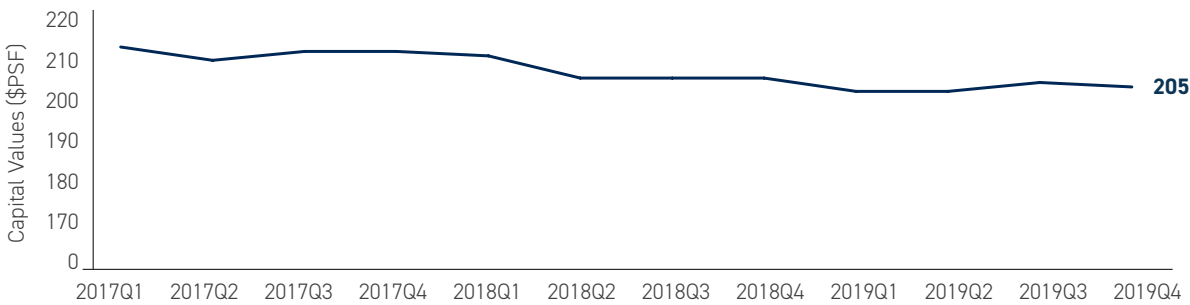
30-year leasehold warehouse capital values fell slightly to \$205 psf or -0.6% q-o-q in 4Q2019, on the back of falling occupancy rates and rents. Capital values fell by 0.7% y-o-y.

Upcoming Warehouse Supply



Source: JTC, Cushman & Wakefield Research

30-Year Warehouse Capital Values



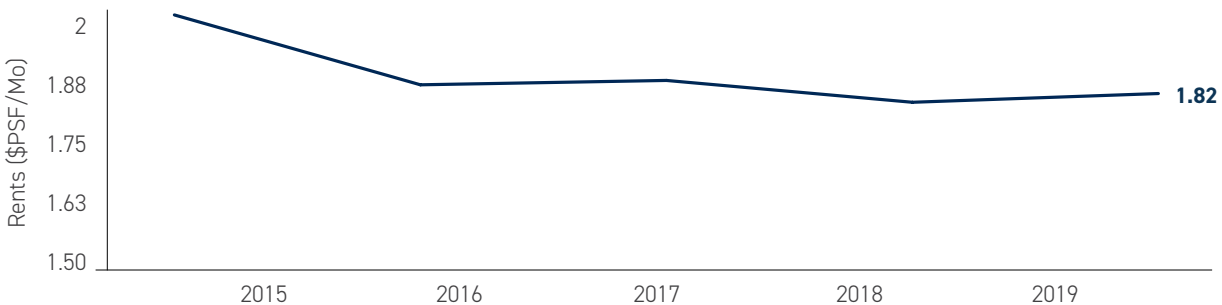
Source: Cushman & Wakefield Research

Warehouse Rents

Despite falling occupancy rates, warehouse rents rose to \$1.82 psf/mo in 2019, registering a y-o-y increase of 1.1%.

The rise in rents was mainly driven by newer and high-specs warehouses which managed to offset weaker rents at older warehouses.

Island-wide Warehouse Rents



Source: JTC, Cushman & Wakefield Research

Warehouse Outlook

The long-term outlook for the Singapore logistics market looks promising. Singapore’s e-commerce market is poised to expand to US\$7 billion in 2025 from US\$1.9 billion in 2019⁽⁵⁾, representing a cumulative annual growth rate of around 24%. However, the effects of e-commerce will be unevenly distributed across the warehouse market. More than 5,000 logistics companies are based in Singapore and 25 international logistics players have located their global or regional headquarters here⁽⁶⁾. Given demanding consumer expectations, well-located warehouses that are able to employ cost-effective and efficient supply chain

management systems will be favoured and positioned to tap on the growth of e-commerce. On the other hand, older warehouses that are unable to support newer and efficient logistics systems will attract limited demand.

Given economic uncertainties and US-China trade tensions, warehouse rents are expected to moderate slightly in 2020. The moderation in rents will be led by low quality warehouses while rents at high-specs warehouses are expected to remain resilient.

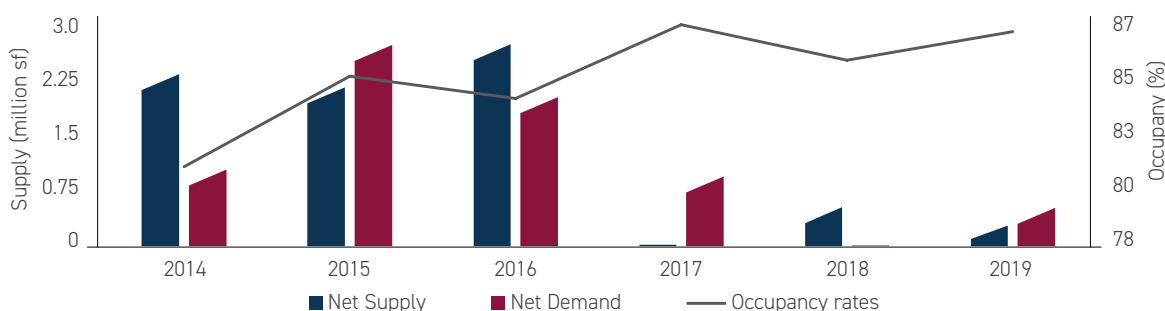
BUSINESS PARK OVERVIEW

Business Park Demand and Supply

The business park market is a two-tier market, with strong demand for high quality business parks in the city fringe, and lesser occupier interest for business parks in outlying areas. This has resulted in lower overall occupancy rates at business parks compared to the factory and warehouse markets.

CapitaLand’s 5 Science Park Drive was the only new business park development completed in 2019. As such, net supply rose by only 154,300 sf as some business park space was taken off the market for AEI works. Net demand reached 454,500 sf in 2019, led by the strong take-up by Shopee at 5 Science Park Drive. As such, business park occupancy rates improved to 86.2% in 2019 from 84.9% in 2018.

Business Park Demand, Supply & Occupancy Rates



Source: JTC, Cushman & Wakefield Research

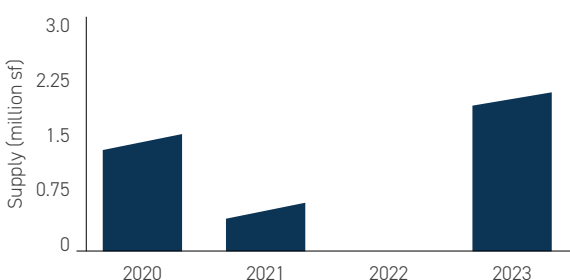
New Business Park Supply

About 1,733,000 sf of new business park supply will be completed in 2020, with supply tapering off in 2021 and 2022 before rising up to 2,389,600 sf in 2023.

Supply in 2020 will consist of six projects in the International Business Park, CleanTech Park, and one-north, which will be a mix of existing developments undergoing AEI works and new developments. The new developments at one-north are built-to-suit and are largely pre-committed to single tenants.

Though new supply in 2020 and 2023 looks daunting, the majority of new supply will be located in out-lying areas in the western region of Singapore and Punggol. As such, the impact on city-fringe business parks should be limited.

Upcoming Business Park Supply



Source: JTC, Cushman & Wakefield Research

⁽⁵⁾ Google, Temasek, Bain & Company e-Economy SEA 2019 Report, 3 October 2019

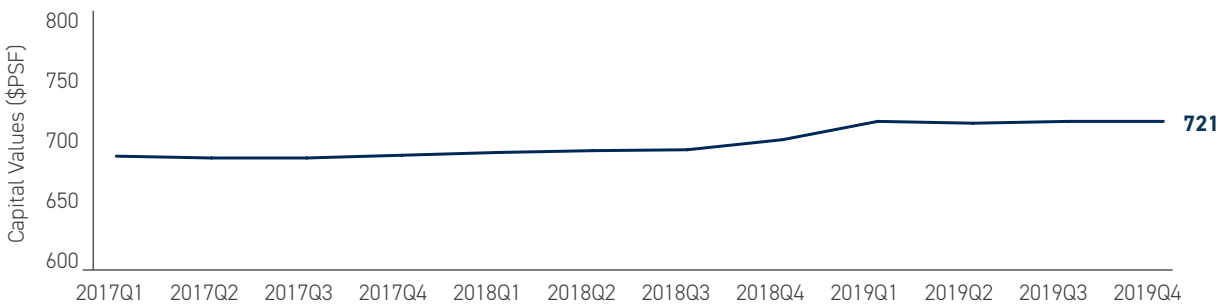
⁽⁶⁾ Straits Times: French firm Bolloré Logistics opens \$100m logistics facility in Boon Lay, 4 December 2019

SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

Business Park Capital Values

Overall 60-year leasehold business park capital values have remained stable, at \$721 psf in 4Q2019, unchanged from 3Q2019. On an annual basis, capital values rose 2.9% y-o-y.

Business Park Capital Values



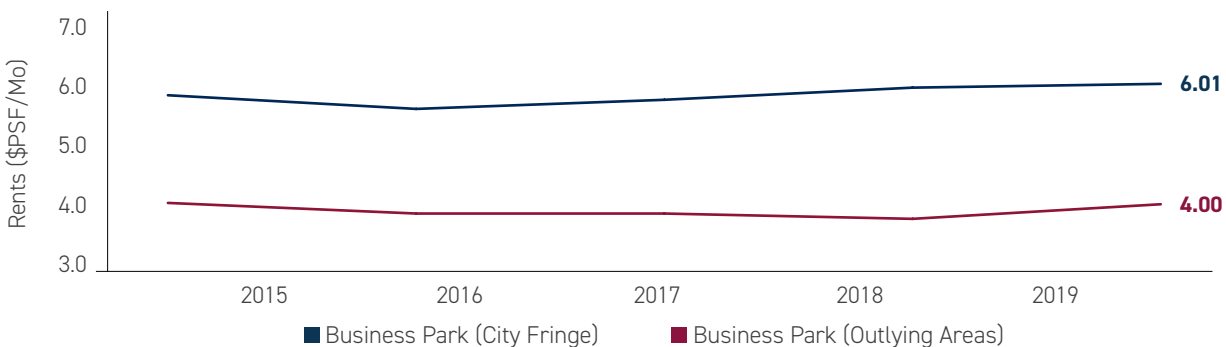
Source: Cushman & Wakefield Research

Business Park Rents

In 2019, rents for business parks in the city-fringe rose 0.8% y-o-y to \$6.01 psf/mo. The slowdown in rental growth comes after two consecutive years of steady growth of over 2% per annum. Weaker economic conditions have led to increasing tenants' resistance to higher rents.

On the other hand, there was a catch-up of rents at outlying areas. Business park rents at outlying areas registered a growth of 2.8% y-o-y in 2019, after falling 1.0% in 2018. Nonetheless, there is still a significant rental gap between city-fringe and outlying business parks.

Island-wide Business Park Rents, breakdown by city-fringe and outlying areas



Source: Cushman & Wakefield Research

Business Park Outlook

Business park demand will be sustained by cost-conscious companies looking to decentralise. This is evident from the large take-up of space at business parks by several large technology firms. For example, e-commerce firm Shopee has opened its new headquarters at 5 Science Park Drive, taking up 244,000 sf of space⁽⁷⁾. Also, ride-hailing firm Grab and gaming company Razer are both building their new headquarters at one-north, a major business park precinct⁽⁸⁾. Given the gap between grade A office rents and high-spec business rents, high-spec, city-fringe business

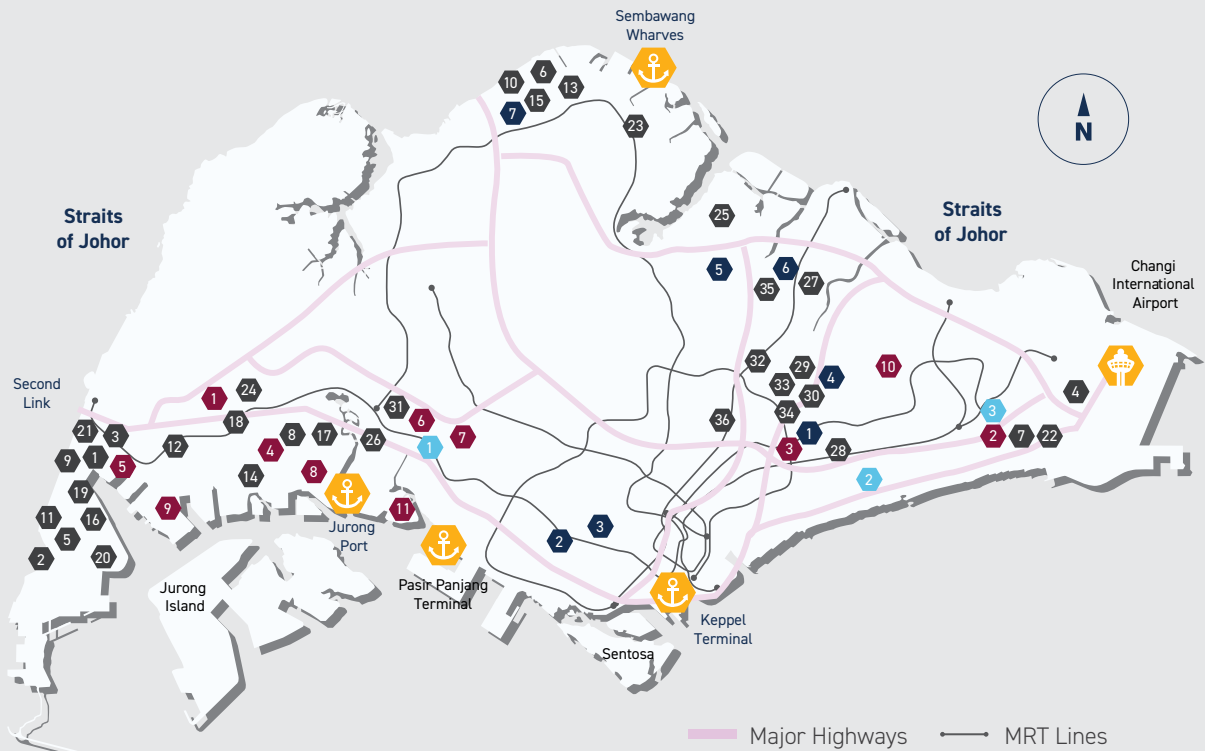
park spaces offer an attractive value proposition for tech firms looking to lease a sizable amount of space at lower rents.

For 2020, rental growth for city fringe and outlying business parks are expected to diverge. City fringe rents are expected to rise as strong demand for high quality and well-location business parks is expected to sustain while rents of older business parks at outlying areas may dipped slightly or remain fairly stable.

⁽⁷⁾ Business Times: Shopee opens new HQ building at Science Park to house up to 3,000 staff, 3 September 2019

⁽⁸⁾ Straits Times: One-north draws big players with its vibrant tech buzz, 21 May 2019

PROPERTY PORTFOLIO MAP



BUSINESS PARKS

- 1 16 International Business Park
- 2 750 to 750E Chai Chee Road
- 3 2 & 4, 6 & 8 Changi Business Park Avenue 1

HIGH SPECS INDUSTRIAL

- 1 21&23 Ubi Road 1
- 2 2 Jalan Kilang Barat
- 3 11 Chang Charn Road
- 4 16 Tai Seng Street
- 5 12 Ang Mo Kio Street 65
- 6 7000 Ang Mo Kio Avenue 5
- 7 30 Marsiling Industrial Estate Road 8

LOGISTICS / WAREHOUSE

- 1 1 Third Lok Yang Road & 4 Fourth Lok Yang Road
- 2 25 Changi South Avenue 2
- 3 160 Kallang Way
- 4 6 Chin Bee Avenue
- 5 30 Pioneer Road

- 6 3C Toh Guan Road East
- 7 4&6 Clementi Loop
- 8 24 Jurong Port Road
- 9 3 Pioneer Sector 3
- 10 15 Greenwich Drive
- 11 48 Pandan Road

GENERAL INDUSTRIAL

- 1 81 Tuas Bay Drive
- 2 79 Tuas South Street 5
- 3 31 Tuas Avenue 11
- 4 1&2 Changi North Street 2
- 5 9 Tuas View Crescent
- 6 28 Senoko Drive
- 7 31 Changi South Avenue 2
- 8 22 Chin Bee Drive
- 9 2 Tuas South Avenue 2
- 10 21B Senoko Loop
- 11 60 Tuas South Street 1
- 12 5&7 Gul Street 1
- 13 28 Woodlands Loop
- 14 25 Pioneer Crescent

- 15 11 Woodlands Walk
- 16 43 Tuas View Circuit
- 17 13 Jalan Terusan
- 18 160A Gul Circle
- 19 3 Tuas South Avenue 4
- 20 8 Tuas South Lane
- 21 120 Pioneer Road
- 22 45 Changi South Avenue 2
- 23 511&513 Yishun Industrial Park A
- 24 86&88 International Road
- 25 70 Seletar Aerospace View
- 26 30 Teban Gardens Crescent
- 27 54 Serangoon North Avenue 4
- 28 11 Ubi Road 1
- 29 29 Tai Seng Street
- 30 19 Tai Seng Avenue
- 31 30 Toh Guan Road
- 32 128 Joo Seng Road
- 33 130 Joo Seng Road
- 34 136 Joo Seng Road
- 35 11 Serangoon North Avenue 5
- 36 11 Lorong 3 Toa Payoh

PORTFOLIO DETAILS

BUSINESS PARKS



1
16 International Business Park



2
750 to 750E Chai Chee Road



3
2 & 4, 6 & 8 Changi Business Park Avenue 1

HIGH SPECS INDUSTRIAL



1
21 & 23 Ubi Road 1



2
2 Jalan Kilang Barat



3
11 Chang Charn Road



4
16 Tai Seng Street



5
12 Ang Mo Kio Street 65



6
7000 Ang Mo Kio Avenue 5

LOGISTICS / WAREHOUSE



7
30 Marsiling Industrial Estate Road 8



1
1 Third Lok Yang Road &
4 Fourth Lok Yang Road



2
25 Changi South Avenue 2



3
160 Kallang Way



4
6 Chin Bee Avenue



5
30 Pioneer Road



6
3C Toh Guan Road East



7
4&6 Clementi Loop



8
24 Jurong Port Road



9
3 Pioneer Sector 3



10
15 Greenwich Drive



11
48 Pandan Road

GENERAL INDUSTRIAL



1
81 Tuas Bay Drive



2
79 Tuas South Street 5



3
31 Tuas Avenue 11



4
1&2 Changi North Street 2



5
9 Tuas View Crescent



6
28 Senoko Drive



7
31 Changi South Avenue 2



8
22 Chin Bee Drive



9
2 Tuas South Avenue 2

PORTFOLIO DETAILS



10
21B Senoko Loop



11
60 Tuas South Street 1



12
5&7 Gul Street 1



13
28 Woodlands Loop



14
25 Pioneer Crescent



15
11 Woodlands Walk



16
43 Tuas View Circuit



17
13 Jalan Terusan



18
160A Gul Circle



19
3 Tuas South Avenue 4



20
8 Tuas South Lane



21
120 Pioneer Road



22
45 Changi South Avenue 2



23
511&513 Yishun Industrial Park A



24
86&88 International Road



25
70 Seletar Aerospace View



26
30 Teban Gardens Crescent



27
54 Serangoon North Avenue 4



28
11 Ubi Road 1



29
29 Tai Seng Street



30
19 Tai Seng Avenue



31
30 Toh Guan Road



32
128 Joo Seng Road



33
130 Joo Seng Road



34
136 Joo Seng Road



35
11 Serangoon North Avenue 5



36
11 Lorong 3 Toa Payoh

PORTFOLIO DETAILS

BUSINESS PARKS

Business Parks are properties that cater to industries/businesses relating to high-technology, research and development (R&D) value-added and knowledge-intensive sectors. Companies that take up space in Business Parks can engage in a range of light and clean uses such as technical support, information-communications, healthcare devices, product design, development and testing, service centres and back-end office functions.



UE BizHub EAST ◀

Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
1 16 International Business Park	Master lease	69,258	69,258	30+30	31-Jul-2056
2 750 to 750E Chai Chee Road	Multi-tenanted	1,526,762	1,134,178	60 43	31-Mar-2031 28-Feb-2031
3 6 & 8 Changi Business Park Avenue 1 (Business Park)	Multi-tenanted	626,018	654,155	30+30	31-Jan-2068
2 & 4 Changi Business Park Avenue 1 (Hotel)	Multi-tenanted	157,397			



860.9

Valuation (S\$ million)
As at 31 Dec 2019



28.9%

% of Portfolio by
valuation (%)



2,379,435

Gross Floor Area
(sqft)

Remaining Term of Land Lease (years)	Acquisition Date	Purchase Price/ Development Cost (S\$ million)	Occupancy (%) As at 31 Dec 2019	FY2019 Gross Revenue (S\$ million)	Valuation (S\$ million) As at 31 Dec 2019
36.6	19-Dec-14	30.3	100%	2.0	30.6
11.3	15-Oct-18	322.2	79%	38.0	299.3
11.2				18.6	
48.1	15-Oct-18	531.0	64%	10.5	531.0

PORTFOLIO DETAILS

HIGH SPECS INDUSTRIAL

High-specs Industrial facilities are mixed-use industrial buildings with a high proportion of space that can be allocated for office use. These buildings have modern facades, air-conditioned units and sufficient floor loading, ceiling height and electrical power capacities to enable both manufacturing and office functions to be carried out concurrently.



30 Marsiling Industrial Estate Road 8 ◀

Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
1 21 & 23 Ubi Road 1	Multi-tenanted	202,770	148,055	30+30	31-Jan-2057
2 2 Jalan Kilang Barat	Multi-tenanted	82,652	67,667	99	30-Jun-2062
3 11 Chang Charn Road	Multi-tenanted	97,546	73,745	99	31-Dec-2056
4 16 Tai Seng Street	Multi-tenanted	215,666	182,353	30+30	3-Jul-2067
5 12 Ang Mo Kio Street 65	Multi-tenanted	180,424	165,268	30+30	15-Oct-2050
6 7000 Ang Mo Kio Avenue 5 ⁽¹⁾	Multi-tenanted	1,073,233	819,323	32+30	29-Jan-2057
7 30 Marsiling Industrial Estate Road 8	Multi-tenanted	217,840	187,055	30+30	30-Nov-2049

⁽¹⁾ Information has been presented on 100% basis which includes a 20% non-controlling interest



485.2

Valuation (S\$ million)
As at 31 Dec 2019⁽²⁾



16.3%

% of Portfolio by
valuation (%)⁽²⁾



2,070,131

Gross Floor Area
(sqft)

Remaining Term of Land Lease (years)	Acquisition Date	Purchase Price/ Development Cost (S\$ million)	Occupancy (%) As at 31 Dec 2019	FY2019 Gross Revenue (S\$ million)	Valuation (S\$ million) As at 31 Dec 2019
37.1	25-Jul-06	25.0	87	3.8	36.4
42.5	25-Jul-06	20.0	61	1.7	30.0
37.0	31-Mar-14	32.0	75	2.0	29.8
47.5	29-May-12	72.9	100	4.0	58.5
30.8	13-Sep-14	39.8	67	2.0	38.2
37.1	13-Dec-17	240.0	94	24.7	305.4
29.9	24-Oct-12	39.0	100	4.1	48.0

⁽²⁾ Valuation for 7000 Ang Mo Kio Avenue 5 is based on 80% interest which ESR-REIT holds

PORTFOLIO DETAILS

LOGISTICS / WAREHOUSE

Buildings classified as Logistics/Warehouse properties are typically equipped with high floor loading and high floor-to-ceiling height. Such buildings are typically multi-storey properties with vehicular ramp access and/or heavy-duty cargo lift access.



48 Pandan Road ◀

Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
1 Third Lok Yang Road and 4 Fourth Lok Yang Road	Master lease	114,111	114,111	30	15-Dec-2031
25 Changi South Avenue 2	Master lease	72,998	72,998	30+30	15-Oct-2054
160 Kallang Way	Master lease	322,604	322,604	30+30	15-Feb-2033
6 Chin Bee Avenue	Master lease	324,166	324,166	30	15-Oct-2043
30 Pioneer Road	Master lease	281,101	281,101	30	15-Feb-2037
3C Toh Guan Road East	Multi-tenanted	192,864	173,102	30+30	15-Feb-2051
4 & 6 Clementi Loop	Multi-tenanted	300,920	247,793	30+30	30-Sep-2053
24 Jurong Port Road	Multi-tenanted	817,021	719,490	30+12	28-Feb-2037
3 Pioneer Sector 3	Multi-tenanted	716,510	645,499	30+30	15-Dec-2050
15 Greenwich Drive	Multi-tenanted	455,396	453,006	30	15-Dec-2041
48 Pandan Road ⁽¹⁾	Master lease	1,093,415	1,009,578	24	31-Oct-2043

⁽¹⁾ Information has been presented on 100% basis, in which ESR-REIT holds 49% interest through a joint venture, PTC Logistics Hub LLP. ESR-REIT applies the equity method to account for its interest in PTC Logistics Hub LLP.



648.5

Valuation (S\$ million)
As at 31 Dec 2019⁽²⁾



21.7%

% of Portfolio by
valuation (%)⁽²⁾



4,691,104

Gross Floor Area
(sqft)

Remaining Term of Land Lease (years)	Acquisition Date	Purchase Price/ Development Cost (S\$ million)	Occupancy (%) As at 31 Dec 2019	FY2019 Gross Revenue (S\$ million)	Valuation (S\$ million) As at 31 Dec 2019
12.0	25-Jul-06	12.4	100	1.2	10.8
34.8	25-Jul-06	7.3	100	1.0	12.7
13.1	25-Jul-06	23.2	100	2.6	25.0
23.8	15-Oct-18	94.3	100	7.5	94.3
17.1	15-Oct-18	54.0	100	4.6	50.8
31.1	30-Jan-12	35.5	77	1.9	30.5
33.8	13-Jun-11	63.4	72	2.7	40.2
17.2	25-Jul-06	96.0	81	7.1	81.0
31.0	25-Jul-06	93.4	97	8.1	95.8
22.0	25-Oct-18	95.6	100	7.1	97.1
23.8	07-Aug-19	225.0	100	6.1 ⁽³⁾	225.0

⁽²⁾ Valuation for 48 Pandan Road is based on 49% interest which ESR-REIT holds.

⁽³⁾ Rental income covers the post acquisition period from 7 August 2019 to 31 December 2019.

PORTFOLIO DETAILS

GENERAL INDUSTRIAL

General Industrial buildings can be single or multi-storey facilities dedicated to general and heavy manufacturing or factory and storage activities.



1&2 Changi North Street 2 ◀

Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
1 81 Tuas Bay Drive	Master lease	107,567	107,567	60	18-Jul-2066
2 79 Tuas South Street 5	Master lease	67,942	67,942	30+30	31-Jan-2060
3 31 Tuas Avenue 11	Master lease	75,579	75,579	30+30	31-Mar-2054
4 1 Changi North Street 2	Master lease	125,870	125,870	30+30	28-Feb-2061
2 Changi North Street 2	Master lease			30+30	22-Nov-2065
5 9 Tuas View Crescent	Master lease	71,581	71,581	30+30	15-Jul-2058
6 28 Senoko Drive	Master lease	159,338	159,338	30+30	15-Dec-2039
7 31 Changi South Avenue 2	Master lease	59,697	59,697	30+30	28-Feb-2055
8 22 Chin Bee Drive	-	120,653	120,653	30	15-Sep-2035
9 2 Tuas South Avenue 2	Master lease	217,351	217,351	60	3-Jan-2059
10 21B Senoko Loop	Master lease	195,823	195,823	30+30	31-Jan-2053
11 60 Tuas South Street 1	Master lease	44,675	44,675	30	15-Mar-2035
12 5 & 7 Gul St 1	Multi-tenanted	98,864	87,136	29.5	30-Sep-2037
13 28 Woodlands Loop	Master lease	131,859	131,859	30+30	15-Oct-2055
14 25 Pioneer Crescent	Master lease	76,003	76,003	30+28	31-Jan-2067
15 11 Woodlands Walk	Master lease	96,625	96,625	30+30	15-Oct-2055
16 43 Tuas View Circuit	Master lease	122,836	122,836	30	31-Jan-2038
17 13 Jalan Terusan	Master lease	245,172	245,172	28	24-Mar-2035
18 160A Gul Circle	Multi-tenanted	86,075	80,203	27	29-Sep-2040



989.0

Valuation (S\$ million)
As at 31 Dec 2019



33.1%

% of Portfolio by
valuation (%)



5,984,677

Gross Floor Area
(sqft)

Remaining Term of Land Lease (years)	Acquisition Date	Purchase Price/ Development Cost (S\$ million)	Occupancy (%) As at 31 Dec 2019	FY2019 Gross Revenue (S\$ million)	Valuation (S\$ million) As at 31 Dec 2019
46.6	15-Oct-18	28.0	100	2.0	28.0
40.1	30-Apr-08	10.4	100	0.1	10.7
34.3	25-Jul-06	8.7	100	0.6	12.1
41.2			100		
45.9	19-Oct-10	22.1	100	1.3	22.0
38.6	25-Jul-06	5.6	100	0.3	10.0
20.0	25-Jun-07	12.0	100	1.8	13.6
35.2	27-Jul-07	7.3	100	0.9	12.5
15.7	28-Sep-10	15.0	-	1.4	14.6
39.0	25-Jul-06	23.0	100	2.5	35.0
33.1	28-Jan-08	27.8	100	1.9	25.9
15.2	29-Jun-11	6.4	100	0.5	4.5
17.8	15-Jul-11	14.5	48	0.6	14.0
35.8	25-Jul-06	13.0	100	1.6	17.3
47.1	29-Mar-12	15.3	100	1.2	16.4
35.8	29-Oct-12	17.3	100	1.3	17.4
18.1	21-Sep-12	13.5	100	1.6	18.3
15.2	30-Jan-13	43.0	100	3.9	33.0
20.8	13-May-15	19.1	35	0.8	15.6

PORTFOLIO DETAILS

GENERAL INDUSTRIAL

General Industrial buildings can be single or multi-storey facilities dedicated to general and heavy manufacturing or factory and storage activities.



3 Tuas South Avenue 4 ◀

	Address	Lease Type	Gross Floor Area (sq ft)	Net Lettable Area (sq ft)	Land Tenure (years)	Land Lease Expiry
19	3 Tuas South Avenue 4	Master lease	315,522	315,522	30+30	30-Apr-2059
20	8 Tuas South Lane	Multi-tenanted	781,124	765,638	30+16	31-Mar-2054
21	120 Pioneer Road	Multi-tenanted	248,037	216,420	30+28	15-Feb-2055
22	45 Changi South Avenue 2	Multi-tenanted	73,684	64,356	30+30	31-Aug-2055
23	513 Yishun Industrial Park A	Multi-tenanted	224,689	200,562	30+30	30-Nov-2053
	511 Yishun Industrial Park A	Multi-tenanted			29+30	31-May-2054
24	86 & 88 International Road	Multi-tenanted	237,229	237,229	30+30	15-Dec-2054
25	70 Seletar Aerospace View	Master lease	53,729	53,729	30	15-Oct-2041
26	30 Teban Gardens Crescent	Master lease	139,525	139,525	10+22	31-May-2039
27	54 Serangoon North Ave 4	Multi-tenanted	139,249	114,237	30+30	15-Jun-2056
28	11 Ubi Road 1	Master lease	253,058	253,058	Plot 1: 30+30 Plot 2: 21+30	31-Aug-2055
29	29 Tai Seng Street	Master lease	85,070	85,070	30+30	30-Apr-2067
30	19 Tai Seng Avenue	Master lease	120,556	120,556	30+30	10-Sep-2067
31	30 Toh Guan Road	Multi-tenanted	332,001	286,515	30+30	15-Aug-2055
32	128 Joo Seng Road	Multi-tenanted	92,849	73,760	30+30	30-Apr-2052
33	130 Joo Seng Road	Multi-tenanted	118,320	89,588	30+30	30-Nov-2051
34	136 Joo Seng Road	Multi-tenanted	101,321	78,189	30+30	30-Sep-2050
35	11 Serangoon North Avenue 5	Multi-tenanted	146,619	112,088	30+30	15-Apr-2057
36	11 Lorong 3 Toa Payoh	Multi-tenanted	418,586	348,103	60	15-May-2029



989.0

Valuation (S\$ million)
As at 31 Dec 2019



33.1%

% of Portfolio by
valuation (%)



5,984,677

Gross Floor Area
(sqft)

Remaining Term of Land Lease (years)	Acquisition Date	Purchase Price/ Development Cost (S\$ million)	Occupancy (%) As at 31 Dec 2019	FY2019 Gross Revenue (S\$ million)	Valuation (S\$ million) As at 31 Dec 2019
39.4	19-Mar-13	15.0	100	2.5	43.0
34.3	13-Dec-17	106.1	100	7.9	105.0
35.2	24-Oct-07	31.1	71	1.3	36.0
35.7	25-Jul-06	8.3	46	0.7	11.1
33.9					
34.4	30-Nov-10	32.6	84	1.6	26.3
35.0	25-Jul-06	32.6	93	3.6	41.8
21.8	22-Nov-12	8.5	100	1.0	9.2
19.4	17-Mar-14	41.0	100	3.8	32.0
36.5	01-Mar-13	21.0	100	1.8	23.0
35.7	15-Oct-18	84.0	100	6.6	84.0
47.4	15-Oct-18	33.4	100	2.2	34.0
47.7	15-Oct-18	47.8	100	3.1	47.8
35.6	25-Jul-06	35.0	97	5.4	58.5
32.4	25-Jun-07	10.0	86	1.2	12.0
31.9	25-Jul-06	12.0	84	1.4	15.6
30.8	25-Jul-06	10.3	83	1.0	12.8
37.3	25-Jul-06	14.0	76	1.8	20.0
9.4	15-Oct-18	63.0	89	9.3	56.0

Total GFA of
approximately
15.1
million sqft

328
Tenants from
different trade
sectors





There is a vast landscape of opportunities for organic growth and portfolio enhancement for ESR-REIT. Our sound financial position and circumspect investment approach provides us the flexibility to evaluate and seize investment opportunities that will enrich our growth.

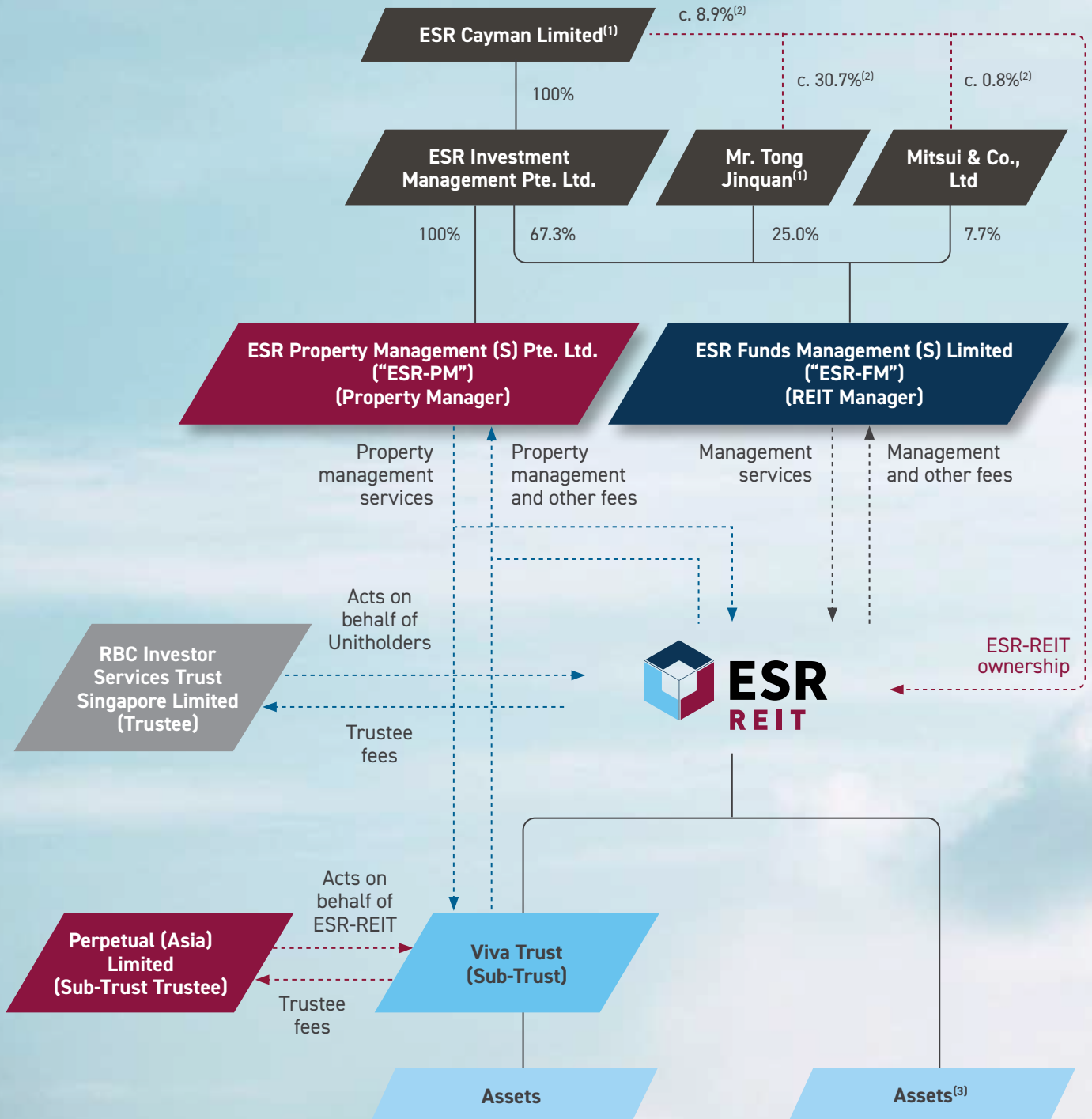
Through strategic acquisitions, asset rejuvenation, and asset enhancement initiatives, we seek to upgrade and expand a future-ready portfolio, and to reinforce our ability to take ESR-REIT to new heights of growth.

ESR-REIT REMAINS RESILIENT

**BECAUSE OF SOUND
LEADERSHIP AND
SPONSOR SUPPORT**

48 Pandan Road
Logistics & Warehouse

TRUST STRUCTURE



⁽¹⁾ Includes direct interests and/or deemed interests through holding entities in ESR-REIT.

⁽²⁾ As at 11 Mar 2019.

⁽³⁾ Includes:

(a) 80% ownership of 7000 AMK LLP. Ho Lee Properties Pte Ltd owns the remaining 20%.

(b) 49% ownership of PTC Logistics Hub LLP. Poh Tiong Choon Logistics Limited owns the remaining 51%.

ORGANISATION STRUCTURE



BOARD OF DIRECTORS



MR. OOI ENG PENG, 63

Independent Chairman

Date of appointment as Director:
27 July 2012

Length of service as a Director (as at 29 February 2020):
7 years 7 months

BOARD COMMITTEES SERVED ON:

- Nominating and Remuneration Committee (Chairman)
- Executive Committee (Chairman)
- Audit, Risk Management and Compliance Committee (Member)

DESCRIPTION:

Mr. Ooi has over 32 years of real estate experience in property investment, development, project management and fund investment, and management businesses in both Asia and Australia. Mr. Ooi was previously the CEO of Lend Lease Asia, based in Singapore from 2010 to 2011. From 2006 to 2010, he was the CEO of Investment Management and Retail Asia for Lend Lease based in Singapore. Prior to his roles in Asia, he was regional Chief Financial Officer ("CFO") of Lend Lease Communities Asia Pacific (2003 to 2005), Global CFO of Lend Lease Investment Management (2002 to 2003) and CFO of Lend Lease Development (2000 to 2002), all based in Sydney.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Commerce, University of New South Wales, Australia
- Member of the Certified Practising Accountants of Australia

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:

Listed Companies

- Perennial Real Estate Holdings Limited

Principal Commitments⁽²⁾

- ESR-MTN Pte. Ltd.
- ESR-SPV2 Pte. Ltd.
- Savant Global Capital Pty Ltd

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

- Keppel REIT (Australia) Management Limited



MR. BRUCE BERRY, 66

Independent Non-Executive Director

Date of appointment as Director:
16 September 2016

Date of last re-appointment as Director:
16 September 2019

Length of service as a Director (as at 29 February 2020):
3 years 5 months

BOARD COMMITTEES SERVED ON:

- Audit, Risk Management and Compliance Committee (Chairman)

DESCRIPTION:

Mr. Berry has over 33 years of business experience covering, construction, property, financial management, infrastructure, and project finance in both Asia and Australia. From 2005 to 2012 Mr. Berry was with AMP Capital Services Limited where he held a number of senior management positions including Fund Manager for a diversified infrastructure fund, and was seconded as the CFO for the then ASX listed DUET.

Prior to this, Mr. Berry was with Lend Lease Corporate for 22 years, and held a number of senior roles in subsidiary or joint venture companies including CFO for Civil and Civic Ltd, Lyonnaise Asia Water Services Pte Ltd and Oakwood Asian Pacific Pte Ltd.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Commerce, University of New South Wales
- Master of Business Administration, University of Sydney
- Chartered Accountant, Chartered Accountants of Australia and New Zealand
- Graduate member of Australia Institute of Company Directors

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:

Listed Companies

Nil

Principal Commitments⁽²⁾

- WaterNSW

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

Nil

⁽¹⁾ Present (as at 31 December 2019) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019).

⁽²⁾ The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

**DR. LEONG HORN KEE, 68**

Independent Non-Executive Director

Date of appointment as Director:

8 January 2019

Length of service as a Director (as at 29 February 2020):

1 year 2 months**BOARD COMMITTEES SERVED ON:**

- Audit, Risk Management and Compliance Committee (Member)

DESCRIPTION:

Dr. Leong is the Chairman of CapitalCorp Partners Pte Ltd, a boutique corporate finance advisory company, which he founded in 2009. He was previously with the Far East Organization group from 1993 to 2008, serving as Managing Director of Orchard Parade Holdings Limited, Managing Director and Chief Executive Officer of Yeo Hiap Seng Ltd, and Executive Director of Far East Organization, where he was closely involved in property development and management. From 1977 to 1983, Dr Leong served in the Ministry of Finance and Ministry of Trade and Industry. He was a Member of Parliament for 22 years until 2006. He was also the Non-Resident Ambassador to Mexico from 2006 to February 2013 and was appointed the Non-Resident High Commissioner to Cyprus in July 2014.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Production Engineering (First Class Honours), Loughborough University
- Bachelor of Science (Economics), University of London
- Bachelor of Arts in Chinese Language and Literature, Beijing Normal University
- Master of Business Administration, INSEAD
- Master of Business (Research), University of Western Australia
- Doctor of Business Administration, University of Western Australia

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:**Listed Companies**

- | | |
|--|--------------------------------------|
| • SPH REIT Management Pte. Ltd.
(Manager of SPH REIT) | • CSC Holdings Limited
• IGG Inc. |
|--|--------------------------------------|

Principal Commitments⁽²⁾

- CapitalCorp Partners Private Limited

Major Appointment (other than Directorship)

- Non-Resident High Commissioner to Cyprus

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

- Tat Hong Holdings Ltd
- Viva Industrial Trust Management Pte. Ltd. (Manager of Viva Industrial Trust)

**MR. RONALD LIM, 73**

Independent Non-Executive Director

Date of appointment as Director:

8 January 2019

Length of service as a Director (as at 29 February 2020):

1 year 2 months**BOARD COMMITTEES SERVED ON:**

- Audit, Risk Management and Compliance Committee (Member)
- Nominating and Remuneration Committee (Member)

DESCRIPTION:

Mr. Ronald Lim has more than 37 years of experience in the banking and finance industry. Mr. Lim was with United Overseas Bank Ltd (UOB) from March 1973 to November 2009 where he last held the appointment of Executive Director and Division Head of Commercial Banking in which the Bank is a leader in the SMEs market. Prior to the above and during his tenure with UOB, Mr. Lim had also held leadership appointments as Head of Human Resource and Head of Branches Division where he was involved in the management and development of human capital, its delivery channels and banking services. From November 2009 to October 2011, Mr. Lim was an Adviser to the RGE Pte Ltd, a resource-based manufacturing group in the paper and pulp, palm oil and the oil and gas industries.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Social Science, University of Singapore
(currently known as the National University of Singapore)

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:**Listed Companies**

- Hiap Hoe Limited

Principal Commitments⁽²⁾

- The HEAD Foundation Limited

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

- Viva Industrial Trust Management Pte. Ltd.
(Manager of Viva Industrial Trust)

⁽¹⁾ Present (as at 31 December 2019) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019).

⁽²⁾ The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

BOARD OF DIRECTORS



MS. STEFANIE YUEN THIO, 50

Independent Non-Executive Director

Date of appointment as Director:
29 March 2019

Length of service as a Director (as at 29 February 2020):
11 months

BOARD COMMITTEES SERVED ON:

- Audit, Risk Management and Compliance Committee (Member)

DESCRIPTION:

Ms. Stefanie Yuen Thio has over 25 years of legal experience in mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice. Ms. Yuen Thio is the Joint Managing Partner of TSMP Law Corporation and heads its corporate practice. She was admitted to the Singapore Bar in 1994. Her clients include logistics companies, REITs and REIT managers. She is regularly named by legal journals as a leading practitioner in her areas of specialisation. Prior to her appointment, she served on the board of ARA Trust Management (CACHE) Limited, manager of Cache Logistics Trust. Ms. Yuen Thio was appointed by the Monetary Authority of Singapore to the Corporate Governance Council 2017 to review the Code of Corporate Governance and is a Fellow of the Singapore Institute of Directors. From 2014 to 2017, she was a member of the Expert Panel, Centre for Cross-Border Commercial Law in Asia. She was also a member of the Singapore Governance and Transparency Index Advisory Panel from June 2016 to May 2018.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Law, National University of Singapore
- Advocate and Solicitor of The Supreme Court of Singapore

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:

Listed Companies

- ARA Trust Management (USH) Pte. Ltd. (Manager of ARA US Hospitality Property Trust)
- ARA Business Trust Management (USH) Pte. Ltd. (Manager of ARA US Hospitality Management Trust)
- Singapore Medical Group Limited

Principal Commitments⁽²⁾

- TSMP Law Corporation

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

- ARA Trust Management (Cache) Limited (Manager of Cache Logistics Trust)



MR. WILSON ANG, 54

Non-Executive Director

Date of appointment as Director:
8 January 2019

Length of service as a Director (as at 29 February 2020):
1 year 2 months

BOARD COMMITTEES SERVED ON:

Nil

DESCRIPTION:

Mr. Ang has extensive experience in real estate investment trust management, industrial property investment and consultancy services. He co-founded Viva Industrial Trust Management Pte. Ltd. ("VITM"), the manager of Viva Industrial Trust ("VIT") in 2012 where he served as the CEO and Executive Director of VITM in steering the growth and enhancing the value of VIT post its successful listing on the SGX-ST in November 2013 until its merger with ESR-REIT in October 2018. Prior to his roles with VITM, Mr. Ang was the Consultant of Asia Industrial Services with Colliers International focusing on Industrial Investment Markets in Singapore and Asia, advising building owners, investors including REITs, private and institution funds on their real estate portfolio as well as servicing their real estate portfolio requirements across Asia. Mr. Ang also cofounded Cambridge Industrial Trust Management Limited ("CITM"), the manager of Cambridge Industrial Trust ("CIT") in 2005 where he served as the Managing Director (Investment) and became CEO from 2007 to 2009. Prior to co-founding CITM, Mr. Ang was the Executive Director and Head of the Industrial Division at Colliers International (Singapore) Pte. Ltd.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Science (Estate Management) (Honours), National University of Singapore.

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:

Listed Companies

Nil

Principal Commitments⁽²⁾

- OT Group Pte. Ltd.
- ESR Funds Management (S) Limited

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

- Viva Industrial Trust Management Pte. Ltd. (Manager of Viva Industrial Trust)

⁽¹⁾ Present (as at 31 December 2019) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019).

⁽²⁾ The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

**MR. PHILIP PEARCE, 52**

Non-Executive Director

Date of appointment as Director:

5 April 2017

Length of service as a Director (as at 29 February 2020):

2 years 10 months**BOARD COMMITTEES SERVED ON:**

- Executive Committee (Member)

DESCRIPTION:

Mr. Pearce has extensive real estate experience in the Asia Pacific Region. He is currently the CEO of ESR Australia where he has been responsible for the establishment of the Group's Australian Business. Prior to joining ESR he established the Goodman Group's business in China, as Managing Director, Greater China where he was responsible for US\$5 billion of assets across Hong Kong and China. Mr. Pearce was a Director on the board of the Goodman Group from 1 January 2013 until July 2016.

Mr. Pearce was seconded to Ascendas-MGM Pte Ltd the manager of Ascendas Real Estate Investment Trust from October 2002 to July 2006 where he held the position of portfolio manager.

Prior to joining Goodman Mr. Pearce held various roles at AMP Henderson Global Investors in Sydney including valuation, asset management and fund management.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Commerce (Land Economy), Western Sydney University, Australia
- Graduate Diploma in Applied Finance, Australian Securities Institute
- Member of the Australian Institute of Company Directors

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:**Listed Companies**

Nil

Principal Commitments⁽²⁾

- ESR Real Estate (Australia) Pty Ltd

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

Propertylink Group which was listed until 26 April 2019

**MR. JEFFREY PERLMAN, 36**

Non-Executive Director

Date of appointment as Director:

18 January 2017

Length of service as a Director (as at 29 February 2020):

3 years 1 month**BOARD COMMITTEES SERVED ON:**

- Nominating and Remuneration Committee (Member)
- Executive Committee (Member)

DESCRIPTION:

Jeffrey Perlman is based in Singapore, joined Warburg Pincus in 2006 and leads the firm's investments in Southeast Asia. Additionally, Mr. Perlman focuses on real estate investments across the greater Asia-Pacific region. Prior to joining Warburg Pincus, he worked in the Real Estate Investment Banking Group at Credit Suisse.

He currently serves as the Chairman of ESR Cayman Limited (1821.HK) and also serves on the Board of Directors for ESR Cayman Limited, ESR Funds Management (ESR-REIT), ARA Asset Management Holdings, Gojek, Lodgis Hospitality Holdings, Mofang Apartments, Nova Property Investment, NWP Retail, Trax Technology Solutions, Online Pajak and Momo.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Business Administration (BBA) from the Ross School of Business, University of Michigan

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:**Listed Companies**

- ESR Cayman Limited

Principal Commitments⁽²⁾

- Cubic City (China) Service Apartment Group Holdings Limited (also known as 'Mofang Apartments')
- Nova Property Investment Co., Ltd.
- PT Nirvana Wastu Pratama
- PT Aplikasi Karya Anak Bangsa (also known as 'GO-JEK')
- ARA Asset Management Holdings Pte Ltd (previously known as 'Athena Investment Company (Singapore) Pte Limited')
- Lodgis Hospitality Holdings Private Limited (previously known as 'Helen Holdings Private Limited')
- Trax Technology Solutions Pte Ltd
- Achilles Systems Pte. Ltd.
- Storhub Holding Pte Ltd (as of 22 April 2019)
- Online Mobile Services Joint Stock Company (as of 17 Jan 2020)

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

- Vincom Retail Joint Stock Company (Resigned as of 8 July 2019)

⁽¹⁾ Present (as at 31 December 2019) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019).

⁽²⁾ The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

BOARD OF DIRECTORS



MR. TONG JINQUAN, 64

Non-Executive Director

Date of appointment as Director:
8 January 2019

Length of service as a Director (as at 29 February 2020):
1 year 2 months

BOARD COMMITTEES SERVED ON:

Nil

DESCRIPTION:

Mr. Tong has more than 20 years of experience in property investment, property development and property management in the People's Republic of China. He is the founder and Chairman of Shanghai Summit (Group) Co., Ltd. and its subsidiaries (the "Summit Group") and the Chairman of Shanghai Changfeng Real Estate Development Co., Ltd. Having established Summit Group in 1994, Mr. Tong has been responsible for overseeing the growth of Summit Group, which holds and operates commercial properties such as hotels, serviced apartments, office buildings and a shopping mall in Shanghai, Shenyang and Chengdu.

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:

Listed Companies

- New Century Asset Management Limited (Manager of New Century Real Estate Investment Trust)
- IREIT Global Group Pte. Ltd. (Manager of IREIT Global)

Principal Commitments⁽²⁾

- Shanghai Summit (Group) Co., Ltd
- Shanghai Changfeng Real Estate Development Co., Ltd.
- Shanghai Summit Pte. Ltd.

PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

Viva Industrial Trust Management Pte. Ltd. (Manager of Viva Industrial Trust)



MR. ADRIAN CHUI, 44

Chief Executive Officer and Executive Director

Date of appointment as Director:
24 March 2017

Length of service as a Director (as at 29 February 2020):
2 years 11 months

BOARD COMMITTEES SERVED ON:

Executive Committee (Member)

DESCRIPTION:

Prior to joining the Manager, Mr. Chui ran the South East Asia real estate advisory division of Standard Chartered Bank ("SCB"). His overall responsibilities at SCB included structuring, fundamental analysis and approval of acquisition financing for real estate companies / REITs / Business Trusts, valuation and execution advice for mergers and acquisitions, as well as structuring, execution and investment case positioning and strategies of REIT Initial Public Offerings ("IPOs") and follow-on offerings of equity, equity-linked and debt securities across all real estate segments.

Before SCB, Mr. Chui was the Director of Real Estate, Lodging and Leisure Group at UBS Investment Bank's Singapore office, where he headed a team involved in structuring and listing of Singapore and cross-border REITs / Business Trusts and property company IPOs for Southeast Asia. His past work experience also includes a stint at Morgan Stanley Asia (Singapore) Securities Pte Ltd, where he was the lead property research analyst responsible for Singapore listed REITs and property companies. He has also held management roles with CapitaCommercial Trust Management Limited and was part of the pioneer management team at Ascendas Funds Management (S) Limited.

ACADEMIC AND PROFESSIONAL QUALIFICATIONS:

- Bachelor of Business, Nanyang Technological University, Singapore

PRESENT DIRECTORSHIPS/CHAIRMANSHIPS⁽¹⁾:

Listed Companies

Nil

Principal Commitments⁽²⁾

- 7000 AMK LLP

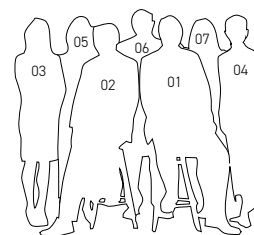
PAST DIRECTORSHIPS/CHAIRMANSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS⁽¹⁾:

Nil

⁽¹⁾ Present (as at 31 December 2019) and past directorships/chairmanships in listed companies held over the preceding three years (from 1 January 2017 to 31 December 2019).

⁽²⁾ The term "principal commitments" shall include all commitments which involve significant time commitments such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

SENIOR MANAGEMENT



01 MR. ADRIAN CHUI

Chief Executive Officer and
Executive Director

02 MR. LAWRENCE CHAN

Chief Financial Officer

03 MS. CHARLENE-JAYNE CHANG

Head of Capital Markets and
Investor Relations

04 MS. NANCY TAN

Head of Real Estate

05 MS. LOY YORK YING

Head of Compliance and
Risk Management

06 MR. STEVEN LEOW

Head of Property Services

07 MS. IRENE PHUA

Head of Human Resources and
Corporate Services



SENIOR MANAGEMENT

01 MR. LAWRENCE CHAN

Chief Financial Officer

Mr. Lawrence Chan joined the Manager in November 2018 as Chief Financial Officer ("CFO"). He reports to the CEO and oversees all finance functions of the Trust and the Manager.

Mr. Chan has more than 20 years of experience in audit, accounting and finance-related work. Prior to joining the Manager, Mr. Chan was the CFO of Viva Industrial Trust Management Pte. Ltd. ("VITM") and was also a director of Viva Real Estate Asset Management Pte. Ltd. and Viva iTrust MTN Pte. Ltd. In his role, he was responsible for the corporate finance, treasury, financial reporting, forecast and budgeting, tax, internal control, financial risk management, corporate governance and compliance functions.

Prior to joining VITM, Mr. Chan was the Financial Controller of Hoe Leong Corporation Ltd and was an Associate Director with Genesis Capital, an independent corporate finance advisory firm licensed by the Monetary Authority of Singapore. Before joining Genesis Capital, Mr. Chan was an Audit Manager with KPMG, where he was responsible for auditing Singapore and Chinese companies across various industries.

Mr. Chan is a Chartered Accountant of Singapore and non-practicing member of the Institute of Singapore Chartered Accountants. He graduated from Nanyang Technological University with a Bachelor of Accountancy in 1999.

02 MS. CHARLENE-JAYNE CHANG

Head of Capital Markets and Investor Relations

Ms. Chang joined the Manager in April 2017 as Head of Capital Markets and Investor Relations. She reports to the CEO and manages the capital markets/fundraising, treasury and investor relations/corporate communications functions of the Manager, including the provision of insights on originating and executing mergers and acquisitions and capital markets/fundraising and treasury strategies. Prior to joining the Manager, Ms. Chang was a Director of the Commercial Real Estate division at Standard Chartered Bank and has originated and executed major transactions across Singapore and Southeast Asia for real estate companies, REITs and Business Trusts. In her role, she was responsible

for the structuring, valuation, fundamental analysis, financing and execution advice for mergers and acquisitions, initial public offerings, and follow-on offerings of equity, equity-linked and debt securities.

Before joining Standard Chartered Bank, Ms. Chang was based in the Hong Kong and Singapore Corporate Finance offices of the Royal Bank of Scotland, providing corporate finance advisory and executing cross-border transactions across Hong Kong, China and Southeast Asia.

Ms. Chang holds a Bachelor of Business Administration with double majors in Finance and Management from the National University of Singapore.

03 MS. NANCY TAN

Head of Real Estate

Ms. Tan joined the Manager in February 2009 and was appointed as Head of Real Estate in February 2011. She reports to the CEO and formulates strategic plans to maximise the returns of ESR-REIT's assets. She oversees the investments, asset management, property management and leasing departments. She has over 21 years of experience in the real estate and asset management industry in Singapore.

Prior to joining the Manager, Ms. Tan was the Fund Manager of MacarthurCook Industrial REIT. She also held management positions in a number of established real estate firms, including Far East Organisation and City Developments Limited. Ms. Tan holds a Bachelor of Science (Estate Management) from the National University of Singapore and a Graduate Diploma in Marketing from the Marketing Institute of Singapore.

04 MS. LOY YORK YING

Head of Compliance and Risk Management

Ms. Loy joined the Manager in June 2014 as Head of Compliance and redesignated as Head of Compliance and Risk Management in 2019. She reports to both the ARC and the CEO and is responsible for all internal and external compliance requirements for the Trust, the Manager and all other related companies of the Manager. She has over 15 years of experience in regulatory and compliance requirements in the financial services industry.

Prior to joining the Manager, Ms. Loy was the Head of Regulatory Advisory and Policy, Compliance at Maybank Singapore and was responsible for the oversight and

management of all compliance-related requirements of Singapore branch. Prior to that, she also managed portfolio and provided financial advisory services to high net-worth individuals with DBS Bank Ltd and UOB Ltd.

Ms. Loy holds a Bachelor of Business (Banking) from Nanyang Technological University. She also holds the Institute of Banking and Finance Advanced, Compliance (Banking) Certification.

05 MS. IRENE PHUA

Head of Human Resources and Corporate Services

Ms. Phua joined the Manager in July 2017 as Head of Human Resources and Corporate Services. She reports to the CEO and oversees the human resources and office administration functions of the Trust and the Manager.

Ms. Phua has more than 19 years of experience providing human capital insight to management, developing talent to enhance skills and productivity as well as cultivating leaders for business continuity. Prior to joining Manager, Ms. Phua was the Associate Director of a real estate consultancy firm and was responsible for formulating human resource strategies for the company.

Ms. Phua graduated from University of Bradford with a Bachelor of Science (Honours) in Business and Management Studies.

06 MR. STEVEN LEOW

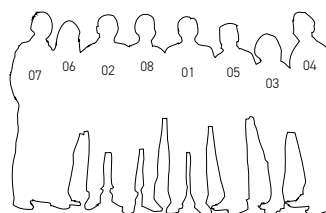
Head of Property Services

Mr. Leow joined the Manager in April 2018 as Head of Property Services. He reports to the CEO and oversees the property management functions where he is responsible for optimizing the performance of the Trust's properties under his charge. Mr. Leow has more than 26 years of experience in estate and asset management.

Prior to joining the Property Manager, Mr. Leow was the Head of Property Management with Ascendas Services and Soilbuild Group Holdings where he managed the operations and technical services of more than 100 buildings across Singapore. In his capacity as the Head of Property Management, he has provided leadership expertise in strategic leasing, marketing, operations and project management services.

Mr. Leow graduated from University of Derby with a Bachelor of Arts in Business Management.

PROPERTY MANAGEMENT TEAM



01 MR. STEVEN LEOW
Head of Property Services

02 MR. SIM THIAM MENG
General Manager, Projects

03 MS. ONG LAY PENG
Assistant Vice President

04 MR. DARREN ANG
Senior Manager, Leasing

05 MR. KOH TIONG ANN
Property Manager

06 MS. PANG AI KIM
Senior Property Manager

07 MR. ANDY YAP
Property Manager

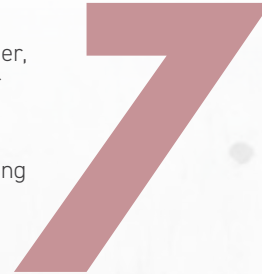
08 MR. JASON TENG
Property Manager



PROPERTY MANAGEMENT TEAM

PROPERTY MANAGER

Comprising an experienced team of staff, ESR-REIT's property manager, ESR Property Management (S) Pte. Ltd ("ESR-PM"), is responsible for providing proactive and professional property management services to ESR-REIT's tenants and customers. Collectively, the team provides expertise in the managing of operational matters such as the marketing of space, property management and maintenance, supervision of the performance of contractors and ensuring that all building and safety regulations are complied with.



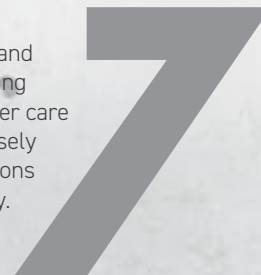
MARKETING AND LEASING

The Marketing and Leasing team is responsible for the marketing and leasing of available space within ESR-REIT's portfolio of properties. This is carried out through direct prospects or in partnership with property consultants. The team also focuses on developing solutions to attract and retain tenants. In addition, the team also works closely with tenants to organise events and related activities to encourage vibrant and dynamic live-work-play environments at ESR-REIT properties.



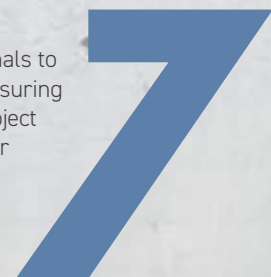
PROPERTY MANAGEMENT SERVICES

The Property Management Services team focuses on managing contracts and procurement of property service contracts, managing site staff and providing on-site services to tenants, to ensure optimal levels of service and customer care are implemented across all ESR-REIT properties. The team also works closely with the Manager's Asset Management team to ensure property specifications and service levels are aligned with the market positioning of each property.



PROJECT MANAGEMENT

The Project Management team works closely with external professionals to project manage redevelopment and asset enhancement initiatives, ensuring that each project is carried out in a timely and efficient manner. The project management team also carries out regular audits of energy and water consumption at the various properties to identify opportunities for more efficient management.



CORPORATE GOVERNANCE

ESR-REIT, constituted as a trust, is externally managed by ESR-FM. ESR-REIT has no personnel of its own. ESR-FM appoints qualified and experienced executives to manage its operations.

The Manager is committed to maintaining high standards of corporate governance in line with the Singapore Code of Corporate Governance. The Board and Management of the Manager believe that sound corporate governance policies and practices are essential to protect the assets of ESR-REIT and the interests of its Unitholders and to enhance the value of Unitholders' investment in ESR-REIT.

The Manager has general powers of management over the real estate and real estate related assets of ESR-REIT. The Manager's main responsibility is to manage ESR-REIT's assets and liabilities for the benefit of the Unitholders. It sets the strategic direction of ESR-REIT and gives recommendations to the Trustee on the acquisition, property development, divestment and/or enhancement of assets of ESR-REIT in accordance with its stated investment strategy. The Manager is also responsible for the capital and risk management of ESR-REIT. In executing its strategy, the Manager is responsible for ensuring compliance with the applicable provisions of the Securities and Futures Act ("SFA") and all other relevant legislations, including the SGX-ST Listing Rules, the Code on Collective Investment Schemes ("CIS Code") (including its property funds appendix ("Property Funds Appendix")) and the Trust Deed.

The Manager also supervises the performance of the Property Manager to ensure that it meets its objectives pursuant to the property management agreement. The Manager holds a Capital Markets Services Licence ("CMS Licence") issued by the Monetary Authority of Singapore ("MAS") to carry out REIT management under the SFA. Under its CMS Licence, the Manager appoints relevant officers and staff as its representatives to conduct REIT management activities on its behalf.

This report describes the Manager's corporate governance practices and structures that were in place during FY2019, to comply with the Code of Corporate Governance (the "CG Code") issued by the MAS on 6 August 2018. Where there are deviations from any of the principles and/or provisions of the CG Code, appropriate explanations have been provided in this Report.

SIGNIFICANT CHANGES DURING REPORTING PERIOD

1) Entry into Joint Venture with Poh Tiong Choon Logistics Limited and Acquisition of 48 Pandan Road, Singapore 609289

- > ESR-REIT had on 17 June 2019 entered into a joint venture (the "Joint Venture") through a limited liability partnership in Singapore known as PTC Logistics Hub LLP (the "LLP") with Poh Tiong Choon Logistics Limited ("PTC"). ESR-REIT holds 49.0% of the partnership interests in the LLP and PTC holds the remaining 51.0% of the partnership interests in the LLP.
- > Further to the Joint Venture, the LLP had on 17 June 2019 entered into a put and call option agreement with PTC to acquire the leasehold interest over a property situated at 48 Pandan Road, Singapore 609289 for a total purchase consideration of S\$225 million. In connection with the acquisition, the acquisition costs attributable to ESR-REIT was S\$44.6 million.
- > Following the completion of the property acquisition on 7 August 2019, the total number of properties held by ESR-REIT increased to 57.

2) Change of Board Members of ESR-FM

- > Mr. Shen Jinchu stepped down as Non-Executive Director on 8 January 2019;
- > Dr. Leong Horn Kee and Mr. Ronald Lim were appointed as Independent Non-Executive Directors on 8 January 2019;
- > Mr. Tong Jinqun and Mr. Wilson Ang were appointed as Non-Executive Directors on 8 January 2019;
- > Mr. Erle William Spratt stepped down as Independent Non-Executive Director on 29 March 2019; and
- > Ms. Stefanie Yuen Thio was appointed as Independent Non-Executive Director on 29 March 2019.

3) Successfully obtained unitholders' approval at an Extraordinary General Meeting (EGM) held on 12 September 2019:

- > To amend and restate the ESR-REIT Trust Deed to align with market standards.
- > For the payment of a development management fee to the Manager for undertaking development projects on behalf of ESR-REIT, subject to the fulfilment of certain conditions.

Accessibility of Annual Report

Limited copies of the annual report were printed; however, a PDF version is available for download from the corporate website: www.esr-reit.com.sg

CORPORATE GOVERNANCE

Principles of the Code of Corporate Governance 2018

Board Matters

Principle 1	The Board's Conduct of Affairs
Principle 2	Board Composition and Guidance
Principle 3	Chairman and Chief Executive Officer
Principle 4	Board Membership
Principle 5	Board Performance

Remuneration Matters

Principle 6	Procedures for Developing Remuneration Policies
Principle 7	Level and Mix of Remuneration
Principle 8	Disclosure on Remuneration

Accountability and Audit

Principle 9	Risk Management and Internal Controls
Principle 10	Audit Committee

Unitholder Rights and Engagement

Principle 11	Unitholder Rights and Conduct of General Meetings
Principle 12	Engagement with Unitholders

Managing Stakeholders Relationships

Principle 13	Engagement with Stakeholders
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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's primary responsibility is to lead and to supervise the management of the business and affairs of the Manager and the Trust. The top-stewardship responsibility of the Board is to ensure that the Trust is managed in the best interests of all Unitholders. This includes protecting ESR-REIT's assets and Unitholders' interests and enhancing the value of Unitholders' investment in ESR-REIT.

The functions of the Board are defined broadly as follows:

- > To ensure the Manager discharges its duties to act in the best interests of all Unitholders of the Trust and to give priority to the interests of the Unitholders over the interest of the Manager and its shareholders in the event of conflict between the interests of the Unitholders and those of the Manager or its shareholders;
- > To provide entrepreneurial leadership, set strategic and financial objectives, major corporate policies, annual budgets, and ensure that the necessary financial and human resources are in place for the Manager to meet its objectives;
- > To establish a framework of adequate and effective controls which enables risk to be assessed and managed;
- > To review senior management performance;
- > To set the Manager's values and standards and ensure that obligations to its shareholders and other stakeholders are understood and met; and
- > To consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The Board oversees a system of internal controls and business risk management processes that set the guidelines which govern matters reserved for Board's decision and approval. This includes approval limits for investments and divestments, bank borrowings, capital expenditure and cheque signatories. These limits are set out in the Board's approved Financial Authority Limits ("FAL"). Transactions and matters which require the Board's approval are clearly set out in the FAL. Such transactions and matters include but are not limited to all acquisitions and divestments of investment properties, property development and AELs, expenditure for property expenses/capex/AEL and operational matters exceeding the prescribed limits. Appropriate delegation of authority for approval of capital and operating expenditure and specified financial transactions are also provided at Management level to facilitate operational efficiency.

The Board meets at least 4 times a year, and on such other occasions that necessitate its involvement. Members of the Board also meet periodically without the presence of Management to discuss and review Management's performance. The Manager's Constitution permits Board meetings to be held by way of telephone conference or by means of similar communication equipment by which all persons participating in the meeting are able to hear and be heard by all other participants. The Board and Board Committees may also make decisions by way of resolutions in writing. Where exigencies prevent a director attending a Board meeting in person, the director still receives all the papers and materials for discussion at that meeting. The director will review them and will advise the Board or relevant Board Committee of his/her views and comments on the matters to be discussed so that they can be conveyed to other participants present at the meeting.

Various Board Committees, namely Audit, Risk Management and Compliance Committee ("ARCC"), Nominating and Remuneration Committee ("NRC") and Executive Committee ("EXCO") have been constituted with clear written terms of reference to assist the Board in the discharge of its functions. Each of these Board Committees operates under delegated authority from the Board. 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.

Composition of the Board of Directors and its Board Committees as at 29 February 2020:

Name	Board	ARCC	NRC	EXCO
Mr. Ooi Eng Peng	Independent Chairman	M	C	C
Mr. Bruce Berry	Independent Non-Executive Director	C	-	-
Dr. Leong Horn Kee	Independent Non-Executive Director	M	-	-
Mr. Ronald Lim	Independent Non-Executive Director	M	M	-
Ms. Stefanie Yuen Thio	Independent Non-Executive Director	M	-	-
Mr. Philip Pearce	Non-Executive Director	-	-	M
Mr. Jeffrey Perlman	Non-Executive Director	-	M	M
Mr. Tong Jinquan	Non-Executive Director	-	-	-
Mr. Wilson Ang	Non-Executive Director	-	-	-
Mr. Adrian Chui	Chief Executive Officer and Executive Director	-	-	M

Denotes C- Chairman; M- Member

CORPORATE GOVERNANCE

A total of five Board meetings were held in FY2019. The Board also schedules a Board Strategy meeting once a year to discuss strategic matters. A table showing the attendance record of Directors at Board and Board Committee meetings during FY2019 is set out as follows:

Board Members	Board Meetings ⁽¹⁾		ARCC Meetings		NRC Meetings ⁽²⁾		AGM held on 24 Apr 19	EGM held on 12 Sep 19
	Held	Attended	Held	Attended	Held	Attended		
Mr. Ooi Eng Peng	5	5	4	4	1	1	✓	✓
Mr. Bruce Berry	5	5	4	4	1	N.A.	✓	✓
Mr. Philip Pearce	5	5	4	4 ⁽³⁾	1	N.A.	✓	Absent
Mr. Shen Jinchu ⁽⁴⁾	5	0	4	N.A.	1	N.A.	N.A.	N.A.
Mr. Erle Spratt ⁽⁵⁾	5	2	4	1	1	N.A.	N.A.	N.A.
Dr. Leong Horn Kee	5	5	4	4	1	N.A.	✓	Absent
Mr. Ronald Lim	5	5	4	4	1	1	✓	✓
Ms. Stefanie Yuen Thio ⁽⁶⁾	5	3	4	3	1	N.A.	✓	✓
Mr. Jeffrey Perlman	5	1 ⁽⁷⁾	4	N.A.	1	0 ⁽⁷⁾	Absent	Absent
Mr. Tong Jinqun	5	2 ⁽⁸⁾	4	N.A.	1	N.A.	Absent	Absent
Mr. Wilson Ang	5	5	4	N.A.	1	N.A.	✓	✓
Mr. Adrian Chui	5	5	4	4 ⁽⁹⁾	1	1 ⁽¹⁰⁾	✓	✓

Notes:

⁽¹⁾ Not including other meetings attended by directors with Management.

⁽²⁾ Not including occasions when NRC papers were circulated to the NRC members for approval with no physical meetings held.

⁽³⁾ Mr. Philip Pearce attends the ARCC Meetings via invitation by the ARCC. All directors have open invitation to attend ARCC Meetings.

⁽⁴⁾ Mr. Shen Jinchu resigned as Non-Executive Director with effect from 8 January 2019.

⁽⁵⁾ Mr. Erle Spratt resigned as Independent Non-Executive Director and stepped down from both ARCC and NRC with effect from 29 March 2019.

⁽⁶⁾ Ms. Stefanie Yuen Thio was appointed as Independent Non-Executive Director with effect from 29 March 2019.

⁽⁷⁾ Though Mr. Jeffrey Perlman did not attend majority of the meetings, he had provided his comments and approvals (where relevant) to the papers put up prior to those meetings.

⁽⁸⁾ Mr. Tong Jinqun attended the Board Meetings via teleconference.

⁽⁹⁾ Mr. Adrian Chui attended the ARCC Meetings via invitation by the ARCC.

⁽¹⁰⁾ Mr. Adrian Chui attended the NRC Meetings via invitation by the NRC.

The EXCO regularly reviewed and approved matters tabled via circulation in FY2019.

To enable the Directors to properly discharge their duties and responsibilities as Board or Board Committee members, the Directors are provided with routine updates on developments and changes in the operating environment, including revisions to accounting standards affecting ESR-REIT and/or the Manager. Directors are also kept updated, on a quarterly basis, on revisions to relevant laws and regulations impacting ESR-REIT's business. Directors are also encouraged to participate in industry conferences, seminars and training programmes in connection with their duties. Directors have also participated in property tours, as part of their continuing education to familiarise themselves with ESR-REIT's business.

Newly appointed directors are given induction training after joining the Board together with an induction pack which includes constitutional documents of ESR-REIT and the Manager, contact information of each Board member, Management staff and Company Secretary. The training covers business activities of ESR-REIT, its strategic directions and policies, the regulatory environment in which ESR-REIT and the Manager operate, and the Manager's corporate governance practices, statutory and other duties and responsibilities as directors. Property tours are also organised to allow new directors to familiarise with the properties within the ESR-REIT portfolio. Where a director has no prior experience as a director of an issuer listed on the SGX-ST, the director has to undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. Other training in areas such as accounting, legal and industry-specific knowledge is also provided.

All directors are appointed for three years, subject to extension for a further three years at the Board's and shareholders' discretion. Letters of appointment are issued to directors upon their appointment, setting out their duties and responsibilities to the Manager and ESR-REIT. These include seeking the Chairman's prior approval before accepting any additional commitments that may affect the time allocated to their role as a director of the Manager. None of the directors of the Manager has entered into any service contract directly with ESR-REIT.

Access to Information

All directors have unrestricted access to both ESR-REIT and the Manager's records and information. A Deed of Access, which sets out their rights to access or inspect the records and information, is issued to directors upon their appointment. The Board is provided with timely and complete information both prior to board meetings and on an ongoing basis so as to allow the Board to make informed decisions to discharge its duties and responsibilities. Generally, board papers are distributed at least one week prior to Board meetings to ensure that directors have sufficient time to review the information provided. However, sensitive matters may be tabled at the meeting itself, or discussed without papers being distributed. Parties who can provide relevant information on matters tabled at Board meetings will be in attendance to provide further information that may be required.

The information provided to the Board includes board papers, financial results, market and business developments, and business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of ESR-REIT's performance, financial position and prospects. The financial results are also compared against the approved budgets, together with explanations given for significant variances for the reporting period.

A one day off-site business overview and Board strategy meeting is organised annually for an in-depth discussion between the Board and the Management on strategic issues and directions pertaining to ESR-REIT and the Manager. Where appropriate, the Management arranges for the Directors to visit the properties to better appraise the Directors of ESR-REIT's business.

In addition to the information provided above, Management remains available at all times to answer any query raised by any Director. Frequent dialogues and interaction take place between Management and the Directors. The Directors are thus able to access deeper levels of the Manager's operations and information, allowing them to better strategise and guide ESR-REIT in their role as Directors. Furthermore, the Board Papers Portal allows Board members to securely access and read Board/Board Committee papers and materials electronically at any place and any time, using electronic or mobile devices.

CORPORATE GOVERNANCE

Board members have separate and independent access to Management as well as to the Company Secretary. The Company Secretary attends all Board meetings and ensures that board procedures and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is subject to Board's approval. The Company Secretary, together with the CEO, ensure good information flows between Management and the Directors. The Board takes independent professional advice as and when necessary, with approval from the Chairman, to enable it to discharge its responsibilities effectively. Individual directors can seek independent professional advice with the consent of the Chairman of the Board or ARCC Chairman. For complex matters, the Board may from time to time appoint a subcommittee to assist the Board in its deliberations and to provide recommendations.

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.

Board Composition and Independent Directors

The Board consists of ten members, five of whom are Independent Directors, four Non-Executive Directors and one Executive Director. This complies with the composition provision in the CG Code as well as Regulation 13D(3)(a) of the Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB) Regulations") where both require at least half, or majority of the Board to comprise independent Directors. The Chairman of the Board is Mr. Ooi Eng Peng, who is an Independent Director.

The current Board is represented by members with a breadth of expertise in banking, finance, accounting, human resource, legal, real estate and management.

The Board believes that the current board size, composition and balance between Executive, Non-Executive and Independent Directors is appropriate and provides sufficient diversity without interfering with efficient and effective decision making. It allows for a balanced exchange of views, robust deliberations and debates among members and effective oversight over Management, ensuring no individual or small group dominates the Board's decisions or its process.

With the background of skills, experience and core competencies of its members, the Board is of the view that it has the appropriate diversity of talent, gender, expertise and experience, skills needed in the strategic direction and planning of the business of ESR-REIT.

Board Diversity Policy

The Board adopted a Board Diversity Policy as it believes that a diverse Board will enhance the decision-making of the Board by utilising a variety of skills, industry and business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of the members of the Board.

The composition of the Board is reviewed periodically by the NRC to ensure that the board size is appropriate and comprises directors with an appropriate mix of expertise, skills, diversity and experience to discharge their duties and responsibilities and to complement ESR-REIT's long-term objectives and strategies.

In the process of searching for qualified persons to serve on the Board, the NRC shall strive for the inclusion of diverse groups and viewpoints. The final decision on selection of directors will be based on merit against the objective criteria set and after giving due regard to the benefits of diversity on the Board.

Board Independence

The NRC reviews and assesses annually the independence of its directors based on the definitions and guidelines of independence set in the SGX-ST Listing Rules, CG Code and Regulation 13D to 13H of the SF(LCB) Regulations. Under the SF(LCB) Regulations, a director is considered to be independent if the director:

- (i) is independent from the management of the Manager and ESR-REIT;
- (ii) is independent from any business relationship with the Manager and ESR-REIT;
- (iii) is independent from every substantial shareholder of the Manager, and every substantial unitholder of ESR-REIT;
- (iv) is not a substantial shareholder of the Manager, or a substantial unitholder of ESR-REIT; and
- (v) has not served as a director of the Manager for a continuous period of 9 years or longer.

Overview	Performance	Leadership	Governance & Sustainability	Financial Statements
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For the purpose of Regulation 13E(b) of SF(LCB) Regulations, the Board of the Manager, after considering the relevant requirements under the SF(LCB) Regulations, wishes to set out its views in respect of each of the Directors as follow:

The Director:	Mr. Ooi Eng Peng	Mr. Bruce Berry	Dr. Leong Horn Kee	Mr. Ronald Lim	Ms. Stefanie Yuen Thio	Mr. Philip Pearce ⁽¹⁾	Mr. Jeffrey Perlman ⁽²⁾	Mr. Tong Jinquan ⁽³⁾	Mr. Wilson Ang ⁽⁴⁾	Mr. Adrian Chui ⁽⁵⁾
(i) had been independent from the management of the Manager and ESR-REIT during FY2019;	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗
(ii) had been independent from any business relationship with the Manager and ESR-REIT during FY2019;	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
(iii) had been independent from every substantial shareholder of the Manager, and every substantial unitholder of ESR-REIT during FY2019;	✓	✓	✓	✓	✓	✗	✗	✗	✓	✗
(iv) had not been a substantial shareholder of the Manager, or a substantial unitholder of ESR-REIT during FY2019; and	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓
(v) had not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FY2019.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Notes:

- ⁽¹⁾ Mr. Philip Pearce is the CEO of ESR Australia and director of certain entities within the ESR Group other than the Manager. As such, Mr. Philip Pearce is deemed to be connected to the shareholder of the Manager and substantial unitholder of ESR-REIT.
- ⁽²⁾ Mr. Jeffrey Perlman is the Chairman of ESR Cayman Limited and also serves on the Board of Directors for ESR Cayman Limited. ESR Cayman Limited is a controlling shareholder of ESR-FM and owns 100% of the issued share capital of e-Shang Jupiter Cayman Limited, which in turn owns the entire issued share capital of e-Shang Infinity Cayman Limited. e-Shang Infinity Cayman Limited is a substantial unitholder of ESR-REIT. As such, Mr. Jeffrey Perlman is deemed not to be independent.
- ⁽³⁾ Mr. Tong Jinquan is the director and ultimate beneficial owner of Shanghai Summit Pte. Ltd.. Shanghai Summit Pte. Ltd. is a substantial shareholder of ESR-FM. Mr. Tong Jinquan is also a substantial unitholder of ESR-REIT. As such, Mr. Tong Jinquan is deemed not to be independent.
- ⁽⁴⁾ Mr. Wilson Ang was a Senior Adviser of ESR-FM until 31 October 2019. As such, he was considered employed by ESR-FM and deemed not to be independent.
- ⁽⁵⁾ As CEO and Executive Director of ESR-FM, Mr. Adrian Chui is considered employed by ESR-FM and deemed not to be independent.

The Board is satisfied that, as at the last day of FY2019, Mr. Philip Pearce, Mr. Jeffrey Perlman, Mr. Tong Jinquan, Mr. Wilson Ang, and Mr. Adrian Chui, were able to act in the best interests of all the Unitholders of ESR-REIT that was managed by ESR-FM.

CORPORATE GOVERNANCE

The Board has also conducted an assessment on the independence of the newly onboarded director at the point of appointment and the result is as follow:

The Director:	Ms. Stefanie Yuen Thio
(i) had been independent from the management of the Manager and ESR-REIT;	✓
(ii) had been independent from any business relationship with the Manager and ESR-REIT;	✓
(iii) had been independent from every substantial shareholder of the Manager, and every substantial unitholder of ESR-REIT;	✓
(iv) had not been a substantial shareholder of the Manager, or a substantial unitholder of ESR-REIT; and	✓
(v) had not served as a director of the Manager for a continuous period of 9 years or longer.	✓

All independent directors are subject to an annual independence assessment, conducted by the NRC. These directors are required to fill up self-declaration forms whereby the NRC will review each director's self-declaration and assess whether any relationship or factor disclosed by the director or any other non-disclosed relationship or factor may influence the director's ability to act independently. When the NRC assessed the director's independence, the respective NRC member, who is also an independent director, will recuse himself when his independence was tabled for assessment.

The assessment takes into account additional factors such as the director's business relationship with ESR-REIT, the Manager and/or related entities, whether the director has received any gifts or financial assistance from ESR-REIT, the Manager and/or related entities; whether the director is financially dependent on ESR-REIT, the Manager and/or related entities; and whether any of the director has any close personal friendships or current or past business dealings with major shareholders, Executive Director or other key executives which could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment, as recommended under the Nominating Committee Guide.

The NRC has tabled the result of the assessment and made recommendation to the Board on the independence of each Independent Director. Each member of the NRC and Board recused himself/herself when his/her independence was tabled for assessment. With respect to FY2019, the Board is of the view that the following directors are independent:

- > Mr. Ooi Eng Peng
- > Mr. Bruce Berry
- > Dr. Leong Horn Kee
- > Mr. Ronald Lim
- > Ms. Stefanie Yuen Thio

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 roles of the Chairman and the CEO are separate. The Chairman and the CEO are not related to each other, nor is there any business relationship between them. This is consistent with the principle of instituting an appropriate balance of power and authority.

The Chairman of the Board is an Independent Director. He leads the Board; ensures its effectiveness in all aspects of its role; sets its meeting agenda and ensures that adequate time is available for discussion of all agenda items; promotes a culture of openness and debate at the Board; arranges for directors to receive accurate, timely and clear information; monitors CEO's effective communication with Unitholders and other stakeholders; encourages constructive relations within the Board and between the Board and Management; facilitates the effective contribution of non-executive directors and promotes high standards of corporate governance in general. The CEO has full executive responsibilities over the business direction and operational decisions in managing ESR-REIT and is responsible for implementing ESR-REIT's strategies and policies. He ensures the quality and timeliness of the flow of information between Management and the Board, Unitholders and other stakeholders.

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating and Remuneration Committee

The Manager has established a NRC to make recommendations to the Board on all director appointments and related matters including the following:

- > Review of structure, size and composition of the Board and Board Committees;
- > Review of succession plans for the directors, CEO and key management staff;
- > Recommend the appointment or re-appointment or removal of directors and CEO to the Board for consideration and approval by the shareholders of the Manager;
- > Recommend CEO's remuneration and incentives to the Board for consideration and approval by the shareholders of the Manager; and
- > Review and recommend Management's proposal for Key Performance Indicators ("KPIs"), short-term bonus and long-term incentive pool to be paid to employees.

As at 29 February 2020, the NRC comprises three Directors, the majority of whom, including the Chairman of the NRC, are independent; namely:

1. Mr. Ooi Eng Peng (Chairman)
2. Mr. Ronald Lim (Member)
3. Mr. Jeffrey Perlman (Member)

Process and Criteria for Appointment of Directors

New directors are appointed by way of a board resolution. The NRC shall make recommendations to the Board on all Board appointments, re-appointments and composition of the Board, taking into account the balance between executive and non-executive directors, independent and non-independent directors, the scope and nature of the operations of ESR-REIT and the requirements of the business. Appointment of alternate directors is not encouraged.

In addition, in the process of identifying the right candidate for the Board, the NRC takes into account the Board Diversity Policy and that the Board composition should reflect balance in matters such as skill representation, tenure, experience, age spread and diversity. The NRC identifies suitable candidates with skills and experience that will complement the existing Board and ensure that the candidate has sufficient time available to commit to his/her responsibilities as a Director for appointment to the Board. During the search process, the NRC may also tap on the personal contacts of current directors and

senior management for recommendations of prospective candidates. The NRC will also consider professional networking sessions, inputs from the Manager's shareholders, and the use of third-party executive/Board search firms at the Manager's expense. Nominations of incoming directors may be made by any of the Manager's shareholders and are openly discussed and objectively evaluated by the NRC before any appointment and/or reappointment is made. Appointment of directors is also subject to MAS approval.

Annual Review of Directors' Time Commitments

The Practice Guidance accompanying the CG Code recommends that the NRC and the Board establish guidelines on what a reasonable and maximum number of listed directorships and principal commitments for each director (or type of director) should be. No maximum limit has been formally set by the Board on the number of listed company board representations a Director with multiple board representations may hold as the NRC is of the view that the Directors have been adequately discharging their duties based on the time and attention devoted by each Director, their individual abilities and their respective individual contribution of skills, knowledge and experience and their commitment to the affairs of ESR-REIT. The Board is of the view that at present, such appointments do not hinder the Directors from carrying out their duties as Directors of the Manager and therefore believes that it would not be necessary to prescribe a maximum number of listed company board representations and principal commitments a Director may hold.

Key Information Regarding Directors

The key information regarding Directors is set out in pages 62 to 66 of the Annual Report, which covers academic and professional qualifications, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships both present and those held over the preceding three years in other listed companies, and other principal commitments.

CORPORATE GOVERNANCE

BOARD PERFORMANCE

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

The Board has in place a formal process to annually assess the effectiveness of the Board and the ARCC through feedback from individual directors on areas relating to the Board's and ARCC's competencies and effectiveness. The review, which is conducted internally, includes assessing both the Board and ARCC composition, access to information, attendance and ability to contribute effectively and have meaningful participation and rigorous decision making during the meetings, strategic planning, risk management, accountability and oversight, directors' development and management. All directors are requested to complete a Board Evaluation Questionnaire and are allowed to individually express their personal and confidential assessment of the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. Based on the responses to the Questionnaire returned by each director, a consolidated report is prepared and presented to the Chairman and the Board. The results of the evaluation will be reviewed by both the Chairman and the Board. Action plans will be implemented for areas which the Board is of the view that improvements are required to enhance the overall effectiveness of the Board and the ARCC.

Accordingly, the annual review of the Board's performance was carried out for FY2019. No external facilitator was engaged by the Company for the review.

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 ("KMP"). No director is involved in deciding his or her own remuneration.

Level and Mix of Remuneration

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

Disclosure on Remuneration

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

Procedures for Developing Remuneration Policies

ESR-REIT, constituted as a Trust, is externally managed by the Manager and accordingly, it has no personnel of its own. Through the NRC, the Board has instituted a formal and transparent procedure in developing remuneration policies and framework relating to CEO, Directors and KMP of the Manager. Independent Directors' fees and the CEO's remuneration, including all employees of the Manager are paid by the Manager and not the Trust. Guided by the remuneration framework, NRC with the endorsement of the Board, reviews on periodic basis:

- > the directors' fees and allowances provided to the Independent Directors. Directors do not decide on their own fees; and
- > remuneration components of the CEO, as well as the KMP.

Directors' Fees

There are no directors' fees paid to the CEO and Non-Independent Non-Executive Directors who are representatives of the Manager's shareholders. All Directors are appointed for a period of 3 years and are subject to extension for a further 3 years at the discretion of the Board and the shareholders of the Manager. Accordingly, Directors' fees are established once every 3 years. The Directors, who are entitled to receive the directors' fee, are paid a fixed basic fee. The fees are dependent on the level of responsibilities at the Board level, and where applicable, additional responsibilities given in other committees set up by the Board. The Chairman of the Board, ARCC and NRC are paid higher fees compared with members of the Board, ARCC and NRC in view of greater responsibilities carried by those appointments. ESR-FM also ensures that the remuneration of its CEO and executive director shall not only be linked to the gross revenue of ESR-REIT or ESR-FM.

CEO AND SELECTED KMP

Remuneration

The NRC reviews the remuneration of the CEO and some KMP of the Manager annually or as and when there is a significant change to the structure of the Manager. The NRC, together with the Manager, has commissioned Aon-Hewitt⁽¹⁾ to develop a compensation framework ("Total Compensation Framework") that reflects the following key considerations:

a) Alignment to Performance

- a. Clear and measurable performance indicators
- b. Incentives-linked to performance to drive the right behaviour

⁽¹⁾ Aon-Hewitt has no relationship with ESR-REIT or ESR-FM (including its controlling Shareholder or related entities).

b) Market Practice and Benchmarking

- a. A framework that reflects the current market evolution
- b. Benchmarking of compensation with market

c) Reflects Business Realities

- a. Reflects ESR-REIT's strategic priorities and business plan
- b. In line with regulatory changes

The objectives of the Total Compensation Framework are as follows:

- > Rewarding employees to work towards achieving the strategic goals of ESR-REIT and targets as approved by the Board;
- > Retaining outstanding or good performers and attracting good candidates to execute ESR-REIT's strategic priorities and business plan;
- > Providing clear and achievable targets to motivate performance and efficiency; and
- > Creating a culture and environment of meritocracy and right long-term behaviour in the way the Manager conducts its business.

The remuneration components within the Total Compensation Framework include fixed pay, fixed allowances, short-term incentive ("STI") bonus and long-term incentive ("LTI") plan.

The STI is driven by the Manager Corporate Scorecard where it covers a mixture of financial and non-financial KPIs aligned to both ESR-REIT and the Manager. The KPIs include financials such as DPU, debt costs, operating costs, and non-financials such as talent management, occupancy rate and risk management and control processes. Linking STI bonus to the Manager Corporate Scorecard helps to achieve strategic goals of ESR-REIT which are aligned to the interests of the Unitholders.

Given the growth profile and footprint of ESR-REIT, strategic transactions will likely be a key feature of ESR-REIT's business plan. Strategic transactions such as Mergers & Acquisitions or any other transformational deals can be long-gestated, time and resource consuming, and require special attention, care and often beyond working hours sacrifices. At the same time, staff are still handling the daily business-as-usual activities. Within the STI component, an Additional Bonus Pool ("ABP") is included to reward employees who are involved in such transactions. Once the staff is awarded with ABP, one-third of the award will be vested annually, provided employees remain in employment with the Manager.

The purpose of the LTI is to reward KMP for achieving the Manager's strategic objectives that maximises Unitholders' value. The LTI payout is conditional upon the achievement

of pre-determined performance targets measured over a 3-year period. The award of the LTI will lapse if performance is not met at the end of the performance period.

For FY2019, the Manager carried out a formal annual performance review process to reinforce strengths, identify improvements and plan for the development of the employees. Based on the performance review, the Board and the NRC are of the opinion that all the performance conditions used to determine the remuneration of KMP of the Manager were met and that the STI bonus pool is a reasonable percentage of the Manager's profit. The NRC and the Board are of the view that the remuneration is aligned to FY2019 performance and that the Total Compensation Framework is aligned with the long-term interests and risk management policies of the ESR-REIT & Manager. There were no ESR-REIT units issued to employees of the Manager in FY2019. To date, the Manager has not implemented an Employee Share Option Scheme as part of its remuneration package.

The Manager reviews, on an annual basis, the relationships between employees, shareholders and board members of the Manager to ensure that there is no conflict of interest. There were no employees who were (i) substantial shareholders of the Manager or substantial unitholders of ESR-REIT, or (ii) immediate family members of a director or the CEO or a substantial shareholder of the Manager, or a substantial unitholder of ESR-REIT, and whose remuneration exceeded S\$100,000 during FY2019.

The Manager is cognisant of the requirements stated within the CG Code, the Practice Guidance accompanying the CG Code and the "Notice to all Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management" to disclose (i) the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; (ii) the remuneration of at least the top five key management personnel (who are neither Directors nor the CEO) in bands of S\$250,000, with a breakdown (in percentage) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/ bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; and (iii) the aggregate total remuneration paid to the top five key management personnel (who are neither Directors nor the CEO). In the event of non-disclosure, the Manager is required to provide reasons for such non-disclosure.

CORPORATE GOVERNANCE

The Manager has decided (a) to disclose the CEO's remuneration in bands of S\$250,000 (instead of on a quantum basis), and (b) not to disclose the remuneration of the other four KMP of the Manager in bands of S\$250,000 and (c) not to disclose the aggregate total remuneration paid to the top four KMP of the Manager (excluding the CEO). In arriving at its decision, it took into account the following:

- (i) The remuneration of all the Manager personnel is paid by the Manager out of the fees that it receives (of which the quantum and basis have been disclosed within the Financial Statements), rather than by ESR-REIT. Remuneration of the Directors and the KMP of the Manager is paid in cash;
- (ii) The remuneration of all the Manager personnel is not linked to the Manager's profitability;
- (iii) In view of the sensitivity and confidential nature of remuneration matters and the competitive nature of the business environment in which the Manager operates, it is not in the best interest of ESR-REIT and its Unitholders to disclose the remuneration of the KMP on a named basis (whether in exact quantum or in bands of S\$250,000). It is important for the Manager to retain talent for the long-term interests of ESR-REIT and its Unitholders, and ensure stability and continuity of business operations with a competent and experienced management team in place; and
- (iv) The non-disclosure of the remuneration of KMP does not compromise the ability of the Manager to meet with the requirement of having good corporate governance as the NRC, comprising independent and non-independent Non-Executive Directors, reviews the remuneration package of such KMP who are remunerated based on their roles and responsibilities to ensure that the KMP are fairly remunerated.

Fees paid to Directors in FY2019 are as follows:

Board Members	Membership	Directors' Fees Paid in FY2019	Other Fees Paid in FY2019
Mr. Ooi Eng Peng ⁽¹⁾	Independent Chairman	S\$166,276	N.A.
Mr. Bruce Berry	Independent Non-Executive Director	S\$100,000	N.A.
Mr. Erle Spratt ⁽²⁾	Independent Non-Executive Director	S\$25,315	N.A.
Ms. Stefanie Yuen Thio ⁽³⁾	Independent Non-Executive Director	S\$68,547	N.A.
Dr. Leong Horn Kee ⁽⁴⁾	Independent Non-Executive Director	S\$88,273	N.A.
Mr. Ronald Lim ⁽⁵⁾	Independent Non-Executive Director	S\$100,043	N.A.
Mr. Philip Pearce	Non-Executive Director	N.A.	N.A.
Mr. Jeffrey Perlman	Non-Executive Director	N.A.	N.A.
Mr. Tong Jinqun ⁽⁶⁾	Non-Executive Director	N.A.	N.A.
Mr. Wilson Ang ⁽⁷⁾	Non-Executive Director	S\$12,500	S\$190,000
Mr. Shen Jinchu ⁽⁸⁾	Non-Executive Director	N.A.	N.A.
Mr. Adrian Chui	CEO and Executive Director	N.A.	N.A.

Remuneration⁽⁹⁾ of the CEO in bands of S\$250,000 for FY2019 are as follows:

Key Management Personnel	Fixed Compensation + Statutory Contribution (%)	Short-term Incentives + Statutory Contribution (%)	Long-term Incentives (%)	Total (%)
Between S\$750,000 and S\$1,000,000				
Mr. Adrian Chui	70.5	29.5	-	100

⁽¹⁾ Assumed the role of Chairman of NRC on 29 March 2019.

⁽²⁾ Resigned as Independent Non-Executive Director and Chairman of NRC and member of ARCC on 29 March 2019.

⁽³⁾ Appointed as Independent Non-Executive Director and member of ARCC with effect from 29 March 2019.

⁽⁴⁾ Appointed as Independent Non-Executive Director and member of ARCC with effect from 8 January 2019.

⁽⁵⁾ Appointed as Independent Non-Executive Director and member of ARCC and NRC with effect from 8 January 2019.

⁽⁶⁾ Appointed as Non-Executive Director on 8 January 2019.

⁽⁷⁾ Resigned as Senior Adviser on 31 October 2019. Mr. Wilson Ang was paid a fixed consultant fee on a monthly basis when he was a Senior Adviser of ESR-FM. Under ESR-FM's policy, no director's fee is to be paid to Non-Executive Non-Independent Directors. Due to the merger with VT, Mr. Wilson Ang could only be deemed as a Non-Executive Director of ESR-FM even though he is not a representative of any of the shareholders of ESR-FM. In appreciation of Mr. Wilson Ang continuing to be on the Board as a Board member to contribute his expertise and experience in managing the REIT, the Board approved to pay Mr. Wilson Ang a remuneration that is equivalent to a Non-Executive Independent Director's fee with effect from November 2019.

⁽⁸⁾ Resigned as Non-Executive Director on 8 January 2019.

⁽⁹⁾ The amount disclosed includes base salary, allowances, employer's CPF contribution and bonus declared for FY2019.

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 Board meets regularly to review the financial performance of ESR-REIT and the Manager against the yearly approved budget, taking note of any significant variances for quarter-on-quarter and year-to-date performance. In assessing business risks, the Board takes into account the economic environment and risks associated with the property industry.

The Board also reviews the risks to the assets of ESR-REIT, examines the management of liabilities, and will act upon any comments from internal and external auditors of ESR-REIT. Given the importance of compliance and risk management, the ARCC has been tasked to oversee this aspect of the Manager and ESR-REIT's operations. The ARCC reviews and assesses the adequacy of the Manager's financial, operational, compliance, information technology controls, risk management policies and systems established by the Management. The ARCC also oversees the establishment and operation of the risk management system, including reviewing the adequacy of risk management practices for material risks, such as commercial and legal, financial and economical, operational and technology risks, on a regular basis; and reviews major policies for effective risk management.

The Manager has put in place a system of internal controls to safeguard ESR-REIT's assets, Unitholders' interests and to manage risk in general. The Manager's approach to risk management and internal controls as well as the management of key business risks is set out in the "Risk Management" section on pages 94 to 97 of the Annual Report.

ESR-REIT's and the Manager's Enterprise Risk Management ("ERM") framework have been implemented to further enhance risk management capabilities. The framework consists of tools such as ERM Risk Appetite Statements, Key Risk and Control Matrix and Compliance Matrix are dynamic and evolves with the business, thus providing the Manager a holistic and consistent process for the continuous identification of key risks, management and monitoring of risks as well as regular reporting of the risks to both ARCC and the Board.

In October 2018, ESR-REIT successfully completed the merger with Viva Industrial Trust by way of a trust scheme of arrangement. The post-merger portfolio comprises 56 properties with total gross floor area of 13.6 million square feet and total assets under management of

approximately \$3 billion. In addition, there are plans for ESR-REIT to expand both in Singapore and overseas. With the increase in scale and scope of the portfolio and business activities, the Manager and ARCC have examined whether the change will impact the risk profile and overall control environment of ESR-REIT. The last risk assessment workshop was conducted in 2017 with both ARCC members and the senior management of the team. For the 2019 risk assessment workshop, the Manager and the ARCC conducted a bottom-up risk assessment exercise which had been completed by the employees from the ground level up. The objective of the exercise seeks to understand the types of risks viewed as significant by the employees on the ground, the degree of potential impact these risks have on ESR-REIT and any gaps between the top-down and bottom-up views that may require further attention and action on the part of Management to close the gaps. At the same time, ARCC would like to inculcate an organisation-wide culture of risk awareness and risk management being the responsibility of every employee. The identified top 14 risks/concerns faced by the employees were mapped against the existing risks being monitored on a quarterly basis and the results showed that the Manager and the ARCC have been continuously monitoring similar risks as well. The Management team took the chance to update certain controls highlighted by the employees within the Key Risk and Control Matrix and ensure all ratings and controls are in place. The updated Risk and Control Matrix is currently being used for risk monitoring purpose and continues to be reviewed on a quarterly basis or whenever the business environment changes substantially to ensure that changes in circumstances have not altered risk priorities.

The ARCC, with the assistance of internal and external auditors, reviews and reports to the Board on the effectiveness and adequacy of ESR-REIT's risk management and internal control system, including financial, operational, compliance and information technology controls, taking into consideration the reports and assurance provided by Management, recommendations of both internal and external auditors and the timely and proper implementation of all required corrective, preventive or improvement measures.

In line with the strategic objectives of providing Unitholders with a stable income stream and achieving long term growth in net asset value per unit, the Manager critically analyses each transaction before proceeding. To arrive at an investment decision, the Manager identifies the risk exposures and determines how to mitigate, transfer, manage and/or reduce those risks, where possible, to a level which is appropriate for the corresponding expected return on that investment. Extensive procedures, including due diligence, are carried out at various stages of the investment process.

CORPORATE GOVERNANCE

The Board reviews management reports and feasibility studies on proposed acquisitions prepared by the Manager, and approves the proposal if the Board believes it is in the best interests of the Trust and its Unitholders to enter into the transaction.

The Manager is committed to conduct its business within a framework that fosters the highest ethical and legal standards. The Manager has a whistle-blowing policy that is made available on ESR-REIT's website. The policy provides a channel for external parties, in addition to employees, to raise concerns and continues to provide employees reassurance that they will be protected from reprisals or victimisation for whistleblowing in good faith.

The Board has received confirmation from both the CEO and CFO of the Manager that, as at 31 December 2019, they were not aware of any events that have arisen which would have a material effect on the financial results of ESR-REIT and its subsidiaries (the "Group"), except as disclosed in the financial statements, and nothing has come to their attention which may render the financial results false or misleading. In addition, they have provided assurances to the Board that the financial records have been properly maintained and the financial statements give a true and fair view of the Trust's operations and finances.

The Board and ARCC have also received confirmation from CEO, CFO, Head of Real Estate, Head of Capital Markets & Investor Relations as well as the Head of Compliance & Risk Management, that to the best of their knowledge and belief, the internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective to address the risks that ESR-REIT considers relevant and material to its operations.

Their confirmation is based on:

- > Both internal and external auditors have confirmed that based on their audits conducted, there were no issues to warrant any significant concerns in the risk management and internal controls system of ESR-FM;
- > Compliance Department has confirmed the following:
 - Based on internal quarterly compliance monitoring reviews conducted, there were no issues to warrant any significant concerns in the areas covered in the compliance monitoring program;
 - There were no issues to warrant significant concerns on the continuous fit and properness of directors and appointed representatives based on the annual due diligence conducted on them;
 - Key risk and control matrix for ESR-REIT, ESR-FM and ESR-PM was reviewed and updated on a quarterly basis by the Heads of Departments and IT Manager, to ensure relevance and controls are continuously in place for each risk;

- Quarterly and annual attestations on the risk monitoring tools, quarterly attestations from employees, appointed representatives, Management Team and Directors in terms of compliance with relevant regulatory requirements;
- Sufficient training hours were attended by all staff;
- Policies and procedures are in place to reduce operational risks and serve as guidance in day-to-day work processes;
- Quarterly letter of representation in connection with the unaudited financial statements announcement were provided by both CEO and CFO confirming that nothing has come to their attention which may render the result announcements to be false or misleading in any material respect;
- There have been no communications from the relevant regulatory bodies concerning material non-compliance with or deficiencies in the internal controls of ESR-REIT as well as the managers; and
- There has been no fraud or suspected fraud affecting the Group involving the management and employees who have significant roles in internal controls.

Based on the above, pursuant to Rule 1207(10) of the Listing Manual, the Board with the concurrence of the ARCC is of the opinion that the Manager's internal controls and risk management systems were adequate and effective as at 31 December 2019 to address financial, operational, compliance and information technology risks, which the Manager considers relevant and material to ESR-REIT's operations.

The Board of Directors has reasonable assurance on the internal controls of the Manager, taking into account the nature, scale and complexity of ESR-FM's operations to support the type of properties that ESR-REIT invests in and the size of ESR-REIT's property portfolio.

Dealing in ESR-REIT Units

The Trust Deed requires each director of the Manager to give notice to the Manager of his/her acquisition of units or to any changes to 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, as applicable. The SFA also requires directors and CEO of the Manager to give such notice. All dealings in units by the directors and CEO of the Manager are to be announced through SGXNet.

In general, the directors and employees of the Manager are encouraged to hold the units and not to deal on short-term considerations. The Manager has adopted an internal policy which provides guidelines for dealing in units (the "Policy"), under which directors, CEO and employees are prohibited from dealing in units in the period commencing:

1. One month before the announcement of ESR-REIT's full year financial statements;
2. Two weeks before the announcement of ESR-REIT's financial statements for each of the first three quarters of its financial year; and
3. At any time whilst in possession of undisclosed material information.

In addition, while in possession of undisclosed material information, Directors and employees of the Manager are not to advise others to trade in ESR-REIT units or communicate such information to another person.

Prior to the commencement of the prohibition period, directors and employees are reminded not to trade during this period or whenever they are in possession of undisclosed material information.

In addition, the Manager has given an undertaking to MAS that it will announce to the SGX-ST the particulars of its holdings in the units and any changes thereto within one business day after the date on which it acquires or disposes of any units. The Manager has also undertaken that it will not deal in ESR-REIT units during the period commencing two weeks before the announcement of ESR-REIT's quarterly results or one month before the announcement of ESR-REIT's annual results, and ending on the date of announcement of the relevant results.

Preferential Offering

On 13 September 2019, the Manager announced the pro rata and non-renounceable preferential offering of up to approximately 98.1 million new units in ESR-REIT (the "New Units") on the basis of 29 New Units for every 1,000 existing units in ESR-REIT to entitled Unitholders (fractions of a New Unit to be disregarded) at the issue price of S\$0.510 per New Unit to raise gross proceeds of up to approximately S\$50 million (the "Preferential Offering").

So as not to prejudice the Directors and employees of the Manager and to enable them to participate in the Preferential Offering, the closed dealing period in connection with ESR-REIT's financial results for the quarter ended 30 September 2019 which was announced on 25 October 2019 was waived under the Policy. During this period, applications for excess New Units were satisfied from such New Units that were not validly taken up to entitled Unitholders and from provisional allotments to Unitholders who were not entitled Unitholders, the aggregate of fractions of any New Units and any New Units that were otherwise not allotted to whatever reason in accordance with the terms and conditions of the Preferential Offering. In the allotment of excess New Units, in compliance with the SGX-ST Listing Rules, preference was given to entitled Unitholders for the rounding of odd lots, and, Directors and substantial unitholders who had

control or influence over ESR-REIT or the Manager in connection with the day-to-day affairs of ESR-REIT or the terms of the Preferential Offering, or had representation (direct or through a nominee) on the board of directors of the Manager, ranked last in priority. In addition, during this period, the New Units were issued and listed on the SGX-ST.

Review Procedures for Interested Party Transactions ("IPTs")

The Manager has established an internal control system to ensure that all transactions involving the Trustee and any related party of the Manager or ESR-REIT are undertaken on normal commercial terms and will not be prejudicial to the interests of ESR-REIT and the Unitholders. Generally, the Manager will demonstrate to the ARCC that such transactions satisfy the foregoing criteria, which may entail obtaining quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent valuers, in accordance with the Property Funds Appendix. In addition:

- > transactions equal to or exceeding S\$100,000 in value but below 3% of ESR-REIT's latest audited net tangible assets are subject to review by the ARCC at regular intervals;
- > transactions exceeding S\$100,000 in value (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 3%, but below 5% of the value of ESR-REIT's latest audited net tangible assets, are subject to the review and prior approval of the ARCC. Such approval will only be given if the transactions are on normal commercial terms and consistent with similar types of transactions made by Trustee with third parties who are unrelated to the Manager; and
- > transactions exceeding S\$100,000 in value (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) and equal to or exceeding 5% of the value of ESR-REIT's latest audited net tangible assets, are reviewed and approved by the ARCC who may, as it deems fit, request advice on the transaction from independent sources or advisers, including obtaining valuations from independent valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning ESR-REIT relate to transactions entered into, or to be entered into, by the Trustee for and on behalf of ESR-REIT with a related party of the Manager or ESR-REIT, the Trustee is also required to ensure that such transactions are conducted on normal commercial terms and are not prejudicial to the interests of ESR-REIT and the Unitholders.

CORPORATE GOVERNANCE

Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or ESR-REIT. If the Trustee is to sign any contract with a related party of the Manager or ESR-REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Appendix and the provisions of the Listing Manual relating to interested person transactions, as well as such other guidelines issued by MAS and the SGX-ST that apply to REITs. All IPTs and related party transactions (and the basis, quotation obtained to support its basis) entered into are maintained in records by the Manager and reviewed by the ARCC.

ESR-REIT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction if such transaction, either by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3% or more of ESR-REIT's latest audited net tangible assets.

Dealings with Conflicts of Interest

The following key protocols have been established to deal with conflict of interest issues:

- > all executive officers are employed by the Manager;
- > all resolutions in writing of the directors of the Manager in relation to matters concerning ESR-REIT must be approved by a majority of the directors, including at least one Independent Director;
- > at least half of the Board comprised Independent directors;
- > in respect of the matters in which a director or his/her associates have an interest, direct or indirect, such interested director will notify his/her interest and, where appropriate, abstain from voting and recuse himself/herself from any discussion on the matter. In such matters, the Board may also seek external professional advice to assist in their deliberations;
- > matters in which any of its shareholders has an interest (whether directly or indirectly), the nominee director appointed by the relevant shareholder shall abstain from voting and recuse himself from any discussion in such matters and the quorum must comprise a majority of the independent directors;
- > all IPTs must be reviewed by the ARCC and approved by a majority of the ARCC. If a member of the ARCC has an interest in a transaction, he will, where appropriate, abstain from voting and recuse himself from the discussion as well;
- > directors receive training about their duties including the importance of not being influenced by directives from the shareholders which may conflict with the obligations of the Manager owed to clients, Unitholders or third parties who may, in turn, owe obligations to ESR-REIT, or with their broader duties as directors;
- > notwithstanding any request from its shareholders, decisions regarding service providers retained will go through a due diligence process conducted by the Manager to ensure that appropriate services are acquired in the circumstances;
- > to prevent misuse of confidential information, employees must not disclose, or use for their own purposes, or cause any unauthorised disclosure of, any information of a confidential nature relating to the business of the Manager or its affiliates or its agents or customers;
- > under the Trust Deed, other than a meeting convened for the removal of the Manager, the Manager and its associates are prohibited from being counted in a quorum for or voting at any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest. For so long as ESR-FM is the Manager, the controlling shareholders (as defined in the Listing Manual) of ESR-FM and their respective associates are prohibited from being counted in the quorum for or voting at any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholder and/or its associates have a material interest;
- > 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 ESR-REIT with an affiliate of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) for legal advice on the matter. If that law firm is of the opinion that the Trustee, on behalf of ESR-REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager is obliged to take appropriate action in relation to such agreement. The directors of the Manager 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 a breach of any agreement entered into by the Trustee for and on behalf of ESR-REIT with an affiliate of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and in the interests of Unitholders. Any decision by the Manager not to take action against an affiliate of the Manager shall not constitute a waiver of the Trustee's rights to take such action as it deems fit against such affiliate; and
- > the Manager ensures that the CEO is fully committed to ESR-REIT's operations as he is employed full-time in the day-to-day operations of the REIT and the Manager and he does not take up any executive role in another entity.

AUDIT COMMITTEE**Principle 10: The Board has an Audit Committee which discharges its duties objectively.**

The ARCC was established to assist the Board in its oversight of ESR-REIT and the Manager's governance in relation to financial, risk, audit, information technology and compliance matters. The ARCC's scope of authority and responsibilities are defined in its term of reference and in compliance with the CG Code as well as the 2018 Audit Committee Guide by the Singapore Institute of Directors.

Based on the CG Code and MAS Notice and Guidelines to REIT Managers, the ARCC must comprise at least three directors, majority of whom must be independent. As at 29 February 2020, all five members in the ARCC are independent as indicated below:

1. Mr. Bruce Berry (Chairman)
2. Mr. Ooi Eng Peng (Member)
3. Mr. Ronald Lim (Member)
4. Dr. Leong Horn Kee (Member)
5. Ms. Stefanie Yuen Thio (Member)

The separation of the roles of the Chairman of the Board and the Chairman of the ARCC ensures greater independence of the ARCC in the discharge of its duties. None of the ARCC members are former partners or directors of ESR-REIT's existing audit firm or auditing corporation (a) within a period of two years commencing on the date of their ceasing to be a partner of the audit firm or director of the auditing corporation and (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

Members of the ARCC bring with them invaluable experience and professional expertise in the banking, accounting, legal, financial management and real estate areas. Mr. Bruce Kendle Berry is a Chartered Accountant and Mr. Ooi Eng Peng is a Member of the Certified Practising Accountants of Australia. Mr. Ronald Lim Cheng Aun has extensive experience in the banking and finance industry and Dr. Leong Horn Kee has vast experience in property development and management, including industrial properties. Ms. Stefanie Yuen Thio is an Advocate and Solicitor of The Supreme Court of Singapore and her areas of expertise include mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice.

The ARCC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any director or staff to attend its meetings. The ARCC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The ARCC's functions are broadly defined as assisting the Board in fulfilling its oversight responsibilities by:

- > reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial information provided by the Manager to any governmental authority or the public and any announcements relating to ESR-REIT's financial performance;
- > assessing, and challenging, where necessary, the accuracy, completeness, and consistency of financial reports (including interim reports), before they are submitted to the Board for approval or made public;
- > reviewing and monitoring the effectiveness and adequacy of the systems of internal controls, including financial, operational, compliance, information technology and risk management controls and procedures that Management and the Board have established;
- > reviewing the assurance provided by the CEO and CFO that the financial records have been properly maintained, and the financial statements give a true and fair view of ESR-REIT's operations and finances;
- > overseeing and reviewing the adequacy and effectiveness of the Manager's risk management function;
- > overseeing Management in establishing the risk management framework of the Manager;
- > reviewing the adequacy, effectiveness, independence, scope and results of the Manager's internal audit function;
- > reviewing the scope and results of the external audit, the independence and objectivity of the external auditors. The ARCC shall then recommend to the Board the appointment, reappointment and removal of the external auditors and its remuneration and terms of engagement;
- > ensuring that ESR-REIT and the Manager comply with the requisite laws and regulations;
- > overseeing the establishment and operation of the whistleblowing process in the Manager; and
- > reviewing IPTs and related party transactions.

The ARCC meets at least four times a year. It has full access to the external and internal auditors and meets with the auditors, without the presence of Management, on a quarterly basis.

The number of ARCC Meetings held and corresponding attendances for FY2019 are set out on page 74.

The ARCC's activities for FY2019, included the following:

(a) Financial Reporting

The ARCC reviewed the interim and annual financial statements and financial results announcements required by the SGX-ST, for recommendation to the Board for approval.

The ARCC's oversight of financial reporting included review of changes in Financial Reporting Standards and discussions with Management and the external auditors on the impact of current and impending changes on financial reporting by the Group.

CORPORATE GOVERNANCE

In the review of the financial statements, the ARCC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matter impacting the financial statements was discussed with Management and the external auditors and was reviewed by the ARCC:

Significant Matter	How the ARCC reviewed the matter and what decisions were made
Valuation of investment properties	<p>The ARCC considered the approach and methodology applied to the valuation model in assessing the valuation of the investment properties. The financial statements adopted the values determined by the relevant independent valuers.</p> <p>The ARCC reviewed the reasonableness of the projected cash flows, the key assumptions used (including the market rental growth, price per square metre, terminal yield, capitalization and discount rates) and the procedures taken where rates were outside the expected range in the valuation model.</p> <p>The valuation of the investment properties was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for FY2019. Please refer to page 140 of this Annual Report.</p>

Following the review and discussions, the ARCC recommended to the Board to approve the FY2019 financial statements.

(b) External Audit

Ernst & Young LLP ("E&Y") was appointed as the external auditors of ESR-REIT on 25 April 2017. The ARCC reviewed and approved the audit plan and scope with the external auditors and critically reviewed the report on the audit of the financial statements.

The ARCC assessed the independence and quality of the external auditors and also met with the external auditors without the presence of the Management throughout the year. E&Y also provided regular updates to the ARCC on relevant changes to the accounting standards and the implications on the financial statements. The aggregate amount of fees paid/payable by ESR-REIT and its subsidiaries to the external auditors for FY2019 was S\$407,800, of which audit and non-audit fees amounted to S\$304,600 and S\$103,200 respectively. The ARCC has undertaken a review of all non-audit services provided by the external auditors and they would not, in the ARCC's opinion, affect the independence of the external auditors.

At the end of the financial year, the ARCC also evaluated the performance of the external auditors via a checklist as well as a face-to-face evaluation session, as part of its responsibility to recommend to the Board whether the external auditors should be reappointed in the following year. The checklist was drafted based on the "ACRA's Audit Quality Indicators Disclosure Framework" which covers the audit hours spent, experience of audit team, quality of work, level of independence etc.

Based on the evaluation results and interactions with E&Y, the ARCC is of the opinion that E&Y has fulfilled the audit requirements of ESR-REIT. The Board has taken into account ARCC's recommendation and concurred with ARCC's endorsement.

Accordingly, the Manager confirms that ESR-REIT complies with Rule 712 and 715 of the Listing Manual with respect to the suitability of the audit firm for ESR-REIT and its subsidiaries. The Board also recommended the re-appointment of E&Y at the coming Annual General Meeting.

(c) Internal Audit

Given the Manager's size and scale of operations, the Manager outsources the internal audit function. PricewaterhouseCoopers LLP ("PwC") has been appointed as the internal auditor for a 3-year period from FY2018 to FY2020. PwC adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal auditor has unfettered access to all ESR-REIT's and Manager's documents, records, properties and personnel including the ARCC. The internal auditor reports to the Chairman of the ARCC. The ARCC approves the appointment, removal, evaluation as well as the fees charged by the internal auditor. The ARCC also reviews and approves the annual internal audit plan, the results of internal audit visits and Management's actions in resolving any audit issues reported.

The three-year Internal Audit Rotational Plan for FY2018 to FY2020 recommended by PwC was approved by the ARCC in 2018.

For FY2019, the ARCC reviewed the scope of internal audit work and its audit program; it reviewed the findings during the year and Management's responses thereto; and it is satisfied that the internal audit function is independent, adequately resourced, and has appropriate standing within the Manager to perform its functions effectively.

An annual internal assessment was performed on PwC by ARCC to evaluate the performance and effectiveness of the internal auditor. The internal assessments include the monitoring of performance of the internal audit function and annual review performed by the Compliance Department.

(d) Interested Party Transactions (IPTs)

The ARCC reviewed IPTs to ensure compliance with internal procedures, provisions of the Listing Manual and the Property Funds Appendix.

(e) Whistle Blowing

The ARCC ensures that the Whistle Blowing Policy put in place provides an avenue through which employees of the Manager and external parties who have dealings with the Manager may raise, in good faith and in confidence, any concerns about possible improprieties in matters of financial reporting or other matters to the Chairman of the ARCC and that there will be independent investigation of any reported incidents and appropriate follow-up action taken.

External parties can raise their concerns by submitting the prescribed form found on www.esr-reit.com.sg/whistleblowing.html, to whistleblowing@esr-reit.com.sg.

UNITHOLDERS RIGHTS AND ENGAGEMENT

UNITHOLDERS 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 UNITHOLDERS

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.

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 Board is responsible for providing a balanced and understandable assessment of ESR-REIT's performance, position and prospects, which extend to interim and other price sensitive public reports, and reports to regulators (where required). Management provides the Board with relevant information on the performance of both ESR-REIT and the Manager both on a regular, timely basis as well as on an ad-hoc basis, as and when the Board may require from time to time, in order for the Board to effectively discharge its duties. Quarterly and annual financial reports and other material information are disseminated to the Unitholders through announcements via SGXNet, ESR-REIT's corporate website, and where applicable, media releases and analyst briefings.

The Manager has in place a dedicated investor relations team which handles communications with investors, the investment community, analysts and the media; and an Investor Relations and Corporate Communication Policy which sets out the principles and practices that the Manager adopts to ensure that Unitholders and prospective investors are provided with relevant up-to-date information on the REIT to make informed investment decisions.

The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders, the investing community and other stakeholders. The Manager's disclosure policy requires timely and full disclosure of financial reports and all material information relating to ESR-REIT by way of public releases or announcements through the SGX-ST via SGXNet. This will be subsequently followed up with the release on ESR-REIT's website at www.esr-reit.com.sg.

More information on how the Manager communicates with the Unitholders are set out on pages 98 to 101 of the Annual Report, under "Investor Engagement".

Unitholders are informed of general meetings through notices (such notice will also be published on SGXNet, newspapers and ESR-REIT's website) accompanied by annual reports or circulars sent to them. Any Unitholders who is not able to attend these meetings is allowed

CORPORATE GOVERNANCE

to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent before the proxy submission cut-off time. The Manager has also catered for the newly introduced multiple proxy regime, in anticipation of attendance by beneficial Unitholders at general meetings. Directors together with the Management, external legal counsel and the auditors will be in attendance at these meetings to address queries that Unitholders may have.

Unitholders are provided with ample opportunities to raise relevant questions and to communicate their views at Unitholders' meetings. At the Unitholders' meetings, each matter is proposed as a separate resolution. To ensure transparency, the Manager conducts electronic poll voting for the Unitholders/proxies present at the meeting for all resolutions proposed at the Unitholders' meetings. An independent scrutineer is appointed to validate the vote tabulation procedures. Results of the poll voting (votes cast for or against or abstain from voting, and their respective percentages) are displayed immediately at the meeting after the conduct of each poll, and also announced in a timely manner after the meeting via SGXNet. The Manager publishes minutes of the Unitholders' meeting prepared by the Company Secretary on its corporate website as soon as practicable following the meeting.

ESR-REIT's website also provides visitors with the option to sign up for a free email alert service when there is any newly posted information on the website or provide any feedback via the electronic feedback form on the website. In addition, the Manager also provides the specific investor relations contact on the website, to allow Unitholders to ask questions and receive responses in a timely manner. Trust Deed will be provided to Unitholders via email or physical copy upon request.

Our Policies and Practices

The CG Code encourages listed companies to have a policy on the payment of dividends. The Manager's policy is to distribute at least 90% of ESR-REIT's annual distributable income, comprising substantially its income from the letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion taking into account the needs of the Trust for capital expenditure, working capital requirements and the liquidity position of ESR-REIT. Since the listing in 2006, ESR-REIT has distributed 100 percent of its taxable income to its Unitholders.

FEES PAYABLE TO THE MANAGER

Pursuant to the CIS Code, where fees are payable to the Manager out of the deposited property of ESR-REIT, the rationale and methodology for each type of fee payable should be disclosed. The methodology is disclosed in Note 1 of the audited financial statements for FY2019.

Management Fees

The Manager is entitled to receive a base fee and performance fee for the Management of ESR-REIT's portfolio. The payment for the total of base fee and performance fee is capped at 0.8% of ESR-REIT's total deposited property value per annum under the Trust Deed Clause 15.1.3. The amount in excess of the fee cap will be carried forward for payment in future financial years.

Base Fee

The Base Fee enables the Manager to cover operational and administrative overheads incurred in the management of the portfolio. The fee is computed at 0.5% per annum of the deposited property value in accordance with Clause 15.1.1 of the Trust Deed. The fee is calculated at a percentage of asset value as the asset value provides an appropriate metric to determine the resources for managing the assets.

Based on the Manager's election, the fee is payable in cash, units or a combination of both. Under the Trust Deed, the cash component of the base fee is payable monthly in arrears within 30 days after the last day of each calendar month end while the unit component of the base fee is accrued and issued within 30 days after the last day of each calendar quarter.

The issue price for the manager's base fees payable in units is determined based on the volume weighted average traded price for a unit for all the trades done on the SGX-ST in the ordinary course of trading on the SGX-ST for the last ten business days immediately preceding the end of the relevant calendar quarter.

Performance Fee

The Manager's performance is measured by the growth in distribution per unit ("DPU Growth Model") of the Trust subject to the DPU threshold being met.

The performance fee under the DPU Growth Model is computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year. The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by the Trust in the previous years for which a performance fee was payable ("Highest DPU Threshold"). Whenever a performance fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a performance fee in future, the Manager would have to outperform the adjusted Highest DPU Threshold.

The pegging of the performance fee to DPU aligns the interest of the Manager with those of Unitholders as the compensation commensurate with the value the Manager delivers to Unitholders as a whole in the form of DPU.

With DPU Growth Model, the Manager will be more committed to providing the Unitholders with stable distribution on a more sustainable basis. The Manager is motivated to increase DPU through the efficient portfolio management, astute cost management and effective use of debt and equity. This can be achieved by pro-active organic and external growth strategies such as asset enhancement initiatives, acquisitions, developments and divestments to continually rebalance the portfolio and achieve income accretions. Taking on short-term risks is deterred as the Manager strives to achieve sustainability.

The fee is payable in cash, units or a combination of both at the option of the Manager. Under Clause 15.1.2 of the Trust Deed, the performance fee payable whether in cash or units, is payable in arrears within 30 days after the last day of each financial year.

The issue price for the performance fees payable in units is determined based on the greater of five business day volume-weighted average price ("VWAP") before and after the relevant financial year (i.e. 10 days VWAP in total) and gross asset value per unit.

Acquisition Fee

The Acquisition Fee earned by the Manager is contingent upon the successful completion of property acquisitions. This fee entitlement is prescribed in Clause 15.2 of the Trust Deed. This fee seeks to motivate and compensate the Manager for its efforts expended to continually seek out and acquire DPU accretive assets to increase sustainable returns for Unitholders.

The Acquisition Fee also allows the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking out new acquisition opportunities, including but not limited to due diligence efforts and man hours spent in evaluating the transaction.

As required by the Property Funds Appendix, where the acquisition fees are to be paid to the Manager for the acquisition of assets from an interested party, the acquisition fees are to be paid in the form of units based on the 10 days VWAP prior to the completion date of the acquisition. These units should not be sold for a period of one year from their date of issuance. As the Manager's interest is closely tied to the performance of DPU, this ensures that related party acquisition performs and contributes to Unitholders' returns.

Please see Note 1 of the audited financial statements for FY2019 for computation methodology.

Divestment Fee

The Divestment Fee earned by the Manager is contingent upon the successful completion of property divestments. This fee entitlement is prescribed in Clause 15.3 of the Trust Deed. This fee seeks to motivate and compensate the Manager for its efforts expended to continually rebalance the portfolio and maximise value received by the Trust in

the divestment. In addition, the Divestment Fee allows the Manager to recover the additional costs and resources incurred by the Manager for the divestment, including but not limited to due diligence efforts and man hours spent in marketing and maximising the divestment price.

As required by the Property Funds Appendix, where divestment fees are to be paid to the Manager for the divestment of assets to an interested party, the divestment fees are to be paid in the form of units based on the 10 days VWAP prior to the completion date of the divestments. These units should not be sold for a period of one year from their date of issuance.

Please see Note 1 of the audited financial statements for FY2019 for computation methodology.

Development Management Fee

The Manager is entitled to receive a development management fee equivalent to 3% of the total project costs incurred in a development project undertaken by the Manager on behalf of ESR-REIT, subject to fulfilling a pre-determined list of conditions. This fee entitlement is prescribed in Clause 15.7 of the Trust Deed. The development management fee is payable to the Manager to incentivise the Manager to undertake development projects, including but not limited to asset enhancement initiatives, build-to-suit and redevelopment projects, on behalf of ESR-REIT to enhance its property portfolio, and to compensate the Manager for its time, costs and effort expended in managing development projects. By undertaking development projects on behalf of ESR-REIT, it can improve the yield of ESR-REIT's property portfolio, increase its distributable income and enhance its long-term value.

Where real estate or real estate related assets are purchased, invested in or acquired for development, no acquisition fee in relation to such purchase, investment or acquisition shall be paid to the Manager. Instead, the Manager will receive the development management fee for the development project.

The development management fee shall be payable in equal monthly instalments over the construction period of each development project based on the Manager's best estimate of the total project costs and construction period and, if necessary, a final payment of the balance amount when the total project costs have been finalised.

The Manager may opt to receive the development management fee in the form of cash or a combination of cash and units in such proportions as it may determine. Where part of the development management fee is to be received in the form of units, the Manager shall be entitled to receive such number of units as may be purchased for the relevant amount of the development management fee at an issue price equivalent to the VWAP of the units for the last ten (10) business days of the relevant calendar quarter for which such fees relate to.

Please see Note 1 of the audited financial statements for FY2019 for computation methodology.

CORPORATE GOVERNANCE

Code of Corporate Governance 2018

Principles and provisions of the 2018 Code		Page reference in Annual Report 2019
The Board's Conduct of Affairs		
Provision 1.2	The induction, training and development provided to new and existing Directors	Page 75
Provision 1.3	Matters that require Board approval	Page 72
Provision 1.4	Names of the members of the Board Committees, the terms of reference of the Board Committees, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities	Pages 72 to 73
Provision 1.5	The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings.	Page 74
Board Composition and Guidance		
Provision 2.4	The Board diversity and progress made towards implementing the board diversity, including objectives.	Page 76
Board Membership		
Provision 4.3	Process for the selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidate.	Pages 78 to 79
Provision 4.4	Where the Board considers a Director to be independent in spite of the existence of a relationship which may affect his or her independence, the nature of the Director's relationship and the reasons for considering him or her as independent should be disclosed.	Pages 76 to 78
Provision 4.5	The listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, the NRC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties are disclosed.	Page 79
Board Performance		
Provision 5.2	How the assessments of the Board, its Board Committees and each Director have been conducted, including the identity of any facilitator and its connection, if any, with the Manager or any of its Directors.	Page 80
Remuneration Matters – Procedures for Developing Remuneration Policies		
Provision 6.4	Engagement of any remuneration consultants and their independence.	Page 80

Principles and provisions of the 2018 Code

Page reference in
Annual Report 2019

Disclosure on Remuneration

Provision 8.1 Policy and criteria for setting remuneration, as well as, names, amounts and breakdown of remuneration of:

- (a) each individual Director and the CEO; and
- (b) at least the top five key management personnel (who are not Directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

Pages 80 to 82

Provision 8.2 Names and remuneration of employees who are substantial shareholders of the Manager or substantial unitholders, or are immediate family members of a Director, the CEO or such a substantial shareholder or substantial unitholder, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. The employee's relationship with the relevant director or the CEO or substantial shareholder or substantial unitholder should also be stated.

N.A.

Provision 8.3 All forms of remuneration and other payments and benefits, paid by the Manager and its subsidiaries to directors and key management personnel of the Manager, and also discloses details of employee share schemes.

Pages 80 to 82

Risk Management and Internal Controls

Provision 9.2 Board's assurance from:

- (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the REIT's operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the REIT's risk management and internal control systems.

Page 84

Unitholder Rights and Conduct of General Meetings

Provision 11.3 Directors' attendance at general meetings of Unitholders held during the financial year.

Page 74

Engagement with Unitholders

Provision 12.1 Steps taken by the Manager to solicit and understand the views of Unitholders.

Pages 89 to 90,
98 to 101

Engagement with Stakeholders

Provision 13.2 The Manager's strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

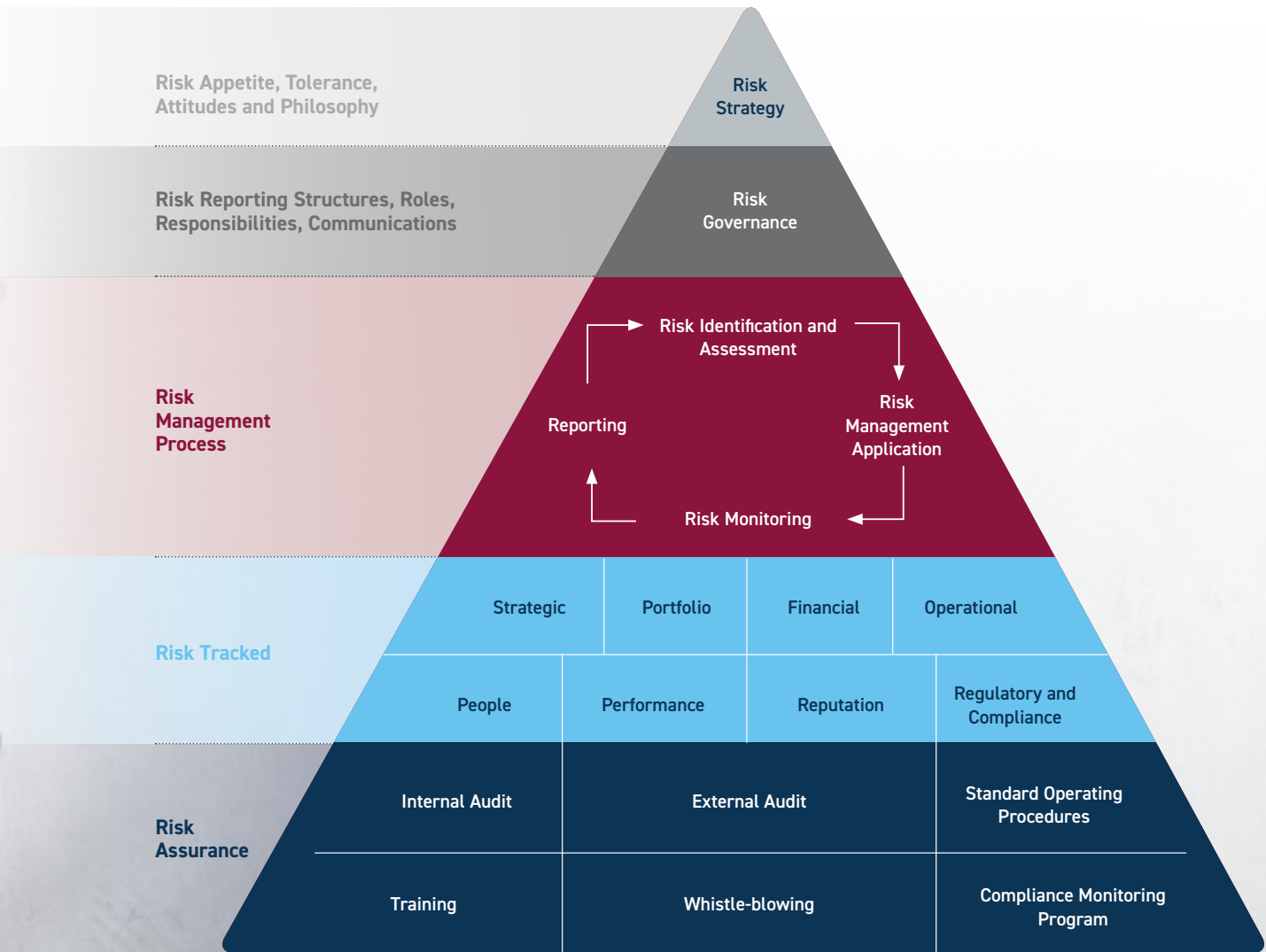
Pages 89 to 90,
98 to 101

RISK MANAGEMENT

Proactive and effective risk management is a fundamental part of ESR-FM's business strategy.

ESR-FM recognises that risk management is about opportunities as much as it is about threats. To capitalise on opportunities, ESR-FM has to take measured risks.

Therefore, risk management is not about pursuing risk minimisation as a goal, rather it is about optimising the risk-reward relationship, within known and acceptable risk appetite levels. ESR-FM, therefore, takes risks in a prudent manner for justifiable business reasons.



STRONG OVERSIGHT AND GOVERNANCE

The Board of Directors of the Manager have the overall responsibility of governing risks and ensuring that ESR-FM maintains a sound risk management system and internal controls to safeguard Unitholders' interests and ESR-REIT's assets. For these purposes, the Board is assisted by the ARCC which provides dedicated oversight of risk management at the ESR-REIT and Manager Level. The ARCC currently comprises five independent members and meets on a quarterly basis. The meetings are attended by the CEO, CFO, Head of Real Estate and Head of Compliance and Risk Management of ESR-FM.

Risk Management Process

The Manager adopts a four-step risk management process to manage different risks by performing the following steps:

- 1 Risk identification and assessment;
- 2 Risk management application;
- 3 Risk monitoring; and
- 4 Reporting

1 Risk Identification and Assessment

The ERM Risk Appetite Statement ("RAS") was formulated and approved by the Board to identify the nature and extent of key material risks and their corresponding risk appetite threshold which ESR-REIT and ESR-FM are willing to take to achieve its strategic and business objectives. The RAS serves as a "traffic light alert system". The risk appetite threshold of each risk is based on the colours of a traffic light – Red, Amber and Green. Green is within the acceptable risk appetite, Amber signals increasing risk which needs to be monitored and reduced as necessary and Red means it is outside the risk appetite that both ESR-REIT and the Manager is willing to undertake and thus measures and steps need to be put in place to reduce the risk level to within the acceptable range. The RAS is monitored on a quarterly basis to ensure that all risks are appropriately managed. The RAS is reviewed and tabled to both the Board and ARCC on a quarterly basis for their notation. The metrics adopted for each measure will be reviewed at least annually or more frequently if the business environment warrants.

Besides using the RAS as one of the tools to identify and assess risks, ESR-FM requires respective Head of Departments to proactively identify, assess and document material operational risks as well as controls and/or treatment actions needed to address them, on a quarterly basis. The Key Risks and Control Matrix ("Risk Matrix") covers ESR-REIT's and ESR-FM's material operational risks, the likelihood of the risks occurring, the consequences should they occur and the controls put in place to mitigate or manage these risks. The material operational risks are sub-categorised into strategic, commercial and legal,

economic/financial, market, operational, technology, business continuity, human resources, occupational health and safety ("OHS")/environmental, development and strategic. Risks are analysed by combining estimates of likelihood and consequences, adequacy of existing controls/treatments or actions to determine whether a level of risk is to be accepted, or requires specific management responsibility or escalation to the ARCC. Identified risks are reviewed quarterly or whenever the business environment changes substantially to ensure that changes in circumstances have not altered risk priorities. Identified controls/treatments or actions are reviewed quarterly to ensure that changes in circumstances have not affected their adequacy and effectiveness. The Risk Matrix is reviewed by the CEO before they are presented to the ARCC and the Board.

2 Risk management application

Besides using the RAS and Risk Matrix to identify and assess the risks, ESR-FM also uses other tools to manage risks. The Compliance Matrix is one such tool that lists a summary of the major regulatory requirements related to both ESR-FM and ESR-REIT. It covers the Securities and Futures Act ("SFA"), Securities and Futures Regulations ("SFR") and related Notices and Guidelines, SGX-ST Listing Rules, Code on Collective Investment Schemes ("CIS"), Companies Act, Limited Liability Partnership Act and Personal Data Protection Act. Identified regulations are reviewed yearly or whenever the business environment changes substantially or whenever there are new relevant regulations to ensure that the matrix is kept up-to-date.

ESR-FM has various policies and procedures to reduce operational risks by providing uniform practices that serve as a basis for guidance in day-to-day operation and to facilitate the understanding and correct implementation of different work processes. All policies and procedures are reviewed and updated where relevant, at least once a year, to ensure they are kept up-to-date. Any revisions, amendments and supplements to the various policies must be approved by the Board, ARCC or the CEO, as appropriate.

To increase the level of awareness and knowledge of various risks, controls requirements and processes within ESR-REIT and ESR-FM, all new employees are required to undergo induction training by the various departments. On-the-job training will be provided to equip the staff with the knowledge and skills to carry out their work. Internal training will be conducted for the purpose of information sharing, especially on changes relating to internal policies. Staff are encouraged to source for external training that relates to their field of expertise and/or are included in personal development plans. Skills and knowledge acquired via such training can be applied to their work to improve work processes or control requirements thus effectively reducing operational risks for ESR-FM.

RISK MANAGEMENT

3 Risk Monitoring

To ensure that risks are effectively managed and controlled, the following are some of the methods of risk monitoring adopted by ESR-FM. The monitoring results are reported to ARCC and noted by the Board through ARCC updates.

1. Quarterly monitoring of ERM RAS
2. Quarterly review of Key Risk and Control Matrix
3. Quarterly monitoring of outstanding internal/external audit recommendations
4. Quarterly attestations from employees, appointed representatives, Heads of Departments and Directors in terms of compliance with relevant regulatory requirements
5. Quarterly reporting of breaches, potential breach and loss events

In addition to the above risk monitoring methods, ESR-FM has formulated a Compliance Monitoring Framework using the Compliance Matrix as a base document. A risk assessment of all regulatory requirements impacting both ESR-REIT and ESR-FM will be performed on an annual basis which will guide the approach taken for Compliance's oversight function. The risk assessment exercise consists of both inherent risk and residual risk assessment with a rating scale of low, medium and high. With the results generated, Compliance will conduct oversight through a combination of routine monitoring and risk-based monitoring programmes (otherwise known as the Compliance Monitoring Program). A two-year Compliance Monitoring Program based on the results of the risk assessment will be tabled to both the ARCC as well as the Board for approval. Upon the approval of the program, Compliance will proceed to implement the program and the results of the reviews will be tabled to both ARCC and the Board on a quarterly basis for their review.

Reports on the internal controls are also provided to the ARCC on a periodic basis to assess the adequacy of the existing internal controls and risk framework. Together, all these monitoring tools provide greater assurance that the ESR-REIT's and the Manager's identified risks are adequately managed.

4 Reporting

Reports are provided to ARCC/Board/Regulators on a regular basis to provide updates on ESR-FM's risk and compliance management activities.

Risk Tracked

ESR-FM undertakes an iterative and comprehensive approach in identifying, managing, monitoring and reporting of material risks. Such material risks include:

Strategic Risk

Strategic risks relate to the risks on impact on earnings or capital on the sustainable long-term growth of ESR-REIT arising from inadequate business decisions, improper implementation of strategy or lack of responsiveness to changes in the industry.

Portfolio Risk

The key objectives of ESR-FM are to deliver stable distributions to Unitholders and to achieve long term growth in Net Asset Value ("NAV") per unit in order to provide Unitholders with a competitive rate of return for their investment. To achieve these objectives, the Manager uses the following strategies:

1. Proactively managing ESR-REIT's property portfolio to maximise returns;
2. Selectively acquiring properties that meet our investment criteria and enhance Unitholders' value;
3. Divesting of non-core properties; and
4. Adopting prudent capital and risk management strategies.

The investment portfolio will primarily comprise real estate used mainly for industrial purposes (including investments in real estate related assets and/or other related value enhancing assets or instruments). The investments will be made in Singapore and overseas markets, with the current focus on the local market, depending on investment opportunities and market conditions and will be for the long-term. To manage the impact of economic uncertainties, ESR-FM monitors economic development as well as any policies that have an impact on the daily operations within the portfolio. Each new investment opportunity is subject to a disciplined and rigorous due diligence process, taking into consideration its potential for yield enhancement, long-term sustainability and its asset valuation.

Asset enhancement and development initiatives are initiated to ensure that ESR-REIT's properties remain competitive. Projects under development are tracked for progress update and monitored for investment performance.

Financial Risk

ESR-FM monitors the financial market risk and capital structure actively as prudent capital management is the key for a sustainable business. ESR-FM needs to ensure that there is diversity in terms of source of funds, a well-staggered debt maturity profile, and a gearing ratio within its target range, to mitigate any financial and liquidity risk.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to ESR-REIT, as and when they fall due. ESR-FM established credit limits for tenants and monitors their balances on an on-going basis. Credit evaluations are performed by ESR-FM before lease agreements are entered into with the lessees. In addition, ESR-REIT requires the lessees to provide tenancy security deposits or corporate guarantees, or to assign rental proceeds from sub-lessees to ESR-REIT.

Interest Rate Risk

ESR-REIT's Risk exposure to changes in interest rates relate primarily to its interest-bearing financial liabilities. Interest rate risk is managed by ESR-FM on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. ESR-REIT adopts a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps and/or fixed rate borrowings.

Currency Risk

At present, all transactions of ESR-REIT are denominated in Singapore dollars and the Group faces no currency risk. If this were to change in the future, ESR-FM would consider currency hedging to the extent appropriate.

Liquidity and Refinancing Risk

ESR-FM monitors the liquidity risk of ESR-REIT and maintains a level of cash and cash equivalents deemed adequate by management to finance ESR-REIT's operations. Typically, ESR-FM will ensure that ESR-REIT has sufficient cash on demand to meet expected operating expenses for a reasonable period, including the servicing of financial obligations; but this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. ESR-FM monitors and observes the CIS Code issued by the Monetary Authority of Singapore ("MAS") concerning limits on total borrowings.

Operational Risk

ESR-FM has established a set of policies and procedures designed to identify, monitor, report and manage the operational risks associated with the day-to-day operation as well as to ensure business continuity. This includes the monitoring of incidents and ensuring safety-related standards and procedures are put in place. These procedures and guidelines are regularly reviewed to ensure relevance and effectiveness. To mitigate the risk of any disasters, disaster recovery testing is conducted at least once a year.

Performance and Reputation Risk

ESR-REIT's NPI yield, Mean Expense Ratio ("MER") and DPU are some of the metrics monitored and measured against peer benchmarks to ensure that ESR-REIT is performing better than or at least on par with the market. In addition, regulatory requirements on base capital and financial resources of ESR-FM are being monitored to ensure that the requirements are met on an ongoing basis.

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of ESR-REIT by tenants, counterparties, shareholders, investors and regulators. ESR-FM uses formal media monitoring to assess if there are any adverse news on ESR-REIT that warrants any actions from the Manager.

Other than the above material risks, ESR-FM also needs to manage the following risks:

Regulatory and Compliance Risk

Due to the nature of business, ESR-FM, being a Capital Markets Services Licence Holder, is required to comply with the relevant legislation and regulations issued by MAS, SGX-ST and the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of ESR-REIT and its Unitholders. Thus, any changes in these legislation and regulations may affect ESR-REIT's business, results or operations. The Manager has established relevant regulatory related policies and procedures to ensure ESR-REIT's and ESR-FM's compliance with applicable legislation and regulations. Regulatory compliance is being monitored via the reporting of results of compliance monitoring program, non-compliance instances, regulatory breaches and overdue internal/external/ regulatory inspection findings to ensure that both ESR-REIT and ESR-FM are adhering to regulatory requirements.

People Risk

People are the key to the business. Talent management including succession planning are in place for key personnel and staff remuneration is reviewed periodically to ensure it is aligned to the market to retain and reward staff.

Risk Assurance

On top of the risk management tools that are highlighted above, the Manager also has a Whistle Blowing Policy put in place which provides an avenue to employees and external parties to raise any concerns about possible improprieties in matters of financial reporting or other matters to the ARCC Chairman. Independent investigation and appropriate follow up action will be taken for all concerns raised.

INVESTOR ENGAGEMENT

TIMELY, TRANSPARENT AND CLEAR COMMUNICATION WITH THE INVESTMENT COMMUNITY

ESR-REIT is committed to continuous engagement of its existing and potential investors, analysts, media and other stakeholders (collectively, the “Investment Community”) and providing timely, transparent and clear information on its business operations and performance. The Manager has an Investor Relations policy in place that articulates its core communication values. As ESR-REIT grows in strength, maintaining open channels of communication enables the investment community to better understand the REIT’s strategic directions and how it creates value for its Unitholders.

The Manager has a dedicated investor relations and corporate communications (“IRCC”) team that proactively engages and meets the investment community. Key updates on operational and financial performance, strategy and initiatives are disseminated through various channels such as conferences, meetings, briefings, print publications and the corporate website.

INSTITUTIONAL ENGAGEMENT

With 2019 being the first year where merged financial results were announced post the completion of the merger with VIT, the team proactively engaged institutional investors and ramped up participation in local and regional face-to-face meetings, group teleconferences, post-results investor briefings and investor conferences and roadshows across Singapore and the region. These meetings provided institutional investors the opportunity to meet ESR-REIT’s management team and acquire a deeper understanding with regards to ESR-REIT’s enlarged portfolio, strategy and direction going forward.

During FY2019, the IRCC team engaged more than 155 institutional investors in over 25 meetings and conferences to discuss the REIT’s business strategy, operational and financial performance. The REIT also participated in local and overseas investor conferences and roadshows in Australia, Europe, Japan, Hong Kong, Malaysia and Thailand. Participation in these conferences have significantly raised the profile of the REIT, leading to increased trading liquidity and higher trading volumes.

PERIOD	CONFERENCE	LOCATION
1 st Quarter	Credit Suisse ASEAN Conference	Bangkok
	DBS 4Q2018 Results Luncheon	Singapore
	Citi Non-deal Roadshow	Hong Kong
	CLSA Non-deal Roadshow	London and Netherlands
	CLSA ASEAN Conference	Bangkok
	RHB Non-deal Roadshow	Kuala Lumpur
2 nd Quarter	SGX-CS Corporate Day	Hong Kong
	Citi ASEAN C-Suite Investor Conference	Singapore
	Citi Asia-Pac Conference	Hong Kong
3 rd Quarter	DBS 2Q2019 Results Luncheon	Singapore
	DBS Non-deal Roadshow	Bangkok
	CLSA Tokyo Non-deal Roadshow	Tokyo
	SGX-MBKE Corporate Day	Kuala Lumpur
	Citi-REITAS-SGX C-SUITE Singapore REITS and Sponsor Forum	Singapore
4 th Quarter	SGX-CS Real Estate Corporate Day	Singapore
	Citi Results Luncheon 3Q2019	Singapore
	SGX-NH Securities Site Visit	Singapore
	SGX-JPM Singapore Corporate Day	Japan (via video conference)
	SGX-UBS Singapore REIT/Infrastructure Corporate Day	Australia
	SGX-KIS Securities Site Visit	Singapore
	Morgan Stanley 18th Annual Asia Pacific Summit 20-21 Nov	Singapore
RHB-Okasan Securities Japanese Investors Meeting 9 Dec	Singapore	

ANALYSTS ENGAGEMENT

In FY2019, the manager continued to actively engage coverage analysts and the research industry at large to provide timely updates. This resulted in the addition of two new research coverage from Citibank and Soochow CSSD Capital Markets ("SCCM"). SCCM initiated coverage in May 2019 with a "Buy" call and target price ("TP") of S\$0.61 and Citibank initiated coverage in August with "Buy" call and S\$0.57 TP.

The manager also organised a site tour for analysts to showcase ESR-REIT's enlarged and diversified portfolio. The REIT is currently covered by 8 research houses with an average TP of S\$0.58.

RESEARCH ANALYST COVERAGE	ANALYST	CONTACT
CIMB	Lock Mun Yee	munyee.lock@cimb.com
Citibank	Brandon Lee	brandon2.lee@citi.com
CLSA	Wong Yew Kiang	yew.kiang.wong@clsa.com
Daiwa	David Lum	david.lum@sg.daiwacm.com
DBS	Derek Tan	derektan@dbs.com.sg
OCBC	Chu Peng	chupeng@ocbc.com
RHB	Vijay Natarajan	vijay.natarajan@rhbgroup.com
SCCM	Zhao Yi Yuan	yi yuan.zhao@sccmasia.com

The full list of research houses and target recommendations are also available on the corporate website.



Extraordinary General Meeting on 12 September 2019

RETAIL INVESTORS ENGAGEMENT

Retail investors are an important part of the Manager's outreach programmes. In FY2019, ESR-REIT became a member of the Securities Investors Association (Singapore) (SIAS) Shareholder Communication Programme to enhance investor communication with members of the public. ESR-REIT has also maintained its membership with the REIT Association of Singapore (REITAS).

During the year, ESR-REIT fortified its relationship with the retail investing community through participation in seminars and road shows to educate and engage the public. These activities provided retail investors the opportunity to meet ESR-REIT's management team and acquire a deeper understanding of its business performance and the industrial property market outlook in Singapore. ESR-REIT was one of the featured REITs at the annual REITS Symposium jointly organised by Shareinvestor and REITAS. Held in May 2019, the event was well attended by over 1,500 participants. The Manager had a booth at the symposium with senior management present to address investors' queries. ESR-REIT was also featured in The Edge REITs Investment Forum and SGX-REITAS Education Series, held respectively in August and November 2019. At these educational seminars, ESR-REIT had the opportunity to share its operational and financial performance, as well as corporate strategy with existing and potential investors.

ESR-REIT's Annual General Meeting ("AGM") was held on 24 April 2019 and over 280 Unitholders attended the event. ESR-REIT also convened an Extraordinary General Meeting ("EGM") on 12 September 2019 to seek Unitholders' approval for continued equity support from its Sponsor and for certain amendments to the trust deed. All resolutions tabled at the meetings were approved. The meetings provided an important channel for communication between the Manager and Unitholders, where they were able to address their queries and provide feedback to the Board of Directors and the Management Team during the open dialogue session following the formal proceedings. The Manager utilised electronic polling for the resolutions put forward at the AGM and EGM, resulting in greater efficiency and accuracy during the voting process. To encourage greater unitholders' participation, the meetings were held at venues easily accessible by public transport.

INVESTOR ENGAGEMENT



DBS Thai investors during site visit to UE Bizhub EAST on 28 June 2019

NURTURE AND MAINTAIN STRONG LINKS WITH THE INVESTMENT COMMUNITY

ESR-REIT held briefings and meetings for 2Q/1H and 4Q/FY results announcements where the Manager discussed its long-term investment strategy, provided extensive information on its financial performance and reiterated its commitment to Unitholder returns.

The IRCC team is focused on helping investors understand how the REIT creates sustainable competitive advantages through asset enhancements and accretive acquisitions. In addition, the team organised visits to its properties for the investment community, providing them first-hand experience and an understanding of the REIT's portfolio and market strategies.

The IR website is the primary source of corporate information, financial data and significant business developments for the investment community. ESR-REIT has been reporting its financial results on a quarterly basis. With the changes to the SGX-ST's quarterly reporting framework, which took effect from

7 February 2020, ESR-REIT will be reporting its financial results on a half-yearly basis, instead of quarterly basis, with effect from the financial year ending 31 December 2020 ("FY2020"). However, ESR-REIT will continue to pay its distributions on a quarterly basis for FY2020. The Manager will provide an executive summary of key financial information, as well as operational updates between the announcements of half-yearly financial results. These financial results and other material information are made available on the IR website immediately upon release to the SGX-ST to ensure timely disclosure of information. The website also contains company news, investor presentations, historical financial data, upcoming events and distribution information.

As part of ESR-REIT's ongoing effort to improve investor relations, it will continue to review the level of disclosure, align it with global best practices and take into account the new 2018 Code of Corporate Governance and similar benchmarks.

PRINCIPLES UNDERPINNING IRCC FRAMEWORK



EFFICIENCY

Adopts various communication avenues to convey its messages to its investment community. The Manager is committed to disseminate all material information that would reasonably be required to make an informed decision about investment in ESR-REIT's securities in a fair, timely and cost-efficient manner.



TRANSPARENCY

Committed to open and transparent communication with the investment community. Promotes investor confidence by ensuring that trade in its securities takes place in an informed market.



CLARITY

Committed to communicate with the investment community in a clear language that avoids unnecessary jargon and provides maximum understanding of its messages.

FINANCIAL CALENDAR

ACTIVITY	FY2019	FY2020 ⁽¹⁾
Announcement of Full Year Financial Results	18 January 2019	23 January 2020
Payment of Fourth Quarter Distribution to Unitholders	28 February 2019	9 March 2020
Annual General Meeting	24 April 2019	Date to be advised
Announcement of First Quarter Financial Results	24 April 2019	.. ⁽²⁾
Payment of First Quarter Distribution to Unitholders	10 June 2019	12 June 2020
Announcement of Second Quarter and Half Year Financial Results	22 July 2019	27 July 2020
Payment of Second Quarter Distribution to Unitholders	30 August 2019	10 September 2020
Extraordinary General Meeting	12 September 2019	-
Announcement of Third Quarter Financial Results	25 October 2019	.. ⁽²⁾
Payment of Third Quarter Distribution to Unitholders	8 November 2019	10 December 2020

RETAIL INVESTOR CALENDAR FY2019

PERIOD	ACTIVITY	LOCATION
1 st Quarter	4QFY2018 Analyst and Media Results Briefing Session	Singapore
	10 th Annual General Meeting	Singapore
2 nd Quarter	DBS-REITAS Private Banking Luncheon	Singapore
	REITs Symposium hosted by Shareinvestor and REITAS	Singapore
	Credit Suisse Private Bank Presentation	Singapore
	Extraordinary General Meeting	Singapore
3 rd Quarter	OCBC Remisier Lunch	Singapore
	The Edge REITS Investment Forum	Singapore
	UOB Remisier Lunch	Singapore
	2Q1H2019 Analyst and Media Earnings Call	Singapore
4 th Quarter	SGX-REITAS Education Series	Singapore

For further enquiries, please contact:

Investor Relations	Corporate Communications	Unit Registrar	Unitholder Depository
Ms. Lyn Ong 138 Market Street #26-03/04 CapitaGreen Singapore 048946 T: (65) 6827 9504 F: (65) 6827 9339 E: lr@esr-reit.com.sg	Ms. Gloria Low 138 Market Street #26-03/04 CapitaGreen Singapore 048946 T: (65) 6827 9332 F: (65) 6827 9339 E: enquiries@esr-reit.com.sg	B.A.C.S. Private Limited 8 Robinson Road #03-00 ASO Building Singapore 048544 T: (65) 6593 4848 F: (65) 6593 4847	The Central Depository (Pte) Limited 9 Buona Vista Drive #01-19/20 The Metropolis Singapore 138588 T: (65) 6535 7511 E: asksg@sgx.com

⁽¹⁾ Subject to change.

⁽²⁾ With the changes to the SGX-ST's quarterly reporting framework, which took effect from 7 February 2020, ESR-REIT will be reporting its financial results on a half-yearly basis, instead of quarterly basis, with effect from FY2020. However, ESR-REIT will continue to pay its distributions on a quarterly basis for FY2020.

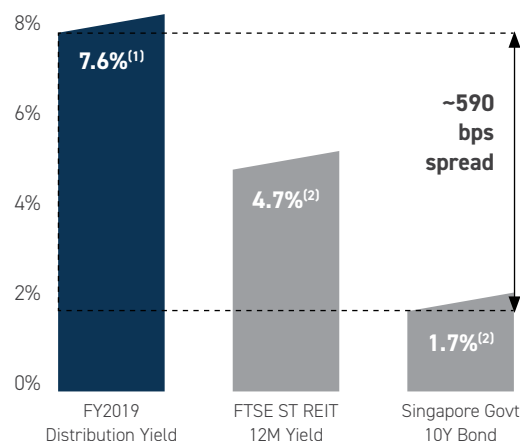
UNIT PRICE PERFORMANCE

Singapore's economy experienced a muted performance in 2019 with overall Gross Domestic Product (GDP) growing 0.7% year on year. 2019 saw one of the slowest economic growth in a decade. Expansions in the precision engineering, biomedical manufacturing and general manufacturing clusters were offset by output declines in the electronics, chemicals and transport engineering clusters. Trade war uncertainties and the volatile economic growth have also affected performance in the stock market.

As at 31 December 2019, ESR-REIT's closing unit price was S\$0.530, an increase of 3.9% from S\$0.510 as at 31 December 2018. ESR-REIT's market capitalisation was approximately S\$1.85 billion as at 31 December 2019. Trading volume in 2019 reached approximately 1,520.1 million units with an average daily trading volume of approximately 6.1 million units.

FY2019 Distribution Yield (%)

(As at 31 December 2019)



Comparative Trading Performance in FY2019



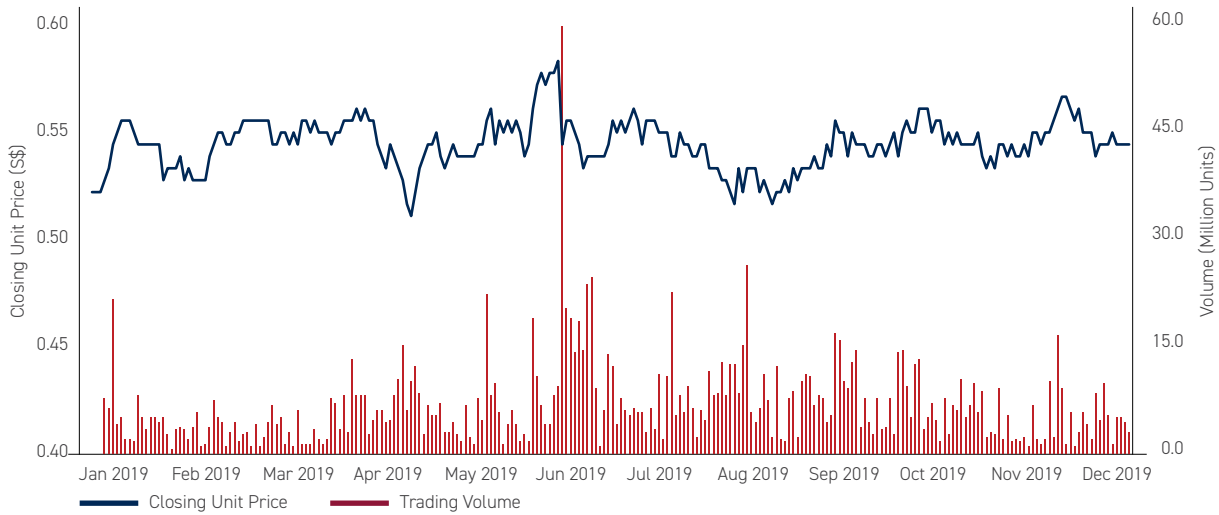
Trading Data Across Five Years

	2015	2016	2017	2018	2019
Closing Unit Price (S\$)	0.565	0.540	0.565	0.510	0.530
Highest (S\$)	0.725	0.580	0.615	0.590	0.565
Lowest (S\$)	0.530	0.485	0.535	0.475	0.500
Opening (S\$)	0.680	0.565	0.540	0.570	0.505
Volume Weighted Average Price (S\$)	0.658	0.541	0.570	0.524	0.530
Total Trading Volume (million units)	333.9	415.0	320.0	490.4	1,520.1
Average Daily Trading Volume (million units)	1.4	1.7	1.3	2.0	6.1

⁽¹⁾ Based on closing price of S\$0.530 as at 31 December 2019 and FY2019 DPU of 4.011 cents.

⁽²⁾ Based on closing price as of 31 December 2019.

Monthly Trading Performance in FY2019



5-Year Trading Performance



Constituent of Key Indices

1. iEdge S-REIT 20 Index
2. iEdge S-REIT Index
3. iEdge SG Real Estate Index
4. Bloomberg Asia Real Estate Investment Trust Index
5. iEdge SG ESG Leaders Index

SUSTAINABILITY

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At **ESR-REIT**, we strive to be a leading provider of real estate for tomorrow's businesses today. Cognizant of the importance of growing our business in a sustainable manner, we are placing greater emphasis on the Environmental, Social and Governance topics in our business operations alongside our Economic goals.



ABOUT ESR-REIT SUSTAINABILITY REPORT 2019

ESR-REIT is committed to providing a holistic and transparent overview of our business to our stakeholders. To that end, ESR-REIT has integrated its environmental, social and governance (ESG) information into its Annual Report for the second year in a row, including the first full-year ESG information on the newly included Viva Industrial Trust ("VIT") assets since the merger in end 2018.

This report is aligned with the SGX-ST Listing Rules, Practice Note 7.6 Sustainability Reporting Guide and is prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option.

Information in this report pertains to ESR-REIT's operations in Singapore from January to December 2019, and comprises of the investment and operational management of our properties and development projects.

For the Environment section, the data provided relates to the common areas of properties to which ESR-REIT has direct operational control and includes historical data for comparison, where available. It excludes data from 48 Pandan Road which was only acquired in August 2019 and 31 Kian Teck Way which was divested in June 2019. Our tenant satisfaction survey also excludes tenants from 48 Pandan Road and 31 Kian Teck Way.

As a real estate investment trust, the Manager's principal business includes fund management, property and facilities management of industrial properties.

We have not sought external assurance for this reporting period and may consider having the report verified by an independent third party in the near future.

We publish our sustainability information annually. We value and welcome any feedback on our sustainability reporting, approach and performance. Please send your feedback and suggestions to enquiry@esr-reit.com.sg.

SUSTAINABILITY

2019 HIGHLIGHTS



- > Occupancy rate of **90.5%** compared to the national average of 89.2%¹ for industrial properties
- > Tenant satisfaction rate was **74%** with a response rate of 63%

¹ Figure from JTC's Quarterly Market Report for Industrial Properties 4Q2019.



- > Reduction in total grid electricity consumption intensity by 0.7%
- > **1,421** MWh of solar energy consumed
- > Asset Enhancement Initiatives (AEI) planned for up to 7 properties
- > Effective tracking of water and waste data



- > Average 48.1 hours of training per employee
- > Employee satisfaction of more than **90%**
- > Development of Workplace Safety and Health Committee (WSHC)
- > Continued to provide financial and in-kind support to the local community



- > **0** incidents of non-compliance
- > Reviewed and updated internal governance policies
- > Compliance training for all employees

ECONOMIC

ENVIRONMENTAL

SOCIAL

GOVERNANCE



3 Pioneer Sector 3

SUSTAINABILITY

A STATEMENT FROM OUR BOARD

The Board of Directors ("**Board**") of ESR Funds Management (S) Limited ("**ESR-FM**" or "**Manager**") and the Manager of ESR-REIT ("**REIT**"), are pleased to present ESR-REIT's 2019 sustainability report.

2019 was an exciting and defining year for ESR-REIT, being the first full year as an enlarged entity after the merger with VIT. It was also a year of transition and consolidation with the integration of systems, restructuring and streamlining our processes to better complement our expanded portfolio and talent pool. The Board took the opportunity to refine our material factors and refreshed our sustainability targets for the forthcoming year and beyond. These refreshed targets reflect our ongoing commitment to focus on the most significant environmental, social and governance impact and opportunities, beyond short term financial gains.

In line with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Council for Board Diversity's target of having females comprise at least 20 per cent of a board, we saw the appointment of Ms. Stefanie Yuen Thio as an Independent Non-Executive Director in 2019, introducing the first female member to our Board. We value the female voice for a more diverse perspective in the Board room, which is especially important for more effective corporate governance and long term business performance in an era of accelerated change and increased complexity.

Diversity is also key to our business strategy and talent management. Our increasingly diversified portfolio keeps us competitive and resilient to evolving market cycles as well as tenant and industrial trends. A diverse workforce brings together different perspectives, creativity and talent, enabling problem-solving and innovation.

We remain committed to reducing our environmental footprint through our solar harvesting programme with 9 assets installed with solar panels. 1,421 MWh of solar energy was consumed in 2019. Throughout the year, we have progressively introduced more energy-efficient systems for multi-tenanted buildings such as energy efficient light fittings to common areas, rooftop flood lights and alternate lighting circuits. Our on-site teams also engage tenants regularly to promote good energy saving practices. As a result, energy intensity decreased from 349 kWh/m² in FY2018 to 346 kWh/m² in 2019 demonstrating an overall increase in energy efficiency across the portfolio.

In support of the Singapore government's Zero-Waste Masterplan, the Manager has identified waste as a material issue in FY2019 and has begun tracking the amount of waste produced and recycled in its directly managed properties. This allows the Manager to identify primary generators of waste and subsequently take steps to reduce waste. In 2019, ESR-REIT's properties generated a total of 3,380 tonnes of waste, none of which was hazardous. We have also furthered our efforts to recycle by engaging additional e-waste collection services for properties with high levels of electronic waste.

This sustainability report articulates ESR-REIT's effort and performance in Economic, Environment, Social and Governance aspects in 2019. Delivering long term value to all our key stakeholders will remain a key focus for the REIT and we are committed to building a more resilient and sustainable business for the future.

SUSTAINABILITY TARGETS AND PERFORMANCE

MATERIAL FACTOR	TARGETS FOR 2019 AND GOING FORWARD	2019 PERFORMANCE
Economic Impact	<ul style="list-style-type: none"> Refer to annual report pages 16-19 	<ul style="list-style-type: none"> Refer to annual report pages 16-17
Investment Management – Quality of Assets and Services	<ul style="list-style-type: none"> Invest in properties that will enhance the sub-asset class diversity of ESR-REIT's portfolio Achieve a portfolio occupancy rate that exceeds Jurong Town Corporation's ("JTC") industrial occupancy average 	<ul style="list-style-type: none"> Refer to annual report pages 16-19 and 114 Achieved a portfolio occupancy rate of 90.5%, exceeding JTC's industrial occupancy average of 89.2% for 2019
Tenant Engagement and Satisfaction	<ul style="list-style-type: none"> Maintain tenant satisfaction levels at 65% or more each year with a response rate of over 60% 	<ul style="list-style-type: none"> Achieved tenant satisfaction rate of 74% with a response rate of 63%
Energy and Carbon Footprint	<ul style="list-style-type: none"> Achieve 5% saving in total energy⁽¹⁾ consumption (excluding data centres) for multi-tenanted buildings ("MTB") from 2019 to 2023 Reduce energy⁽¹⁾ intensity (kWh per m²) for MTB (excluding data centres) by 1% per year Achieve Green Mark Certification for all buildings which undergo an AEI from 2019 onwards (where economically feasible and viable) 	<ul style="list-style-type: none"> Grid electricity consumption in 2019 was 43,546 kWh Grid electricity consumption intensity decreased by 0.7% from 2018 to 2019 for all MTBs (excluding data centres)⁽²⁾ Kickstarted AEI at UE BizHub East in 2019. Up to 7 properties are scheduled to undergo major AEI works in the near future
Water	<ul style="list-style-type: none"> Obtain Water Efficiency Building (WEB) certifications for all MTBs by 2023 Achieve new WEB for 10% of the MTBs per year Reduce water intensity for MTBs by 2% per year 	<ul style="list-style-type: none"> 20 out of 28 MTBs were WEB certified in 2019, an increase from 14 in 2018⁽³⁾ 6 MTBs (21.4% of the MTBs) obtained the WEB certifications in 2019 Water intensity was 3.5m³/m² in 2019
Waste	<ul style="list-style-type: none"> Report waste data (total waste produced and recycled) for all MTBs from 2019 onwards 	<ul style="list-style-type: none"> Data on waste managed by ESR REIT at all MTBs is reported on page 120
Environmental Compliance	<ul style="list-style-type: none"> Maintain no incidents of non-compliance with environmental regulations and laws 	<ul style="list-style-type: none"> No incidents of non-compliance
Employee Engagement and Satisfaction	<ul style="list-style-type: none"> Ensure fair employment practices and be a signatory to Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) by 2020 Maintain employee satisfaction levels at 75% or more each year with a response rate of over 65% Maintain an average of 16 training hours per employee per year 	<ul style="list-style-type: none"> Addition of one female director to the Board of Directors Signatory to TAFEP Achieved employee satisfaction level of 90% with response rate of 90% 48.1 training hours per employee in 2019
Health and Safety	<ul style="list-style-type: none"> To achieve Workplace Fatal Injury Rate (WFIR), Accident Frequency Rate (AFR) and Accident Severity Rate (ASR) that are below the real estate industry average Develop campaigns to promote a strong culture on safety for our employees and contractors Conduct health and safety committee meetings quarterly 	<ul style="list-style-type: none"> There were no fatalities and 2 minor incidents in 2019. We are in the process of improving our processes to benchmark our safety performance A safety talk and exhibition is scheduled to take place in 2020 Health and safety committee quarterly meetings began in the second half of 2019
Community	<ul style="list-style-type: none"> Develop strategic community engagement programs based on community needs 	<ul style="list-style-type: none"> Conducted community programs at Viva Business Park and provided bursaries and internships to students (see more on page 127-128)
Governance and Enterprise Risk Management	<ul style="list-style-type: none"> Zero lapses in corporate governance or corruption Provide training to all employees on compliance with relevant governance policies 	<ul style="list-style-type: none"> Zero lapses in corporate governance or corruption Employees have undergone training on compliance with relevant governance policies
Regulatory Compliance	<ul style="list-style-type: none"> Zero material incidents of non-compliance with socio-economic laws and regulations 	<ul style="list-style-type: none"> Zero material incidents of non-compliance with socio-economic laws and regulations

⁽¹⁾ From grid electricity consumption⁽²⁾ In 2019, none of the MTBs were considered as data centres. Properties are classified as data centres when more than 50% of the floor area has data centre operations⁽³⁾ Number of MTBs with WEB certification in 2018 was restated from 15 to 14, due to double counting

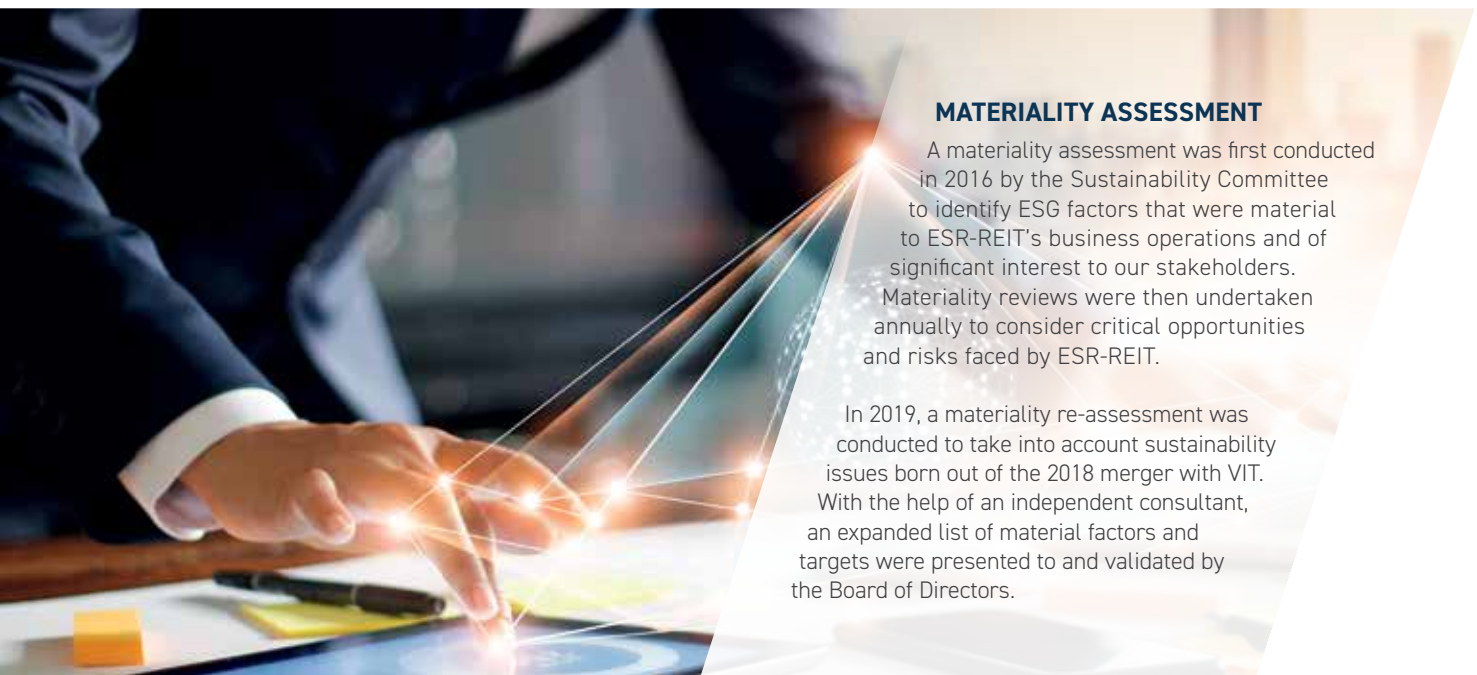
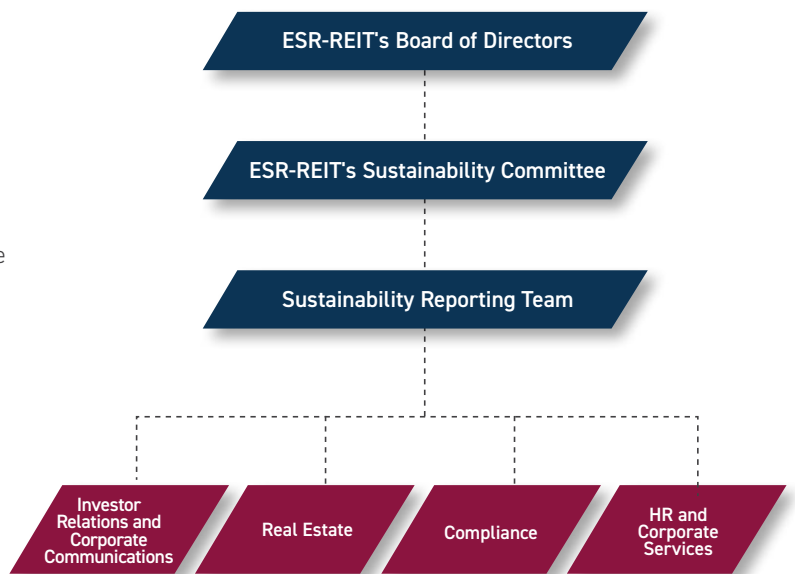
SUSTAINABILITY

HOW WE MANAGE SUSTAINABILITY

GOVERNANCE STRUCTURE

ESR-REIT's Sustainability Committee, established in 2016, is chaired by CEO Mr Adrian Chui who oversees and drives the Manager's sustainability program. Guided by the Board of Directors, the Sustainability Committee has oversight of procedures and activities across the organisation related to sustainability. It also executes and monitors policies with regards to sustainability. The committee, supported by the Sustainability Reporting Team comprising of key members from different business functions, is also responsible for the annual sustainability reporting process.

ESR-REIT considers its sustainability program and performance in the context of its wider business objectives. The Manager benchmarks itself against industry peers in order to identify areas of improvement. The Sustainability Committee reviews, on a regular basis, the Manager's approach to the REIT's operations, investments, projects and sustainability activities to evaluate if current policies and measures are robust and effective.







MATERIALITY ASSESSMENT

A materiality assessment was first conducted in 2016 by the Sustainability Committee to identify ESG factors that were material to ESR-REIT's business operations and of significant interest to our stakeholders.

Materiality reviews were then undertaken annually to consider critical opportunities and risks faced by ESR-REIT.

In 2019, a materiality re-assessment was conducted to take into account sustainability issues born out of the 2018 merger with VIT. With the help of an independent consultant, an expanded list of material factors and targets were presented to and validated by the Board of Directors.

OUR MATERIAL FACTORS

CATEGORY	MATERIAL FACTOR	RELATED GRI TOPICS
 Economic	<ul style="list-style-type: none"> • Economic Impact 	<ul style="list-style-type: none"> • Economic Performance
	<ul style="list-style-type: none"> • Investment Management – Quality of Assets and Services 	<ul style="list-style-type: none"> • Non-GRI Topic
	<ul style="list-style-type: none"> • Tenant Engagement and Satisfaction 	<ul style="list-style-type: none"> • Non-GRI Topic
 Environmental	<ul style="list-style-type: none"> • Energy and Carbon Footprint 	<ul style="list-style-type: none"> • Energy • Emissions
	<ul style="list-style-type: none"> • Water 	<ul style="list-style-type: none"> • Water
	<ul style="list-style-type: none"> • Waste 	<ul style="list-style-type: none"> • Effluents and Waste
	<ul style="list-style-type: none"> • Environmental Compliance 	<ul style="list-style-type: none"> • Environmental Compliance
 Social	<ul style="list-style-type: none"> • Employee Engagement and Satisfaction 	<ul style="list-style-type: none"> • Employment • Training and Education
	<ul style="list-style-type: none"> • Health and Safety 	<ul style="list-style-type: none"> • Occupational Health and Safety
	<ul style="list-style-type: none"> • Community 	<ul style="list-style-type: none"> • Local Communities
 Governance	<ul style="list-style-type: none"> • Governance and Enterprise Risk Management 	<ul style="list-style-type: none"> • General Disclosures • Anti-corruption
	<ul style="list-style-type: none"> • Regulatory Compliance 	<ul style="list-style-type: none"> • Socioeconomic Compliance

SUSTAINABILITY

STAKEHOLDER ENGAGEMENT

As ESR-REIT's operations can significantly affect and be significantly affected by our stakeholders, stakeholder engagement is key in understanding their needs, communicating expectations, and ensuring that we address their concerns. Regular engagement on multiple platforms enables us to involve stakeholders holistically and build positive and lasting relationships with them.

The ESR-REIT Sustainability Committee has identified our key stakeholder groups that are critical to our performance and long-term business strategy.



INVESTMENT COMMUNITY (INSTITUTIONAL AND RETAIL INVESTORS, ANALYSTS AND THE MEDIA)

WHAT IS IMPORTANT TO STAKEHOLDERS

- Long-term, sustainable and recurring distributions
- Total investment returns
- ESR-REIT's strategic outlook and growth prospects
- Timely updates on ESR-REIT's portfolio performance, asset and capital management, asset enhancement initiatives ("AEIs"), acquisitions and divestments as well as major corporate developments

HOW WE ARE ENGAGING WITH STAKEHOLDERS

- A dedicated investor relations team to pro-actively communicate with the investment community, keeping them updated on operational and financial performance, and ESR-REIT's long-term strategy
- Comprehensive investor relations section on the company's website
- Quarterly announcement of financial results
- Half-yearly results briefings for analysts and media
- Regular financial and non-financial performance updates
- Annual General Meetings and Extraordinary General Meetings
- Investor conferences, face-to-face meetings and Non-Deal Roadshows



BOARD OF DIRECTORS

WHAT IS IMPORTANT TO STAKEHOLDERS

- ESR-REIT's overall corporate governance and sustainability framework and initiatives
- Setting of ESR-REIT's strategic objectives, broad policies, procedures and targets
- Ensuring regulatory compliance
- Ensuring that the organisation meets the needs and expectations of stakeholders

HOW WE ARE ENGAGING WITH STAKEHOLDERS

- Regular face-to-face meetings, online communication and calls
- Timely and regular updates from key management on business activities
- Orientation and training programmes for new and existing Directors
- Annual Board evaluation

GOVERNMENT AGENCIES AND INDUSTRY ORGANISATIONS

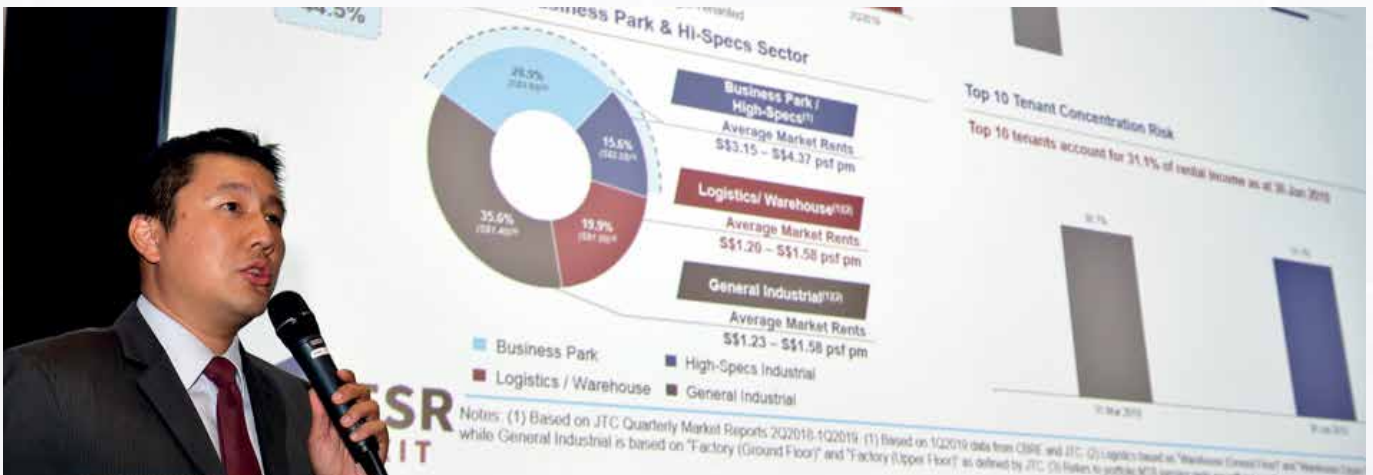
WHAT IS IMPORTANT TO STAKEHOLDERS

- Compliance with applicable laws and regulations
- ESR-REIT's economic, environmental, social and governance impact on the communities the REIT operates in

HOW WE ARE ENGAGING WITH STAKEHOLDERS

- Periodic participation in industry forums and dialogues
- Membership in industry associations such as the REIT Association of Singapore ("REITAS"), etc





EXISTING AND POTENTIAL TENANTS

WHAT IS IMPORTANT TO STAKEHOLDERS

- Competitive rental rates and locations
- Conducive and secure working environment with adequate facilities
- On-site security practices and management

HOW WE ARE ENGAGING WITH STAKEHOLDERS

- Open communication
- Frequent site visits and face-to-face discussions
- Social and networking events
- Tenant satisfaction survey
- Support for key tenants' corporate milestone events
- Responsiveness towards tenants' feedback



LOCAL COMMUNITIES

WHAT IS IMPORTANT TO STAKEHOLDERS

- Responsible operations
- Support in community development and activities
- Creation of employment opportunities
- Compassion and care for the underprivileged in society

HOW WE ARE ENGAGING WITH STAKEHOLDERS

- Partnerships and sponsorships for events and programmes
- Giving back to the community through donations and participation in meaningful community outreach activities
- Supporting tenants' CSR programmes where possible



MANAGEMENT TEAM AND EMPLOYEES

WHAT IS IMPORTANT TO STAKEHOLDERS

- Empowerment and active engagement
- Competitive remuneration and benefits
- Job security, stability and pathways for career progression
- Health, workplace safety and work-life balance
- Equality and diversity at the workplace

HOW WE ARE ENGAGING WITH STAKEHOLDERS

- Orientation and training programmes for new employees
- Annual performance review
- Training and development programmes
- Weekly/bi-weekly department meetings
- Weekly Heads of Departments' meetings
- Team bonding activities, staff loyalty recognition programmes and health initiatives
- Annual satisfaction survey for employees



SUSTAINABILITY

Someone is sitting in the shade today because
someone planted a tree a long time ago.

- Warren Buffet

ECONOMIC



- Invest in properties that will enhance the sub-asset class diversity of ESR-REIT's portfolio
- Achieve a portfolio occupancy rate that exceeds Jurong Town Corporation's ("JTC") Industrial occupancy average

INVESTMENT MANAGEMENT - QUALITY ASSETS AND SERVICES

The Manager is committed to responsible investment management practices in order to maximise and deliver economic value to its Unitholders in the long-term. We continue to invest in good quality, yield-accretive assets in order to build a portfolio that generates higher returns, reduces risk and creates a more stable flow of income for the REIT and recurring distributions for Unitholders. At the same time, we seek opportunities to invest in assets that will diversify the REIT's portfolio while simultaneously improving existing properties through active asset management and AELs. This strategy is driven through three strategic objectives (see 16-19 of this report for further detail):

1. Active acquisition and development growth
2. Achieving organic growth
3. Exercising prudent capital management

We have in place investment and divestment policies to maintain the quality and diversity of ESR-REIT's portfolio.

We use environmental certifications as an indicator of building quality, as it strongly correlates to positive returns on investment and high levels of tenant satisfaction. The Manager is committed to achieving green building certifications – such as the Singapore BCA Green Mark or Leadership in Energy and Environmental Design ("LEED") – for both new developments and existing properties.

In addition to ongoing maintenance, AELs are carried out regularly to improve the overall quality of assets. This includes the enhancement of building façades, modernisation works, landscaping projects and upgrading of mechanical & electrical equipments. Up to 7 assets have been identified for possible future AELs in order to maximise unutilised plot ratios and/or rejuvenate the property to high-specification.

TENANT ENGAGEMENT AND SATISFACTION

Understanding and responding to tenants' needs is a core part of our success. Developing good relationships with tenants enables the Manager to better anticipate, understand and respond to changing tenant requirements, thus strengthening tenant attraction and retention.

This is achieved through regular communication, timely resolution of issues and progressive upgrading of facilities. This can include, for example, periodic site visits, email correspondence, annual tenant engagement events and tenant satisfaction surveys.



ESR-REIT Annual Tenant Engagement Event: Durian Party



- Maintain tenant satisfaction levels at 65% or more each year with a response rate of over 60%

We continuously seek to improve our engagement with tenants in order to serve them better. We added a new engagement platform in the form of a 24/7 call centre in 2019, enabling tenants to provide feedback or raise issues with greater ease and in a timely manner. Upon resolution of the issue, a notification will be sent out to the tenant, ensuring greater customer satisfaction as tenants recognize that they are being heard and that their feedback and complaints are acknowledged, investigated and resolved.

The call centre is managed by an external vendor and provides monthly reports for management review. With the introduction of this call centre, there is a more efficient and systematic process for the lodging of defect reports and case progress monitoring. Systemic issues are easily identified and preventative measures can be implemented.

We also completed rolling out 'on-site' clusters in the first quarter of 2019, with property management teams stationed at site management offices across the island. This has helped our property management teams to remain closer to tenants for more effective property management and faster response time. There has also been cost savings resulting from utilising our in-house property management team instead of out-sourcing these service to third party vendors.

Tenant occupancy and retention rates are tracked on an annual basis. These rates are benchmarked against industry peers in order to identify areas for improvement.

Our call centre and 'on-site' cluster initiatives rolled out last year bore fruit as we saw increased accountability and engagement with tenants. We achieved an overall tenant satisfaction rate of 74% with a response rate of 63% in our annual Tenant Satisfaction Survey in 2019. The Manager aims to achieve a higher tenant satisfaction score and response rate in FY 2020.

	2017	2018	2019
Tenant Satisfaction Rating	72%	69%	74%

SUSTAINABILITY

Surely, we have a responsibility to leave
for future generations a planet
that is healthy and habitable by all species.

- Sir David Attenborough

ENVIRONMENTAL

The Manager recognises ESR-REIT's responsibilities in preserving the planet as environmental and climate issues continue to be a growing concern. ESR-REIT aims to reduce its environmental footprint by efficiently managing resources with significant environmental impacts, such as energy and water. The Manager strives to implement cost-effective measures to prevent negative environmental impacts caused by its properties' operations, while adopting a precautionary approach to environmental challenges.

The implementation of sound environmental practices can add value to stakeholders in the form of environmental, business and operational benefits. For example, the

replacement of traditional incandescent lights with LED lights at a property ensures better energy efficiency while improving tenant comfort and satisfaction. The Manager will continue to identify and implement other cost-effective environmental improvements across all of its properties (where commercially feasible).

Performance data reported in this section was limited to the common areas of occupied properties within the operational control of ESR Property Management (S) Pte Ltd. In addition to energy and greenhouse gas emission performance reported in 2019, we are stepping up in our environmental conservation efforts to also monitor water and waste performance for 2019.

REDUCING OUR ENERGY CONSUMPTION AND CARBON EMISSIONS



- Achieve 5% savings in energy consumption (excluding data centres) of multi-tenanted buildings ("MTB") from 2019 to 2023.
- Reduce energy intensity (kWh per m²) for MTB (excluding data centres) by 1% per year.
- Achieve Green Mark Certification for all buildings which undergo an Asset Enhancement Initiative (AEI) from 2019 onwards (where economically feasible and viable).

The Manager seeks to contribute to Singapore's greenhouse gas emissions reduction commitments by improving the energy performance and efficiency of the REIT's properties. The Manager aims to reduce energy intensity by 1% per year and reduce energy consumption by 5% from 2019 to 2023 for MTB (excluding data centres).

Energy consumption is monitored on a monthly basis to ensure operations at our managed properties are functioning efficiently and to identify opportunities for improvement. Various environmental practices and energy efficiency initiatives have been implemented at our properties over the years. In 2019, these included:

- > Replacing fluorescent or sodium vapour light bulbs with more energy-efficient LED bulbs in 13 buildings
- > Implementing an alternative lighting circuit in one building for areas with lower human traffic
- > Installing motion sensors in 6 multi-tenanted buildings to automatically regulate lighting
- > Awareness programmes for tenants including giving advice on energy-saving practices, such as switching off lights and lifts at night

In addition to energy efficiency initiatives, the Manager has an ongoing Asset Enhancement Initiative ("AEI") strategy in place to revitalise older buildings within the portfolio while at the same time improving energy efficiency and water efficiency. AEI at UE BizHub East commenced in 2019 and up to 7 properties have been identified for AEI. The Manager aims to attain BCA Green Mark Certification for all its buildings that undergo AEIs where feasible.



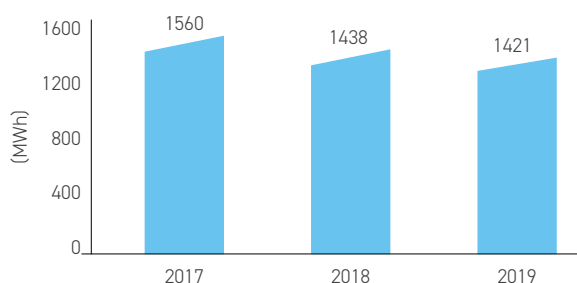
There are currently six Green Mark certified properties in ESR-REIT's portfolio.

CERTIFICATIONS	PROPERTY	YEAR OF AWARD
BCA Green Mark 'Gold Plus' Certification	UE BizHub East (Commercial)	2017
BCA Green Mark 'Certified' Certification	30 Toh Guan Road	2017
BCA Green Mark 'Certified' Certification	86 International Road	2016
BCA Green Mark 'Certified' Certification	21B Senoko Loop	2015
BCA Green Mark 'Certified' Certification	88 International Road	2014
BCA Green Mark 'Gold' Certification	3 Pioneer Sector 3	2015

OUR SOLAR HARVESTING PROGRAMME

ESR-REIT's solar energy harvesting programme has been ongoing since 2013. 9 out of 57 properties have solar panels installed on their rooftops. In 2019, 1,421MWh of solar energy was consumed by 5 ESR-REIT properties. This was a reduction from 6 assets in 2018 due to the divestment of 9 Bukit Batok Street 22 which had solar panels installed. Solar energy harvesting in the 4 remaining properties is managed directly by our tenants or supplied to other buildings outside of our organisation.

Total Solar Energy Consumption



The building sector is the third largest contributor to Singapore's greenhouse gas (GHG) emissions. As part of national commitments to the 2016 Paris Agreement, the Singapore government is taking steps to reduce the nation's GHG emissions intensity by **36%** from 2005 levels by 2030.



UE BizHub EAST

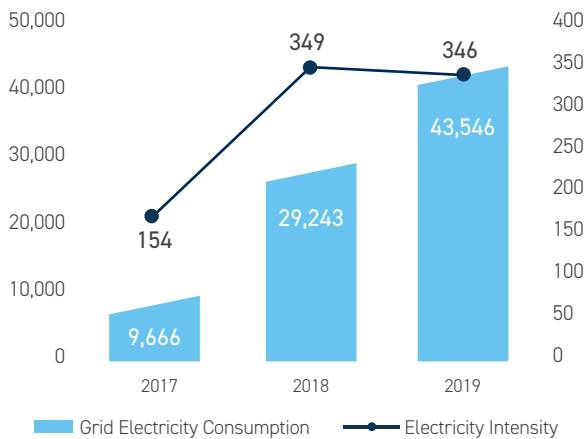
SUSTAINABILITY

A GLANCE AT OUR ELECTRICITY CONSUMPTION AND CARBON EMISSIONS

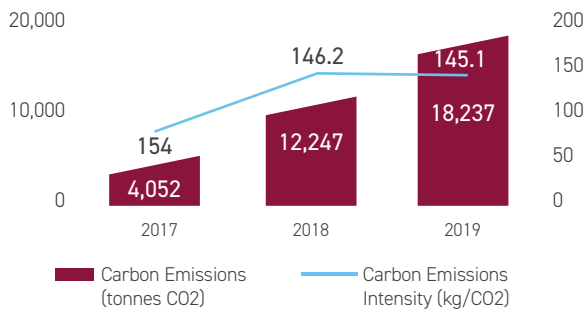
	2017	2018	2019
Number of buildings ⁽¹⁾ with Grid Electricity Consumption	18	17	22
Grid Electricity Consumption	9,666,436 kWh	29,242,686 kWh	43,546,288 kWh
Electricity Consumption Intensity	154 kWh/m ²	349 kWh/m ²	346 kWh/m ²
CO ₂ Emissions Released	4,052,170 kg CO ₂	12,246,836 kg CO ₂ ⁽²⁾	18,237,185 kg CO ₂ ⁽³⁾
CO ₂ Emissions Intensity	64.5 kg CO ₂ /m ²	146.2 kg CO ₂ /m ² ⁽²⁾	145.1 kg CO ₂ /m ² ⁽³⁾

⁽¹⁾ Refers to multi-tenanted buildings directly managed by the Property Manager
⁽²⁾ Carbon dioxide emissions and intensity for 2018 are restated due to change in emissions factor from 0.4192 kg CO₂/kWh to 0.4188 kg CO₂/kWh.
⁽³⁾ Carbon dioxide emissions for 2019 are calculated based on Singapore Energy Market Authority's Average Operating Margin (OM) Grid Emission Factor (GEF) for 2018

Grid Electricity Consumption and Intensity



Indirect Carbon Emissions (Scope 2) and Intensity



UE BizHub East

Total grid electricity consumption in 2019 was 43,546MWh, a 48.9% increase from 2018 levels. The increase in absolute consumption was due to the inclusion of data from 8 new MTBs, of which 3 were VIT properties acquired as part of the merger. Energy consumption at the 3 VIT properties accounted for approximately 38% of total electricity consumption for the year. Despite the increase in absolute consumption, electricity consumption intensity decreased by 0.7% from 349kWh/m² in 2018 to 346 kWh/m² in 2019, showing that there was an overall increase in energy efficiency across the properties.



30 Marsiling Industrial Estate Road 8



REDUCING OUR WATER CONSUMPTION


With the world’s demand for water likely to increase in the next few decades, Singapore could experience significant water stress by 2040. The Manager recognises that sustainable water consumption is a key impact area and a priority for industrial buildings, which are large water users. Similar to energy use, buildings stand to reap large operational savings from using water more efficiently.

A GLANCE AT OUR WATER CONSUMPTION

Water Consumption
461,825m³

Water Intensity
3.5m³/m²

The Manager has launched a project to explore the feasibility of harvesting rainwater for irrigation, given the high rate of rainfall in Singapore.



TARGETS

- Obtain Water Efficiency Building (WEB) certifications for **all MTBs by 2023**
- Achieve new WEB for **10%** of the MTBs per year
- Reduce water intensity for MTBs by **2%** per year

6
MTBs obtained WEB (Basic) certifications in 2019

20 out of **28**
MTBs in total obtained WEB (Basic) certifications as of 2019

In 2019, 20 out of 28 MTBs were WEB certified, an increase from 14 in 2018*. We have thus achieved our target of certifying more than 10% of the MTBs per year.

* Number of MTBs with WEB certification was restated from 15 to 14, due to double counting

SUSTAINABILITY

REDUCING OUR WASTE

Over the last 40 years, the amount of waste generated by Singapore has increased sevenfold with the Semakau Landfill predicted to be filled by 2040 – 10 years ahead of initial prediction. Industrial developments are large contributors of waste. The Manager has adopted waste as a material issue in 2019, in recognition of the growing importance of waste and its impact on the environment.



- Report waste data (total waste produced and recycled) for **all MTBs** from 2019 onwards

A GLANCE AT OUR WASTE RECYCLING AND DISPOSAL

15.5%
Water recycled

67%
MTBs have general recycling bins
(19 out of 28)

84.5%
of waste was sent to
waste-to-energy facilities

In support of the Singapore government's Zero-Waste Masterplan, the Manager has begun tracking the amount of waste produced and recycled in its MTBs. Tracking and reporting waste, and capturing recycling data will enable the Manager to identify the primary generators of waste and subsequently take steps to reduce waste. In 2019, MTBs directly managed by ESR-REIT generated a total of 3,380 tonnes of waste, none of which was hazardous.

The Manager has also advanced its efforts to recycle in 2019 with the engagement of additional e-waste collection service. E-waste bins were set up at 7000 Ang Mo Kio Avenue 5 to encourage greater recycling behaviour among tenants. E-waste bins are also available at Viva Business Park and UE BizHub EAST, and are managed by Starhub as part of Starhub's e-waste recycling programme.

UPHOLDING ENVIRONMENTAL COMPLIANCE



- Maintain **0** incidents of non-compliance with environmental regulations and laws

0

reported cases of non-compliance with any environmental laws and regulations at the properties which the Property Manager manages directly

Human resources are the most valuable assets the world has. They are all needed desperately.

- Eleanor Roosevelt

SOCIAL



Employees are the Manager's biggest asset and key to the long-term success of the business. ESR-REIT's success is dependent upon the quality, integrity and talent of its employees. As such, the Manager is committed to the development and nurturing of

its employees across all sectors of the business. The Manager regularly monitors its workforce data, including staff turnover, absentee rate, overtime and training hours to ensure care and effective management of its most valuable resource, its people.

SUSTAINABILITY

OUR PEOPLE

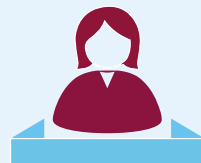
100%

Singapore Citizens & Permanent Residents



32%

MALE



68%

FEMALE



84

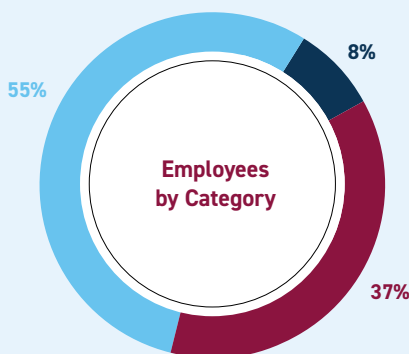
Total number of employees

82

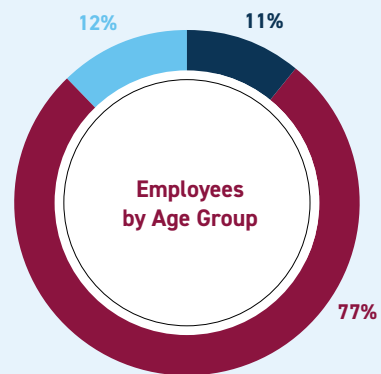
Permanent

2

Temporary



■ Senior Management ■ Middle Management ■ Executive



■ Ages <30 ■ Ages 30-50 ■ Ages >50

TRAINING AND EDUCATION



- Maintain an average of **16 training hours** per employee per year

DIVERSITY AND EQUAL OPPORTUNITY



- Ensure fair employment practices and be a signatory to Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) by 2020

The Manager firmly believes that continuous learning, training and development is vital in equipping our people with skills for the future whilst simultaneously enhancing employee engagement and performance. As such, the Manager seeks to develop a culture of holistic learning to enhance our employees' skillset.

Every employee is required to clock a minimum of 16 training hours per year. This can include participation in relevant workshops, seminars and courses to improve their technical knowledge as well as soft skills. For example, all property & project managers are required to attend the Company Emergency Response Team (CERT) training course to arm themselves with the skills to be in-house first responders, to better manage and prevent building emergencies from escalating. Employees are also encouraged to seek opportunities for professional as well as personal growth in addition to the courses recommended by the Human Resource department.

Other internal training courses for 2019 included customer service excellence course, YARDI software training (property and asset management software), and electrical works training.

The Manager also provides yearly "bite-size" training designed to keep employees up to date on the company's policies and regulations.

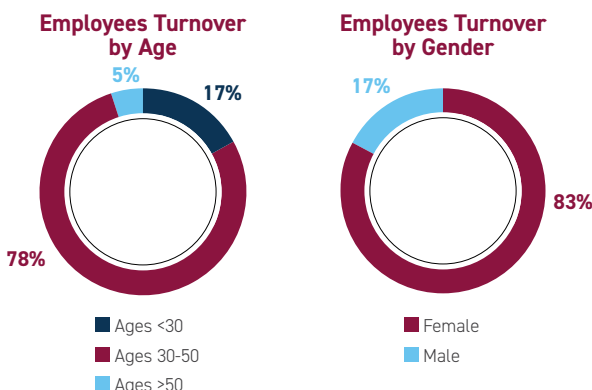
The Manager recognises that fair employment practices are essential to maintain and increase employee satisfaction. Providing equal opportunity to all employees builds an inclusive workforce and promotes diversity, which are key drivers of performance and innovation.

As such, the Manager is committed to building a workforce that values equal opportunity for all. All decisions relating to recruitment and promotion are based on merit. A "promotion from within" culture is adopted when hiring and filling positions. The Management is encouraged to look internally to fill newly available positions before hiring externally. These commitments are incorporated into the Manager's Human Resource Management ("HRM") policy and practices and are aligned with the key principles defined by the Tripartite Guidelines on Fair Employment Practices ("TGFE") and the Ministry of Manpower's Fair Consideration Framework. The Manager is a signatory to the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP).

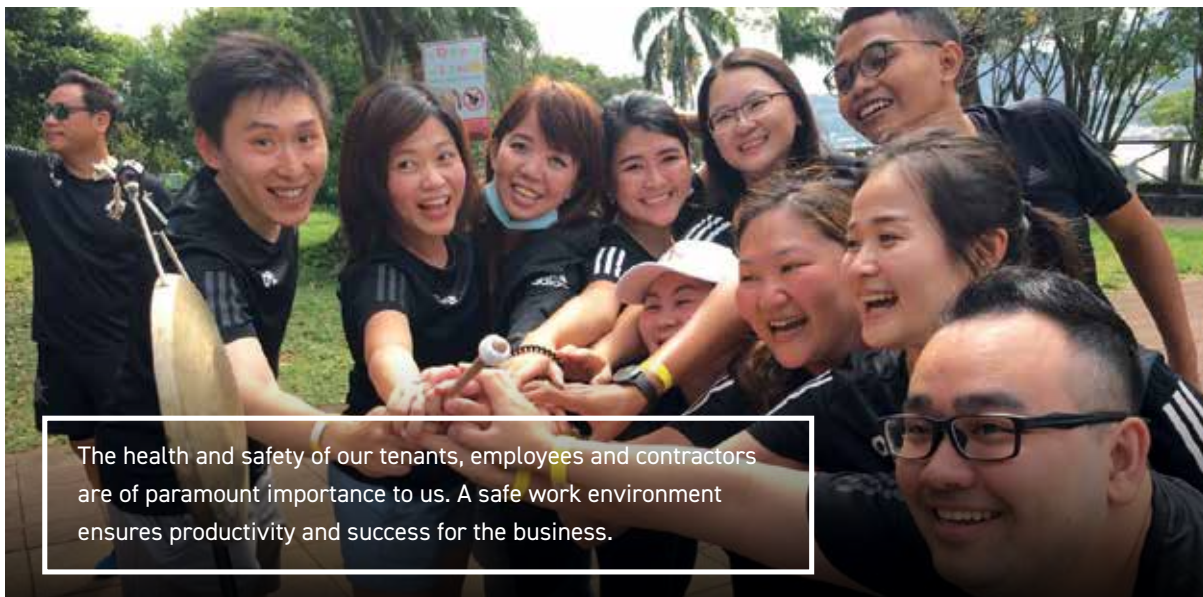
In 2019, there were 35 new hires, of which 71% were male and 29% were female. 14% were less than 30 years old, 83% were between 30 to 50 years old and 3% were more than 50 years old. There was an addition of one female director to the Board, introducing female representation in the ESR-REIT boardroom. The Manager continues to strive for diversity across its Board and employees.

48.1
Average hours of training per employee in 2019

Average hours of training per employee was 48.1 in 2019, an increase from 18.1 in 2018. The Manager recognises the need to keep employees abreast in their technical knowledge and skills in light of the increasingly complex environment that it operates in.



SUSTAINABILITY



HEALTH AND SAFETY

A robust Workplace Safety and Health (WSH) system was developed during the year to manage workers' health and safety. Work-related hazards are actively identified and diagnosed during routine inspections and day-to-day operations of contractors and tenants. Any occurrence of onsite work-related incidents are required to be reported to MOM. Investigations of work-related incidents are a formalised process; usually investigated by the property or project manager in-charge, who works with the vendor in-charge to put in place prevention measures. Our contractors are expected to adhere to the Manager's OHSAS18001 standard, which minimizes work-related hazards and risks at project sites and properties. We are on track to transition to the new occupational health and safety management systems standard, ISO 45001:2018, by the first quarter of 2020.

At ESR-REIT's headquarters, all employees are trained in workplace safety during new hire training, such as fire evacuation plans, appointed first aiders and location of the company's safety kit.

The property management team undergoes compulsory training to ensure best safety practices and knowledge of its properties such as Occupational First Aid, Implementation of Incident Management Processes (IIMP) training and Responding to Fire Incidents at the Workplace training (RFIW).

To formalise the Manager's WSH strategy, a WSH committee was created, comprising of senior management and executives representing various departments. Monthly meetings are held to review and improve on the WSH practices. A Safety Consultant has been appointed to be an advisor to the committee, and monthly inspections are planned.

Starting in the fourth quarter of 2019, the Manager appointed an external auditor to audit all buildings for workplace, fire and building safety. By the end of 2019, 12 audits had been conducted across 21% of our buildings. The WSH committee intends to initiate safety trainings for tenants to promote a strong safety culture. A safety talk and exhibition is scheduled to take place in 2020.



- To achieve Workplace Fatal Injury Rate (WFIR), Accident Frequency Rate (AFR) and Accident Severity Rate (ASR) that are below the real estate industry average
- Develop campaigns to promote a strong culture on safety for our employees and contractors
- Conduct health and safety committee meetings quarterly

There were zero fatalities and two minor incidents in 2019. The incidents involved a sub-contractor falling from a ladder and a staff sustaining a head abrasions after walking into a cabinet. To prevent recurrence of such incidents, tighter risk assessments and controls for work done at height were implemented, and a signage was installed to alert people where there is low headroom. The Manager seeks to achieve Workplace Fatal Injury Rate (WFIR), Accident Frequency Rate (AFR) and Accident Severity Rate (ASR), below the real estate industry average. We are working towards collecting relevant data to benchmark our safety performance.

0 work-related fatalities

2 minor incidents in 2019

Beyond ensuring safety, the Manager also provides the following health benefits to all employees to promote health and well-being:

- > Employee Insurance Cover: Term Life, Personal Accident and Permanent Disability, Hospital and Surgical, Outpatient Specialist and Travel
- > Flexi-benefits scheme allowing reimbursements for approved expenditures
- > Comprehensive leave entitlements, including birthday leave and study leave
- > Flexible work arrangements

Staff are also encouraged to engage in regular company-organised exercise activities such as bowling and yoga. To further promote a healthy lifestyle, the Manager co-funds employee membership to a local health and wellness facility. This year, the Manager partnered with a medical provider to provide complementary annual health screening for all employees, including temporary and contract staff.



- Maintain employee satisfaction levels at 75% or more each year with a response rate of over 65%

EMPLOYEE ENGAGEMENT AND SATISFACTION

Employee engagement and satisfaction are key to ensuring a motivated and successful workforce, as well as contribute to the retention of talent and long-term continuity of the business.

The Manager ensures regular staff communication to engage employees on a wide range of matters and to maintain a healthy corporate culture and sense of belonging. For example, during a recent rebranding exercise, employees were invited to pick a new tagline for the company. To encourage greater interaction amongst staff from different business units, the Manager holds the popular quarterly 'Chill Fridays', where employees from different site offices come together at ESR-REIT's headquarters to bond over food and drinks. ESR-REIT's newsletter, "Chatter" outlines recent company developments, CSR activities and features employees in social settings and teambuilding events.

Beyond the annual Chinese New Year and Christmas celebrations, the Manager organised its annual corporate team building trip in Taiwan this year where employees engaged in team building activities such as food hunting. Employees were also updated on company developments at a corporate dinner which ended with a Q&A session with our CEO. Back in Singapore, our employees came together towards the end of 2019 to design 200 ESR-REIT 'Harmony' tiles for the Chingay 2020 Harmony Float. The team worked together in cohesion to produce artwork portraying ESR-REIT's community spirit.

Long Service Awards and annual ESR-REIT Core Value Awards are given to employees to recognize their positive contributions and inspire continued good work ethics. To assess employee satisfaction levels, the Manager issues an annual employee satisfaction survey, which gathers satisfaction levels for the following areas:

1. Commitment of Team Members
2. Strength of the Line Managers
3. Team Spirit and Collaboration
4. Strategy and Leadership

In 2019, we achieved a 90% employee satisfaction score, with a 90% response rate.



SUSTAINABILITY

2019 EMPLOYEE TRAINING & ENGAGEMENT HIGHLIGHTS



Customer Service Training



Electrical Works Training



YARDI Training



'Chill Fridays'



Staff Bowling Sessions



Corporate Team Building in Taiwan



Chinese New Year Celebration

OUR COMMUNITY

INVESTING IN TOMORROW'S LEADER


Today's youth are the cornerstone of tomorrow's society. The Manager makes financial contributions to help members of the community continue with their education and provides an opportunity to gain real workplace experiences through internships.



Gerlyn Teo, recipient of the ESR-REIT Bursary and intern, shared some of her experiences at ESR-REIT



Some of my responsibilities include administrative tasks such as reporting and documentation. I was also given the opportunity to work on the rainwater harvesting project which gave me the chance to liaise with various property managers and learn about their work. The workload was not easy to manage initially. However, with the guidance from my mentors, I learnt to prioritise and complete them on time.

I enjoy working at ESR-REIT as it provides a conducive environment for me to learn and grow in many different aspects. There is a good work-life balance with events such as 'Work Out Thursdays' and company celebrations happening from time-to-time. 

ESR-REIT'S BURSARY PROGRAMME

The programme covers annual tuition fees and book allowance and recipients of the bursary will also be given an internship opportunity with the Manager. We hope that by helping students afford higher education and providing them with real work experiences, we will be able to foster a new generation of industry talent. In FY2019, two students from Ngee Ann Polytechnic were selected to receive the ESR-REIT's bursary.

ESR-REIT'S INTERNSHIP PROGRAMME

In 2019, the Manager offered internships to four National University of Singapore undergraduates for a 10-week placement. The students were assigned to property managers and given a chance to apply what they have learnt in the classroom to real workplace facilities and management scenarios.

SUSTAINABILITY

PROVIDING FOR THE DISADVANTAGED

Indirect cash and in-kind donations are made by the Manager to benefit the wider community. These typically take the form of financial support for a community or charitable event, or providing resources or manpower for a particular cause.



DONATIONS TO PROMOTE INTEGRATION WITHIN THE ELDERLY COMMUNITY

In August 2019, ESR REIT attended the Kembangan Chai Chee National Day Dinner where our CEO, Adrian Chui, presented a cheque of S\$15,000 in support of the Kembangan Chai Chee Senior Activity Centre (KCC SAC)

to Speaker of Parliament Tan Chuan Jin. KCC SAC is located at the void deck of Block 22 Chai Chee Road to promote integration within the elderly community living alone through scheduled programs and social activities.



PROVIDING A CONDUCIVE LEARNING SPACE FOR CHILDREN

ESR-REIT worked with the Kembangan Chai Chee Youth Executive Committee to embark on a project to create a conducive environment for underprivileged youths to study after school. Three units at Viva Business Park were fitted out with carpets and furniture for children aged 9-12 years to have thrice weekly tuition specially designed to help them build confidence and pass their Primary School Leaving Examination.



Photo from The Straits Times

MONTHLY GROCERY DISTRIBUTION TO RESIDENTS IN NEED

The Heartwarmers Project 100=50 initiative is a tie up with Kembangan Chai Chee CC and Sheng Siong supermarket to provide affordable grocery items to the lower middle income residents of Chai Chee. ESR-REIT sponsors 39,000 sqft of space at Viva Business Park for this monthly event. Speaker of Parliament Tan Chuan Jin and Senior Parliamentary Secretary for MHA and MOH Amrin Amin (featured above) visited Viva Business Park to mark the event in March 2019.

If corruption is a disease,
transparency is essential part of its treatment

- Kofi Annan

GOVERNANCE

Having a robust corporate governance framework in place safeguards the REIT’s assets and builds stakeholders’ trust.



- Zero lapses in corporate governance or corruption
- Provide training to all employees on compliance with relevant governance policies
- Zero material incidents of non-compliance with socio-economic laws and regulations

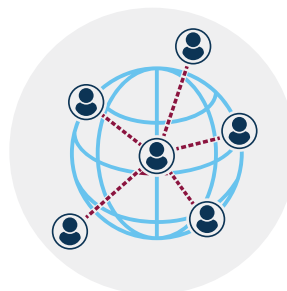
REGULATORY COMPLIANCE, GOVERNANCE, AND ENTERPRISE RISK MANAGEMENT



Strict Policies and Procedures Regulation

The Manager is committed to uphold high standards of corporate governance and adhere to all applicable legislation and regulations such as the Code of Corporate Governance 2018, the Code on Collective Investment Schemes, the Trust Deed, and the listing rules and regulations set out by SGX.

Relevant policies and procedures have been established by the Manager to ensure compliance with applicable legislation and regulations. The Manager also updates these policies and procedures to ensure that they are aligned with the latest regulatory requirements through regular attestations, routine compliance monitoring programmes, reporting of regulatory breaches and internal/external/regulatory inspection findings.



Supply Chain Regulation

Our supply chain includes suppliers of building equipment and services, utility providers as well as facilities management contractors – including cleaning contractors and security. These products and services are sourced locally in Singapore. This year, we ceased partnership with a facility management service provider in order to have more direct management on facilities. Hence, there was an increase in the number of contractors directly managed by the Property Management department.

All suppliers and vendors are required to comply with applicable laws and regulations as well as internally prescribed standards. A due diligence process is conducted on the suppliers and vendors at the point of engagement by the Manager on behalf of the REIT. Routine assessments of these suppliers and vendors on the Approved Contractors and Suppliers List are conducted to ensure compliance with the internally prescribed standards and applicable laws and regulations.

SUSTAINABILITY



Training and Awareness for Employees

The Manager raises awareness of regulatory compliance through regular updates and educating its employees on the policies and procedures. The compliance department periodically conducts a series of bite-sized training sessions, which are open for all employees to attend during working hours. Those who are unable to attend the training in-person can access the training documents online via a shared drive, which is accessible to all employees. The Manager reports quarterly to the ARCC on the bite-sized training sessions conducted for its employees.



Open Communication for Transparency

The ARCC and Board themselves advocate open communication, which sets the tone on transparency across the organisation. The Manager maintains a zero-tolerance approach towards any form of corrupt business practice and is committed to conducting business in an ethical manner. Internal policy on Conflict of Interest, which stipulates the guidelines on treatment and declaration of gifts and entertainment, is given special emphasis and employees are routinely reminded to observe the requirements.



Whistleblowing Policy

A whistle-blowing policy is in place to provide an avenue for employees and external parties to raise any concerns about possible improprieties relating to matters of financial reporting or other issues to the Chairman of ARCC. An independent investigation and appropriate follow-up action will be taken in response to any concerns raised. The reporting channels are handled in strict confidence to ensure that whistle-blowers are protected from reprisals or victimisation.



Enterprise Risk Management

The Manager has put in place a comprehensive risk management system that helps it identify, measure, prioritise and respond to potential risks that that could have a significant impact on the REIT's business. The Manager adopts a four-step risk management process to manage different risks and it includes the following steps:

1. Risk identification and assessment;
2. Risk management application;
3. Risk monitoring; and
4. Reporting



Material incidents of non-compliance with laws and regulations

There were no material incidents of non-compliance with laws and regulations in 2019. We seek to maintain that record.

For more information on our corporate governance practices and risk management activities, please refer to pages 71-97 on Corporate Governance and Risk Management.

GRI CONTENT INDEX

GRI Standards (2016)

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Organisational Profile			
101-2	Name of the organisation	Our Corporate Profile	p.2
102-2	Activities, brands, products, and services	Our Corporate Profile	p.2
102-3	Location of headquarters	Our Corporate Directory	Inside back cover
102-4	Location of operations	Our Corporate Directory	Inside back cover
102-5	Ownership and legal form	Trust Structure	p.60
102-6	Markets served	Corporate Profile; Our sponsor	p.2 p.20
102-7	Scale of the organisation	Our Corporate Profile; Key Highlights; Five-Year Financial Summary; Sustainability Report, Social - Our People	p.2 p.3-4 p.5-6 p.122
102-8	Information on employees and other workers	Sustainability Report, Social - Our People Data has been compiled manually.	p.122
102-9	Supply chain	Sustainability Report, How we manage sustainability	p.110
102-10	Significant changes to organisation and its supply chain	Our milestones; Letter to Unitholders; Financial Review	p.8-9 p.10-13 p.29-31
102-11	Precautionary principle or approach	Sustainability Report, Environmental	p.116
102-12	External initiatives	Sustainability Report, Social - Diversity and Equal Opportunities	p.123
102-13	Memberships in associations (such as industry associations)	Sustainability Report, Stakeholder Engagement	p.112-113
Strategy			
102-14	Statement from senior decision-maker	Letter to Unitholders	p.10-13
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Our Long-Term Strategy; Sustainability Report, Social	p.18-19 p.121
Governance			
102-18	Governance structure	Organisation Structure; Sustainability Report, How we manage sustainability	p.61 p.110

GRI CONTENT INDEX

GRI Standards (2016)

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Stakeholder Engagement			
102-40	List of stakeholder groups	Sustainability Report, Stakeholder Engagement	p.112-113
102-41	Collective bargaining agreements	All employees within the scope of this report are not covered by collective bargaining agreements, as they are considered to be professionals	
102-42	Identifying and selecting stakeholders	Sustainability Report, Stakeholder Engagement	p.112-113
102-43	Approach to stakeholder engagement	Sustainability Report, Stakeholder Engagement	p.112-113
102-44	Key topics and concerns raised	Sustainability Report, Stakeholder Engagement	p.112-113
Reporting Practice			
102-45	Entities included in the consolidated financial statements	Sustainability Report, About ESR-REIT Sustainability Report 2019 Financial Statements	p.105 p.148-160
102-46	Definition of report content and topic boundaries	Sustainability Report, Materiality Assessment	p.110
102-47	List of material topics	Sustainability Report, Materiality Assessment	p.110
102-48	Restatements of information	Sustainability Report, Environmental – A Glance at our Energy Consumption	p.118
102-49	Changes in reporting	Sustainability Report, Materiality Assessment	p.110
102-50	Reporting period	Sustainability Report, About ESR-REIT Sustainability Report 2019	p.105
102-51	Date of most recent previous report	Sustainability Report 2019 was published on 8 April 2019	
102-52	Reporting cycle	Sustainability Report, About ESR-REIT Sustainability Report 2019	p.105
102-53	Contact point for questions regarding the report	Sustainability Report, About ESR-REIT Sustainability Report 2019	p.105
102-54	Claims of reporting in accordance with GRI Standards	Sustainability Report, About ESR-REIT Sustainability Report 2019	p.105
102-55	GRI content index	GRI Content Index	p.131-136
102-56	External assurance	Sustainability Report, About ESR-REIT Sustainability Report 2019	p.105
MATERIAL TOPICS			
Economic Performance			
201-1	Direct economic value generated and distributed	Financial Statements Our Community	p. 144, 165-166 p. 127-128
103-1	Explanation of the material topic and its boundary	Our Corporate Profile	p.2
103-2	The management approach and its components	Our Long-term Strategy; Sustainability Report, Statement from our Board, How we manage sustainability	p.18-19 p.108 p.110
103-3	Evaluation of the management approach	Letter to Unitholders; Sustainability Report, How we manage sustainability	p.10-13 p.110

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Anti-Corruption			
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report, Governance – Regulatory Compliance, Governance, and Enterprise Risk Management	p.130
103-1	Explanation of the material topic and its boundary	Sustainability Report, Governance – Regulatory Compliance, Governance, and Enterprise Risk Management	p.129-130
103-2	The management approach and its components	Sustainability Report, Governance – Regulatory Compliance, Governance, and Enterprise Risk Management	p.129-130
103-3	Evaluation of the management approach	Sustainability Report, Governance – Regulatory Compliance, Governance, and Enterprise Risk Management	p.129-130
Energy			
302-1	Energy consumption within the organisation	Sustainability Report, Environmental – A Glance at our Energy Consumption and Carbon Emissions	p.118
302-3	Energy intensity	Sustainability Report, Environmental – A Glance at our Energy Consumption and Carbon Emissions	p.118
103-1	Explanation of the material topic and its boundary	Sustainability Report, Environmental; Reducing our Energy Consumption and Carbon Emissions	p.116 p.116-118
103-2	The management approach and its components	Sustainability Report, How we manage sustainability, Environmental; Reducing our Energy Consumption and Carbon Emissions	p.110 p.116 p.116-118
103-3	Evaluation of the management approach	Sustainability Report, How we manage sustainability, Environmental; Reducing our Energy Consumption and Carbon Emissions	p.110 p.116 p.116-118
Water & Effluents			
303-2	Water Consumption	Sustainability Report, Environmental – A Glance at our Water Consumption	p.119
103-1	Explanation of the material topic and its boundary	Sustainability Report, Environmental Reducing our Water Consumption	p.116 p.119
103-2	The management approach and its components	Sustainability Report, How we manage sustainability, Environmental; Reducing our Water Consumption	p.110 p.116 p.119
103-3	Evaluation of the management approach	Sustainability Report, How we manage sustainability, Environmental; Reducing our Water Consumption	p.110 p.116 p.119

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GRI Standards (2016)

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Emissions			
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report, Environmental – A Glance at our Energy Consumption and Carbon Emissions	p.118
305-4	GHG emissions intensity	Sustainability Report, Environmental - A Glance at our Energy Consumption and Carbon Emissions	p.118
103-1	Explanation of the material topic and its boundary	Sustainability Report, Environmental; Reducing our Energy Consumption and Carbon Emissions	p.116 p.118
103-2	The management approach and its components	Sustainability Report, How we manage sustainability, Environmental; Reducing our Energy Consumption and Carbon Emissions	p.110 p.116 p.116-118
103-3	Evaluation of the management approach	Sustainability Report, How we manage sustainability, Environmental; Reducing our Energy Consumption and Carbon Emissions	p.110 p.116 p.116-118
Effluents and Waste			
306-2	Waste by type and disposal method	Sustainability Report, Environmental – A Glance at our Waste Consumption	p.120
103-1	Explanation of the material topic and its boundary	Sustainability Report, Environmental; Reducing our Waste	p.116 p.120
103-2	The management approach and its components	Sustainability Report, How we manage sustainability, Environmental; Reducing our Waste	p.110 p.116 p.120
103-3	Evaluation of the management approach	Sustainability Report, How we manage sustainability, Environmental; Reducing our Waste	p.110 p.116 p.120
Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	Sustainability Report, Environmental - Environmental Compliance	p.120
103-1	Explanation of the material topic and its boundary	Sustainability Report, Environmental - Environmental Compliance	p.120 p.129-130
103-2	The management approach and its components	Sustainability Report, Environmental - Environmental Compliance	p.120 p.129-130
103-3	Evaluation of the management approach	Sustainability Report, Environmental - Environmental Compliance	p.120 p.129-130
Employment			
401-1	New employee hires and employee turnover	Sustainability Report, Social - Our People	p.123
103-1	Explanation of the material topic and its boundary	Sustainability Report, Social	p.121, 123
103-2	The management approach and its components	Sustainability Report, How we manage sustainability, Social	p.110 p.123 p.123 p.123
103-3	Evaluation of the management approach	Sustainability Report, How we manage sustainability, Social	p.110 p.123 p.123 p.123

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Occupational Health and Safety			
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Sustainability Report, Social – Health and Safety	p.124
103-1	Explanation of the material topic and its boundary	Sustainability Report, Social; Health and Safety	p.121 p.124
103-2	The management approach and its components	Sustainability Report, How we manage sustainability, Social; Health and Safety	p.110 p.1214 p.124
103-3	Evaluation of the management approach	Sustainability Report, How we manage sustainability, Social; Health and Safety	p.110 p.1214 p.124
Training and Education			
404-2	Programmes for upgrading employee skills and transition assistance programmes	Sustainability Report, Social - Training and Education	p.123
103-1	Explanation of the material topic and its boundary	Sustainability Report, Social; Training and Education	p.121 p.123
103-2	The management approach and its components	Sustainability Report, How we manage sustainability, Social; Training and Education	p.110 p.121 p.123
103-3	Evaluation of the management approach	Sustainability Report, How we manage sustainability, Social; Training and Education	p.110 p.1213 p.123
Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report, Governance – Regulatory Compliance, Governance and Enterprise Risk Management	p.130
103-1	Explanation of the material topic and its boundary	Sustainability Report, Stakeholder Engagement, Governance – Regulatory Compliance, Governance and Enterprise Risk Management	p.112-113 p.129-130
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Stakeholder Engagement, Governance – Regulatory Compliance, Governance and Enterprise Risk Management	p.110 p.112-113 p.129-130
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Stakeholder Engagement, Governance – Regulatory Compliance, Governance and Enterprise Risk Management	p.110 p.112-113 p.129-130
Investment Management – Quality of Assets and Services			
N/A	Responsible investing and quality of assets and services	Sustainability Report, Economic - Investment Management - Quality of Assets and Services	p.114
103-1	Explanation of the material topic and its boundary	Sustainability Report, Economic - Investment Management - Quality of Assets and Services	p.114
103-2	The management approach and its components	Sustainability Report, Sustainability Governance, Economic - Investment Management - Quality of Assets and Services	p.110 p.114
103-3	Evaluation of the management approach	Sustainability Report, Sustainability Governance, Economic - Investment Management - Quality of Assets and Services	p.110 p.114

GRI CONTENT INDEX

GRI Standards (2016)

Disclosure Number	Disclosure Title	Section / Notes	Page Number
Tenant Engagement and Satisfaction			
N/A	Tenant engagement and satisfaction	Sustainability Report, Economic - Tenant Engagement and Satisfaction	p.114-115
103-1	Explanation of the material topic and its boundary	Sustainability Report, Economic - Tenant Engagement and Satisfaction	p.114-115
103-2	The management approach and its components	Sustainability Report, How we manage sustainability - Governance structure, Economic - Tenant Engagement and Satisfaction	p.110 p.114-115
103-3	Evaluation of the management approach	Sustainability Report, How we manage sustainability - Governance structure, Economic - Tenant Engagement and Satisfaction	p.110 p.114-115
Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report, Stakeholder Engagement, Social - Our Community Community projects are implemented at head office level.	p.112-113 p.127-128
103-1	Explanation of the material topic and its boundary	Sustainability Report, Stakeholder Engagement, Social - Our Community	p.112-113 p.127-128
103-2	The management approach and its components	Sustainability Report, Stakeholder Engagement, Social - Our Community	p.112-113 p.127-128
103-3	Evaluation of the management approach	Sustainability Report, Stakeholder Engagement, Social - Our Community	p.112-113 p.127-128

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165	Consolidated Statement of Cash Flows
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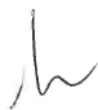


REPORT OF THE TRUSTEE

RBC Investor Services Trust Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of ESR-REIT (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS"), the Trustee shall monitor the activities of ESR Funds Management (S) Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 31 March 2006 (as amended) between the Trustee and the Manager (the "Trust Deed") in each annual accounting year 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 during the year covered by these financial statements, set out on pages 143 to 212 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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



Hoi Sau Kheng
Director



Farrah Begum Binte Abdul Salam
Senior Manager

Singapore
18 March 2020

STATEMENT BY THE MANAGER

In the opinion of the directors of ESR Funds Management (S) Limited, the accompanying financial statements of ESR-REIT (the "Trust") and its subsidiaries (the "Group") set out on pages 143 to 212 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds, Portfolio Statement of the Group and of the Trust, the Consolidated Statement of Cash Flows of the Group and a Summary of Significant Accounting Policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial position and portfolio holdings of the Group and of the Trust as at 31 December 2019, and the financial performance, distributable income, movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

**For and on behalf of the Manager,
ESR Funds Management (S) Limited**



Mr Ooi Eng Peng
Chairman

Singapore
18 March 2020

INDEPENDENT AUDITOR'S REPORT TO UNITHOLDERS OF ESR-REIT

For the financial year ended 31 December 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of ESR-REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position and consolidated investment properties portfolio statement of the Group and the statement of financial position and investment properties portfolio statement of the Trust as at 31 December 2019, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of movements in unitholders' funds of the Trust are properly drawn up in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the consolidated financial position and consolidated portfolio holdings of the Group and the financial position and portfolio holdings of the Trust as at 31 December 2019 and the consolidated financial performance, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the financial performance and movements in unitholders' funds of the Trust for the year then ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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.

INDEPENDENT AUDITOR'S REPORT TO UNITHOLDERS OF ESR-REIT

For the financial year ended 31 December 2019

Key audit matters (cont'd)

Valuation of investment properties

As at 31 December 2019, the carrying value of investment properties amounted to \$3.16 billion. These investment properties are stated at their fair values based on independent external valuations and represent the single largest asset category of the Group.

The valuation of investment properties is considered as a key audit matter because it requires significant judgement in the determination of the appropriate valuation methodology and in deciding on the assumptions and estimates that are to be applied in the valuation. The valuation of the investment properties is highly sensitive to the key assumptions applied and a small change in the key assumptions can have a significant impact on the valuations.

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

We considered the valuation methodologies adopted against those applied by other valuers for similar property types. We tested the key inputs in the projected cash flows and net operating income used in the valuation to supporting key information such as contractual terms of the leases and externally available industry and economic data. We assessed the reasonableness of key assumptions used in the valuations, including market rental growth, price per square metre, terminal yield, capitalisation and discount rates, by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures and, when necessary, held discussions with the valuers to understand the effects of additional factors taken into account in the valuations. We also assessed the overall appropriateness of the movements in fair value of the investment properties.

We reviewed the appropriateness of the disclosures in Notes 4 and 27 of the financial statements.

Other information

ESR Funds Management (S) Limited, the Manager of the Trust (the "Manager") is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 these financial statements in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT TO UNITHOLDERS OF ESR-REIT

For the financial year ended 31 December 2019

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

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

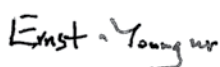
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

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 Lee Wei Hock.



Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
18 March 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group		Trust	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Assets					
Non-current assets					
Investment properties	4	3,162,081	3,016,200	1,573,491	1,452,500
Investments in subsidiaries	5	-	-	844,771	1,173,978
Investment in joint venture	6	39,806	-	43,183	-
Loans to subsidiaries	7	-	-	610,500	612,264
		3,201,887	3,016,200	3,071,945	3,238,742
Current assets					
Investment property held for divestment	4	-	5,700	-	5,700
Trade and other receivables	8	12,103	11,144	20,218	30,535
Cash and cash equivalents		15,662	17,664	8,200	6,560
		27,765	34,508	28,418	42,795
Total assets		3,229,652	3,050,708	3,100,363	3,281,537
Liabilities					
Current liabilities					
Trade and other payables	9	47,806	58,230	25,355	45,856
Lease liabilities for leasehold land	10	2,608	-	2,608	-
Interest-bearing borrowings	11	159,926	281,921	159,926	281,921
Amount due to non-controlling interest	12	61,074	61,074	-	-
		271,414	401,225	187,889	327,777
Non-current liabilities					
Trade and other payables	9	20,000	16,129	10,484	7,860
Amount due to a subsidiary	13	-	-	-	40,247
Lease liabilities for leasehold land	10	225,073	-	167,083	-
Interest-bearing borrowings	11	1,031,198	986,282	1,031,198	986,282
Derivative financial instruments	14	22,276	16,289	22,276	16,289
		1,298,547	1,018,700	1,231,041	1,050,678
Total liabilities		1,569,961	1,419,925	1,418,930	1,378,455
Net assets		1,659,691	1,630,783	1,681,433	1,903,082
Represented by:					
Unitholders' funds		1,508,576	1,479,668	1,530,318	1,751,967
Perpetual securities holders' funds	15	151,115	151,115	151,115	151,115
		1,659,691	1,630,783	1,681,433	1,903,082
Units in issue ('000)	16	3,487,316	3,170,173	3,487,316	3,170,173
Net asset value per Unit (cents)		43.3	46.7	43.9	55.3

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF TOTAL RETURN

For the financial year ended 31 December 2019

	Note	Group	
		2019 \$'000	2018 \$'000
Gross revenue	17	253,044	156,916
Property expenses	18	(65,114)	(44,880)
Net property income		187,930	112,036
Management fees	19	(14,926)	(9,805)
Trust expenses	20	(2,578)	(1,891)
Interest income		15	48
Borrowing costs	21	(51,161)	(27,442)
Finance costs on lease liabilities for leasehold land	10	(10,799)	-
Net income		108,481	72,946
Gain on disposal of investment property		48	128
Change in fair value of financial derivatives		(6,076)	(16,200)
Change in fair value of investment properties	4	(91,611)	(1,954)
Change in fair value of right-of-use of leasehold land	10	2,091	-
Fair value adjustments relating to the Merger		-	(283,219)
Share of results of joint venture	6	(1,519)	-
Impairment loss on investment in joint venture	6	(1,465)	-
Total return/(loss) for the year before income tax		9,949	(228,299)
Income tax expense	22	(26)	(97)
Total return/(loss) for the year after income tax		9,923	(228,396)
Attributable to:			
Unitholders of the Trust and perpetual securities holders		6,080	(232,562)
Non-controlling interest		3,843	4,166
Total return/(loss) for the year		9,923	(228,396)
Earnings per Unit (cents)			
Basic and diluted	23	(0.025)	(12.938)
Distribution per Unit (cents)	23	4.011	3.857

DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2019

	Group	
	2019 \$'000	2018 \$'000
Total return/(loss) after income tax, before distribution for the year	6,080	(232,562)
Add: Distribution adjustments (Note A)	117,286	307,889
	123,366	75,327
Amount reserved for distributions to perpetual securities holders	(6,900)	(6,900)
Net income available for distribution to Unitholders	116,466	68,427
Distribution from other gains (Note B)	16,100	6,039
Total amount available for distribution	132,566	74,466
Less: Distributions (Note C)	(102,793)	(47,764)
Net amount available for distribution to Unitholders as at 31 December	29,773	26,702
Note A - Distribution adjustments		
Non-tax deductible/(chargeable) items and other adjustments:		
Management fees paid/payable in Units	6,491	2,557
Property Manager's fees paid/payable in Units	2,360	-
Trustee's fees	764	469
Amortisation of transaction costs relating to debt facilities	6,048	4,322
Fair value adjustments relating to the Merger	-	283,219
Impairment loss on investment in joint venture	1,465	-
Change in fair value of investment properties	91,611	2,428
Change in fair value of financial derivatives	6,076	16,200
Legal and professional fees	117	256
Adjustment for straight line rent and lease incentives	(1,435)	(1,638)
Share of results of joint venture	1,519	-
Distributable income from joint venture	1,858	-
Gain on disposal of investment property	(48)	(128)
Utilisation of allowance for doubtful debts	-	(1,163)
Tax exempt income	-	519
Miscellaneous expenses	669	848
Rollover adjustment from prior years	(209)	-
Net effect of distribution adjustments	117,286	307,889

DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2019

Note B – Distribution from other gains

Distribution from other gains represented the partial payout of the gains from disposal of investment properties in prior years and ex-gratia payments received from Singapore Land Authority in connection with the compulsory acquisitions of land in prior years.

Note C - Distributions

	Group	
	2019 \$'000	2018 \$'000
Distributions to Unitholders during the financial year comprise:		
Distribution of 1.145 cents per Unit for the period from 1/7/2019 to 13/10/2019	38,739	-
Distribution of 0.059 cents per Unit for the period from 26/6/2019 to 30/6/2019	1,994	-
Distribution of 0.945 cents per Unit for the period from 1/4/2019 to 25/6/2019	30,100	-
Distribution of 1.007 cents per Unit for the period from 1/1/2019 to 31/3/2019	31,960	-
Distribution of 1.169 cents per Unit for the period from 1/7/2018 to 15/10/2018	-	18,497
Distribution of 1.001 cents per Unit for the period from 1/4/2018 to 30/6/2018	-	15,853
Distribution of 0.847 cents per Unit for the period from 1/1/2018 to 31/3/2018	-	13,414
	102,793	47,764
Distribution of 0.841 cents per Unit for the period from 16/10/2018 to 31/12/2018	26,661	-
Distribution of 0.929 cents per Unit for the period from 1/10/2017 to 31/12/2017	-	12,204
	129,454	59,968
Total distributions to Unitholders during the financial year ⁽¹⁾		

Note:

⁽¹⁾ Distributions were partly paid by ESR-REIT issuing an aggregate of 8.9 million Units amounting to \$4.6 million (2018: 7.2 million Units amounting to \$4.0 million), pursuant to the Distribution Reinvestment Plan.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2019

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Unitholders' Funds				
Balance at beginning of the year	1,479,668	778,889	1,751,967	765,063
Operations				
Total return/(loss) for the year after tax attributable to Unitholders and perpetual securities holders	6,080	(232,562)	(244,477)	53,563
Less: Amount reserved for distribution to perpetual securities holders	(6,900)	(6,900)	(6,900)	(6,900)
Net (decrease)/increase in net assets resulting from operations	(820)	(239,462)	(251,377)	46,663
Unitholders' transactions				
Management fees paid in Units	8,380	724	8,380	724
Units issued through Distribution Reinvestment Plan	4,578	4,031	4,578	4,031
Private Placement	100,000	-	100,000	-
Preferential Offering	50,039	141,939	50,039	141,939
Acquisition fees paid in Units pursuant to the Merger	-	11,711	-	11,711
Partial consideration paid in Units pursuant to the Merger	-	843,055	-	843,055
Equity issue costs pursuant to: (Note 24)				
- Distribution Reinvestment Plan	(103)	(74)	(103)	(74)
- Private Placement	(2,156)	-	(2,156)	-
- Preferential Offering	(1,556)	(1,177)	(1,556)	(1,177)
Distributions to Unitholders	(129,454)	(59,968)	(129,454)	(59,968)
Net increase in Unitholders' funds resulting from Unitholders' transactions	29,728	940,241	29,728	940,241
Balance at end of the year	1,508,576	1,479,668	1,530,318	1,751,967
Perpetual Securities Holders' Funds				
Balance at beginning of the year	151,115	151,115	151,115	151,115
Amount reserved for distribution to perpetual securities holders	6,900	6,900	6,900	6,900
Distributions to perpetual securities holders	(6,900)	(6,900)	(6,900)	(6,900)
Balance at end of the year	151,115	151,115	151,115	151,115
Total	1,659,691	1,630,783	1,681,433	1,903,082

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
<u>Properties Held By The Trust</u>				
Logistics/Warehousing Properties ⁽¹⁾				
1 Third Lok Yang Road And 4 Fourth Lok Yang Road	Leasehold	30	12 ⁽⁵⁾	1 Third Lok Yang Road Singapore 627996 and 4 Fourth Lok Yang Road Singapore 629701
25 Changi South Avenue 2	Leasehold	30+30	35 ⁽⁶⁾	25 Changi South Ave 2 Singapore 486594
160 Kallang Way	Leasehold	30+30	13 ⁽⁷⁾	160 Kallang Way Singapore 349246
3C Toh Guan Road East	Leasehold	30+30	31 ⁽⁸⁾	3C Toh Guan Road East Singapore 608832
4/6 Clementi Loop	Leasehold	30+30	34 ⁽⁹⁾	4/6 Clementi Loop Singapore 129810 and 129814
24 Jurong Port Road	Leasehold	30+12	17 ⁽¹⁰⁾	24 Jurong Port Road Singapore 619097
3 Pioneer Sector 3	Leasehold	30+30	31 ⁽¹¹⁾	3 Pioneer Sector 3 Singapore 628342
15 Greenwich Drive	Leasehold	30	22 ⁽¹²⁾	15 Greenwich Drive Singapore 534022
Total Logistics/Warehousing Properties held by the trust				

Occupancy rate		Independent Valuation		Percentage of Net assets attributable to Unitholders	
2019	2018	2019	2018	2019	2018
%	%	\$'000	\$'000	%	%
100	100	10,800	11,400	0.72	0.77
100	100	12,700	12,600	0.84	0.85
100	100	25,000	26,300	1.66	1.78
77	77	30,500	30,500	2.02	2.06
72	67	40,200	44,100	2.66	2.98
81	95	81,000	91,700	5.37	6.20
97	100	95,800	95,800	6.35	6.47
100	100	97,100	98,000	6.44	6.62
		393,100	410,400	26.06	27.73

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
<u>Properties Held By The Trust (cont'd)</u>				
General Industrial Properties ⁽²⁾				
70 Seletar Aerospace View	Leasehold	30	22 ⁽¹³⁾	70 Seletar Aerospace View Singapore 797564
30 Teban Gardens Crescent	Leasehold	10+22	19 ⁽¹⁴⁾	30 Teban Gardens Crescent Singapore 608927
30 Toh Guan Road	Leasehold	30+30	36 ⁽¹⁶⁾	30 Toh Guan Road Singapore 608840
128 Joo Seng Road	Leasehold	30+30	32 ⁽¹⁷⁾	128 Joo Seng Road Singapore 368356
130 Joo Seng Road	Leasehold	30+30	32 ⁽¹⁸⁾	130 Joo Seng Road Singapore 368357
136 Joo Seng Road	Leasehold	30+30	31 ⁽¹⁹⁾	136 Joo Seng Road Singapore 368360
11 Serangoon North Avenue 5	Leasehold	30+30	37 ⁽²⁰⁾	11 Serangoon North Avenue 5 Singapore 554809
79 Tuas South Street 5	Leasehold	30+30	40 ⁽²¹⁾	79 Tuas South Street 5 Singapore 637604
Balance Carried Forward				

Occupancy rate		Independent Valuation		Percentage of Net assets attributable to Unitholders	
2019	2018	2019	2018	2019	2018
%	%	\$'000	\$'000	%	%
100	100	9,200	9,200	0.61	0.62
100	100	32,000	39,300	2.12	2.66
97	85	58,500	61,000	3.88	4.12
86	100	12,000	11,800	0.80	0.80
84	86	15,600	15,200	1.03	1.03
83	76	12,800	12,800	0.85	0.87
76	90	20,000	20,000	1.33	1.35
100	-	10,700	11,400	0.71	0.77
		170,800	180,700	11.33	12.22

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Properties Held By The Trust (cont'd)				
General Industrial Properties (cont'd)				
Balance brought forward				
31 Tuas Avenue 11	Leasehold	30+30	34 ⁽²²⁾	31 Tuas Avenue 11 Singapore 639105
1/2 Changi North Street 2	Leasehold	30+30/ 30+30	41/46 ⁽²³⁾	1/2 Changi North Street 2 Singapore 498808/498775
9 Tuas View Crescent	Leasehold	30+30	39 ⁽²⁴⁾	9 Tuas View Crescent Singapore 637612
28 Senoko Drive	Leasehold	30+30	20 ⁽²⁵⁾	28 Senoko Drive Singapore 758214
31 Changi South Avenue 2	Leasehold	30+30	35 ⁽²⁶⁾	31 Changi South Avenue 2 Singapore 486478
22 Chin Bee Drive	Leasehold	30	16 ⁽²⁷⁾	22 Chin Bee Drive Singapore 619870
+ 31 Kian Teck Way	Leasehold	30+19	– ⁽²⁸⁾	31 Kian Teck Way Singapore 628751
54 Serangoon North Avenue 4	Leasehold	30+30	37 ⁽⁴⁸⁾	54 Serangoon North Avenue 4 Singapore 555854
2 Tuas South Avenue 2	Leasehold	60	39 ⁽²⁹⁾	2 Tuas South Ave 2 Singapore 637601
21B Senoko Loop	Leasehold	30+30	33 ⁽³⁰⁾	21B Senoko Loop Singapore 758171
Balance Carried Forward				

Occupancy rate		Independent Valuation		Percentage of Net assets attributable to Unitholders	
2019	2018	2019	2018	2019	2018
%	%	\$'000	\$'000	%	%
		170,800	180,700	11.33	12.22
100	100	12,100	12,100	0.80	0.82
100	100	22,000	22,000	1.46	1.49
100	100	10,000	10,000	0.66	0.68
100	100	13,600	13,600	0.90	0.92
100	100	12,500	12,000	0.83	0.81
-	100	14,600	14,900	0.97	1.01
-	-	-	5,700	-	0.38
100	70	23,000	23,200	1.52	1.57
100	100	35,000	36,300	2.32	2.45
100	100	25,900	25,600	1.72	1.73
		339,500	356,100	22.51	24.08

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Properties Held By The Trust (cont'd)				
General Industrial Properties (cont'd)				
Balance brought forward				
60 Tuas South Street 1	Leasehold	30	15 ⁽³¹⁾	60 Tuas South Street 1 Singapore 639925
5/7 Gul Street 1	Leasehold	29.5	18 ⁽³²⁾	5/7 Gul Street 1 Singapore 629318/629320
28 Woodlands Loop	Leasehold	30+30	36 ⁽³³⁾	28 Woodlands Loop Singapore 738308
25 Pioneer Crescent	Leasehold	30+28	47 ⁽³⁴⁾	25 Pioneer Crescent Singapore 628554
11 Woodlands Walk	Leasehold	30+30	36 ⁽³⁵⁾	11 Woodlands Walk Singapore 738265
43 Tuas View Circuit	Leasehold	30	18 ⁽³⁶⁾	43 Tuas View Circuit Singapore 637360
13 Jalan Terusan	Leasehold	28	15 ⁽³⁷⁾	13 Jalan Terusan Singapore 619293
160A Gul Circle	Leasehold	27	21 ⁽³⁸⁾	160A Gul Circle Singapore 629618
3 Tuas South Avenue 4	Leasehold	30+30	39 ⁽³⁹⁾	3 Tuas South Avenue 4 Singapore 637610
8 Tuas South Lane	Leasehold	30+16	34 ⁽⁴⁰⁾	8 Tuas South Lane Singapore 637302
120 Pioneer Road	Leasehold	30+28	35 ⁽⁴¹⁾	120 Pioneer Road Singapore 639597
Balance Carried Forward				

Occupancy rate		Independent Valuation		Percentage of Net assets attributable to Unitholders	
2019	2018	2019	2018	2019	2018
%	%	\$'000	\$'000	%	%
		339,500	356,100	22.51	24.08
100	100	4,500	4,300	0.30	0.29
48	100	14,000	14,300	0.93	0.97
100	100	17,300	17,300	1.15	1.17
100	100	16,400	16,400	1.09	1.11
100	100	17,400	17,400	1.15	1.18
100	100	18,300	16,400	1.21	1.11
100	100	33,000	36,900	2.19	2.49
35	100	15,600	18,000	1.03	1.22
100	100	43,000	43,000	2.85	2.91
100	100	105,000	115,000	6.96	7.77
71	75	36,000	40,300	2.39	2.72
		660,000	695,400	43.76	47.02

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Properties Held By The Trust (cont'd)				
General Industrial Properties (cont'd)				
Balance brought forward				
45 Changi South Avenue 2	Leasehold	30+30	36 ⁽⁴²⁾	45 Changi South Avenue 2 Singapore 486133
511/513 Yishun Industrial Park A	Leasehold	29+30/ 30+30	34/34 ⁽⁴³⁾	511/513 Yishun Industrial Park A Singapore 768768/768736
86/88 International Road	Leasehold	30+30	35 ⁽⁴⁴⁾	86/88 International Road Singapore 629176/629177
Total General Industrial Properties held by the Trust				
High-Specs Industrial Properties ⁽³⁾				
21/23 Ubi Road 1	Leasehold	30+30	37 ⁽⁴⁵⁾	21/23 Ubi Road 1 Singapore 408724/408725
2 Jalan Kilang Barat	Leasehold	99	43 ⁽⁴⁶⁾	2 Jalan Kilang Barat Singapore 159346
11 Chang Charn Road	Leasehold	99	37 ⁽⁴⁷⁾	11 Chang Charn Road Singapore 159640
12 Ang Mo Kio Street 65	Leasehold	30+30	31 ⁽⁴⁹⁾	12 Ang Mo Kio Street 65 Singapore 569060
16 Tai Seng Street	Leasehold	30+30	48 ⁽¹⁵⁾	16 Tai Seng Street Singapore 534138
30 Marsiling Industrial Estate Road 8	Leasehold	30+30	30 ⁽⁵⁰⁾	30 Marsiling Industrial Estate Road 8 Singapore 739193
Total High-Specs Industrial Properties held by the Trust				

	Occupancy rate		Independent Valuation		Percentage of Net assets attributable to Unitholders	
	2019 %	2018 %	2019 \$'000	2018 \$'000	2019 %	2018 %
			660,000	695,400	43.76	47.02
46		65	11,100	12,200	0.74	0.82
84		84	26,300	26,100	1.74	1.76
93		90	41,800	44,700	2.77	3.02
			739,200	778,400	49.01	52.62
87		87	36,400	36,700	2.41	2.48
61		77	30,000	27,400	1.99	1.85
75		80	29,800	29,800	1.98	2.01
67		64	38,200	38,200	2.53	2.58
100		100	58,500	58,500	3.88	3.95
100		100	48,000	47,500	3.18	3.21
			240,900	238,100	15.97	16.08

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
<u>Properties Held By The Trust (cont'd)</u>				
Business Park Properties ⁽⁴⁾				
16 International Business Park	Leasehold	30+30	37 ⁽⁵¹⁾	16 International Business Park Singapore 609929
Total Business Park Properties held by the Trust				
Total properties held by the Trust				
<u>Properties Held By Subsidiaries</u>				
Logistics/Warehousing Properties ⁽¹⁾				
** 6 Chin Bee Avenue	Leasehold	30	24 ⁽⁵²⁾	6 Chin Bee Avenue Singapore 619930
** 30 Pioneer Road	Leasehold	30	17 ⁽⁵³⁾	30 Pioneer Road Singapore 628502
Total Logistics/Warehousing Properties held by subsidiaries				
General Industrial Properties ⁽²⁾				
** 19 Tai Seng Avenue	Leasehold	30+30	48 ⁽⁵⁴⁾	19 Tai Seng Avenue Singapore 534054
** 11 Ubi Road 1	Leasehold	30+30/ 21+30	36 ⁽⁵⁵⁾	11 Ubi Road 1 Singapore 408723
** 29 Tai Seng Street	Leasehold	30+30	47 ⁽⁵⁶⁾	29 Tai Seng Street Singapore 534120
** 11 Lorong 3 Toa Payoh	Leasehold	60	9 ⁽⁵⁷⁾	11 Lorong 3 Toa Payoh Singapore 319579
** 81 Tuas Bay Drive	Leasehold	60	47 ⁽⁵⁸⁾	81 Tuas Bay Drive Singapore 637308
Total General Industrial Properties held by subsidiaries				

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Occupancy rate		Independent Valuation		Percentage of Net assets attributable to Unitholders	
2019	2018	2019	2018	2019	2018
%	%	\$'000	\$'000	%	%
100	100	30,600	31,300	2.03	2.11
		30,600	31,300	2.03	2.11
		1,403,800	1,458,200	93.07	98.54
100	100	94,300	94,300	6.25	6.37
100	100	50,800	54,000	3.37	3.65
		145,100	148,300	9.62	10.02
100	100	47,800	47,800	3.17	3.23
100	100	84,000	84,000	5.57	5.68
100	100	34,000	33,400	2.25	2.26
89	86	56,000	63,000	3.71	4.26
100	100	28,000	28,000	1.86	1.89
		249,800	256,200	16.56	17.32

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	
Properties Held By Subsidiaries (cont'd)					
High-Specs Industrial Properties ⁽³⁾					
#	7000 Ang Mo Kio Avenue 5	Leasehold	32+30	37 ⁽⁵⁹⁾	7000 Ang Mo Kio Avenue 5 Singapore 569877
Total High-Specs Industrial Properties held by subsidiaries					
Business Park Properties ⁽⁴⁾					
**	750 - 750E Chai Chee Road	Leasehold	60/43	11/11 ⁽⁶⁰⁾	750 to 750E Chai Chee Road Singapore 469000
**	6/8 Changi Business Park Avenue 1	Leasehold	30+30	48 ⁽⁶¹⁾	6/8 Changi Business Park Avenue 1 Singapore 486017
**	2/4 Changi Business Park Avenue 1	Leasehold	30+30	48 ⁽⁶¹⁾	2/4 Changi Business Park Avenue 1 Singapore 486015
Total Business Park Properties held by subsidiaries					
Total Properties held by subsidiaries					
Total properties held by the Group					

Occupancy rate		Independent Valuation		Percentage of Net assets attributable to Unitholders	
2019	2018	2019	2018	2019	2018
%	%	\$'000	\$'000	%	%
94	94	305,400	305,400	20.24	20.64
		305,400	305,400	20.24	20.64
79	82	299,300	322,800	19.82	21.82
64	90	362,000	365,000	24.00	24.67
100	100	169,000	166,000	11.20	11.22
		830,300	853,800	55.02	57.71
		1,530,600	1,563,700	101.44	105.69
		2,934,400	3,021,900	194.51	204.23

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

			Percentage of Net assets attributable to Unitholders	
	2019 \$'000	2018 \$'000	2019 %	2018 %
Trust				
Investment properties, at valuation	1,403,800	1,458,200	91.73	83.24
Other assets and liabilities (net)	277,633	444,882	18.14	25.39
Net assets of Trust	1,681,433	1,903,082	109.87	108.63
Perpetual securities holders' funds	(151,115)	(151,115)	(9.87)	(8.63)
Net assets attributable to Unitholders' Funds	1,530,318	1,751,967	100.00	100.00
Group				
Investment properties, at valuation	2,934,400	3,021,900	194.51	204.23
Other assets and liabilities (net)	(1,274,709)	(1,391,117)	(84.50)	(94.02)
Net assets of Group	1,659,691	1,630,783	110.01	110.21
Perpetual securities holders' funds	(151,115)	(151,115)	(10.01)	(10.21)
Net assets attributable to Unitholders' Funds	1,508,576	1,479,668	100.00	100.00

Independent Valuation

2019 \$'000	2018 \$'000
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As disclosed in the Statement of Financial Position:

Trust

Investment properties – non current	1,573,491	1,452,500
Investment property held for divestment – current (denoted as (*) in the Portfolio Statement)	–	5,700
Less: Right-of-use assets	(169,691)	–
Total investment properties, at valuation	1,403,800	1,458,200

Group

Investment properties – non current	3,162,081	3,016,200
Investment property held for divestment – current (denoted as (*) in the Portfolio Statement)	–	5,700
Less: Right-of-use assets	(227,681)	–
Total investment properties, at valuation	2,934,400	3,021,900

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

Notes

- (1) Logistics/Warehousing properties are typically equipped with high floor loading and also have a high floor-to-ceiling height. Such buildings can be either single-storey or multi-storey properties with vehicular ramp access and/or heavy-duty cargo lift access.
- (2) General Industrial properties can be single or multi-storey facilities dedicated to general industrial, manufacturing or factory activities. Such spaces also have a low percentage of the usable space which can be set aside for office use.
- (3) High-specs Industrial properties are mixed-use industrial buildings with a high proportion of space that can be allocated for office use. These buildings typically have facilities such as air-conditioned Units and sufficient floorboard, ceiling height and electrical power capacities to enable both office and manufacturing functions to be carried out concurrently.
- (4) Business Parks are clusters of buildings and offices typically dedicated to business activities relating to high-technology, research and development (R&D) value-added and knowledge-intensive sectors. Companies that take up space in Business Parks can engage in a range of light and clean uses such as technical support, information-communications, healthcare devices, product design, development and testing, service centres and back-end office functions.
- (5) ESR-REIT holds the remainder of a 30 year lease commencing from 16 December 2001.
- (6) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1994.
- (7) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 February 1973.
- (8) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 February 1991.
- (9) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1993.
- (10) ESR-REIT holds the remainder of a 30+12 year lease commencing from 1 March 1995.
- (11) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1990.
- (12) ESR-REIT holds the remainder of a 30 year lease commencing from 16 December 2011.
- (13) ESR-REIT holds the remainder of a 30 year lease commencing from 16 October 2011.
- (14) ESR-REIT holds the remainder of a 10+22 year lease commencing from 1 June 2007.
- (15) ESR-REIT holds the remainder of a 30+30 year lease commencing from 4 July 2007.
- (16) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 August 1995.
- (17) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1992.
- (18) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1991.
- (19) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 October 1990.
- (20) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 April 1997.
- (21) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 2000.
- (22) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 April 1994.
- (23) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 2001 for 1 Changi North Street 2 and 30+30 year lease commencing from 23 November 2005 for 2 Changi North Street 2.
- (24) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 July 1998.
- (25) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1979.
- (26) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 March 1995.
- (27) ESR-REIT holds the remainder of a 30 year lease commencing from 16 September 2005.
- (28) ESR-REIT holds the remainder of a 30+19 year lease commencing from 1 September 1993.
- (29) ESR-REIT holds the remainder of a 60 year lease commencing from 4 January 1999.
- (30) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1993.
- (31) ESR-REIT holds the remainder of a 30 year lease commencing from 16 March 2005.
- (32) ESR-REIT holds the remainder of a 29.5 year lease commencing from 1 April 2008.
- (33) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
- (34) ESR-REIT holds the remainder of a 30+28 year lease commencing from 1 February 2009.
- (35) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1995.
- (36) ESR-REIT holds the remainder of a 30 year lease commencing from 1 February 2008.
- (37) ESR-REIT holds the remainder of a 28 year lease commencing from 25 March 2007.
- (38) ESR-REIT holds the remainder of a 27 year lease commencing from 30 September 2013.
- (39) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 May 1999.
- (40) ESR-REIT holds the remainder of a 30+16 year lease commencing from 1 April 2008.
- (41) ESR-REIT holds the remainder of a 30+28 year lease commencing from 16 February 1997.
- (42) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 September 1995.
- (43) ESR-REIT holds the remainder of a 29+30 year lease commencing from 1 June 1995 for 511 Yishun and 30+30 year lease commencing from 1 December 1993 for 513 Yishun.
- (44) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 December 1994.
- (45) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 February 1997.
- (46) ESR-REIT holds the remainder of a 99 year lease commencing from 1 July 1963.
- (47) ESR-REIT holds the remainder of a 99 year lease commencing from 1 January 1958.
- (48) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 June 1996.
- (49) ESR-REIT holds the remainder of a 30+30 year lease commencing from 16 October 1990.
- (50) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 December 1989.
- (51) ESR-REIT holds the remainder of a 30+30 year lease commencing from 1 August 1996.
- (52) Viva Trust holds the remainder of a 30 year lease commencing from 16 October 2013.
- (53) Viva Trust holds the remainder of a 30 year lease commencing from 16 February 2007.
- (54) Viva Trust holds the remainder of a 30+30 year lease commencing from 11 September 2007.
- (55) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 September 1995 for Plot 1 and 21+30 year lease commencing from 1 September 2004 for Plot 2.

INVESTMENT PROPERTIES PORTFOLIO STATEMENT

As at 31 December 2019

Notes (cont'd)

(56) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 May 2007.

(57) Viva Trust holds the remainder of a 60 year lease commencing from 16 May 1969.

(58) Viva Trust holds the remainder of a 60 year lease commencing from 19 July 2006.

(59) 7000 AMK LLP holds the remainder of a 32+30 year lease commencing from 30 January 1995.

(60) Viva Trust holds the remainder of a 60 year lease commencing from 1 April 1971 for Plot 1: Lot 8134N Mukim 27 and 43 year lease commencing from 1 March 1988 for Plot 2: Lot 7837V Mukim 27.

(61) Viva Trust holds the remainder of a 30+30 year lease commencing from 1 February 2008.

+ Property disposed of during the financial year.

Property is on 100% basis which includes a 20% non-controlling interest.

** Properties acquired pursuant to the Merger on 15 October 2018.

Investment properties comprise a diversified portfolio of industrial properties that are leased to external tenants. All of the leases are structured under single-tenancy or multi-tenancy and the tenancies range from one to twenty-one years for single tenancy and two months to thirteen years for multi-tenancy.

An independent valuation exercise was conducted for all the investment properties in December 2019 by Savills Valuation and Professional Services (S) Pte Ltd and CBRE Pte Ltd. These firms are independent valuers having appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations for these properties were based on the direct comparison method, capitalisation approach and discounted cash flow analysis in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield, discount rate and average growth rate. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

As at 31 December 2019, the valuations adopted for investment properties amounted to \$2.93 billion (2018: \$3.02 billion). The net fair value loss on investment properties recognised in the Statement of Total Return is \$91.6 million (2018: \$2.0 million). The investment properties are fully unencumbered as at 31 December 2019 and 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Group	
	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Total return/(loss) before income tax for the year	9,949	(228,299)
Adjustments for:		
Interest income	(15)	(48)
Borrowing costs	51,161	27,442
Management fees paid/payable in Units	6,491	2,557
Property Manager's fees paid/payable in Units	2,360	-
Share of results of joint venture	1,519	-
Finance costs on lease liabilities for leasehold land	10,799	-
Fair value adjustments relating to the Merger	-	283,219
Impairment loss on investment in joint venture	1,465	-
Change in fair value of financial derivatives	6,076	16,200
Change in fair value of investment properties	91,611	1,954
Change in fair value of right-of-use of leasehold land	(2,091)	-
Gain on disposal of investment properties	(48)	(128)
Operating income before working capital changes	179,277	102,897
Changes in working capital:		
Trade and other receivables	(864)	1,839
Trade and other payables	57	(32,987)
Cash generated from operating activities	178,470	71,749
Income tax paid	(397)	(3,953)
Net cash generated from operating activities	178,073	67,796
Cash flows from investing activities		
Interest received	15	48
Capital expenditure on investment properties	(18,425)	(5,307)
Net cash outflow on purchase of investment properties (including acquisition related costs) (Note A)	-	(100,374)
Proceeds from disposal of investment properties	5,797	23,900
Dividend received from joint venture	1,858	-
Investment in joint venture (Note B)	(44,648)	-
Payment for divestment costs	-	(194)
Acquisition of subsidiary, net of cash acquired (Note 5)	-	(65,525)
Payment for acquisition costs of subsidiary	-	(1,925)
Net cash used in investing activities	(55,403)	(149,377)
Cash flows from financing activities		
Proceeds from issuance of new Units	150,039	141,939
Issue costs for perpetual securities paid	-	(272)
Borrowing costs paid	(50,723)	(30,824)
Equity issue costs paid	(3,211)	(1,151)
Proceeds from borrowings	422,200	964,569
Repayment of borrowings	(499,769)	(920,764)
Distributions paid to Unitholders (Note C)	(124,876)	(55,937)
Distributions paid to perpetual securities holders	(6,900)	(6,900)
Distributions paid to non-controlling interest	(2,724)	(3,066)
Payment for lease liabilities for leasehold land	(8,708)	-
Net cash (used in)/generated from financing activities	(124,672)	87,594
Net (decrease)/increase in cash and cash equivalents	(2,002)	6,013
Cash and cash equivalents at 1 January	17,664	11,651
Cash and cash equivalents at 31 December	15,662	17,664

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

Notes:

(A) Net cash outflow on purchase of investment properties (including acquisition costs)

Net cash outflow on purchase of investment properties (including acquisition costs) is set out below:

	Group	
	2019 \$'000	2018 \$'000
Investment property acquired	-	(95,557)
Acquisition related costs	-	(4,938)
Retention sums	-	121
Net cash outflow	-	(100,374)

(B) Net cash outflow on investment in joint venture

Net cash outflow on investment in joint venture is set out below:

	Group	
	2019 \$'000	2018 \$'000
Cost of investment	(43,183)	-
Acquisition related costs capitalised	(1,465)	-
Net cash outflow	(44,648)	-

(C) Distributions paid to Unitholders

Distributions for the year ended 31 December 2019 were partially paid by issuing an aggregate of 8.9 million Units (2018: 7.2 million Units) amounting to \$4.6 million (2018: \$4.0 million) pursuant to the Distribution Reinvestment Plan.

	Group	
	2019 \$'000	2018 \$'000
Distributions paid to Unitholders	(129,454)	(59,968)
Distributions paid in Units pursuant to Distribution Reinvestment Plan	4,578	4,031
Net distributions paid to Unitholders in cash	(124,876)	(55,937)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. GENERAL

ESR-REIT (the "Trust") is a Singapore-domiciled Unit trust constituted pursuant to the trust deed dated 31 March 2006 (as amended) entered into between ESR Funds Management (S) Limited (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"), and is governed by the laws of the Republic of Singapore ("Trust Deed"). On 31 March 2006, ESR-REIT was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

On 25 July 2006, ESR-REIT was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 3 April 2006, ESR-REIT was included under the Central Provident Fund ("CPF") Investment Scheme.

On 15 October 2018, ESR-REIT completed its merger with Viva Industrial Trust ("VIT") comprising Viva Industrial Real Estate Investment Trust ("VI-REIT") and Viva Industrial Business Trust ("VI-BT") by way of a trust scheme of arrangement (the "Merger").

Following the completion of the Merger, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT (collectively the "Enlarged Trust"). VI-REIT was subsequently renamed as Viva Trust ("Sub-trust"). VI-BT, which was dormant, was wound up in December 2018.

Under the new trust deed for Viva Trust executed on 22 October 2018, Viva Trust changed its manager from Viva Industrial Trust Management Pte. Ltd. to the Manager while Perpetual (Asia) Limited remained as the trustee for Viva Trust ("Sub-trust trustee") to take into custody and hold the assets of Viva Trust in trust for ESR-REIT. The Manager acts as the manager for the Enlarged Trust.

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Trust and its subsidiaries (together referred to as the "Group").

The principal activity of ESR-REIT is to invest in a diversified portfolio of industrial properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. The principal activities of the subsidiaries and joint venture are set out in Note 5 and Note 6 to the financial statements.

ESR-REIT and its Sub-trust have entered into several service agreements in relation to the management of ESR-REIT and Viva Trust and their property operations.

The fee structures for these services are as follows:

(A) Trustee's fees

The Trust

Pursuant to the Trust Deed, the Trustee's fees shall not exceed 0.1% per annum of the value of the deposited property of ESR-REIT, excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is presently charged on a scaled basis of up to 0.016% per annum of the value of the Group's deposited property, excluding the deposited property of the Sub-trust. In addition, the Trustee charges a sub-trust administration fee of \$7,000 per month in respect of Viva Trust.

The Sub-trust

Pursuant to the trust deed entered into by the Manager and the Sub-trust Trustee, the fees of the Sub-trust Trustee shall not exceed 0.1% per annum of the value of the deposited property of Viva Trust, excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the Manager and the Sub-trust Trustee from time to time. The Sub-trust Trustee's fee is presently charged on a scaled basis of up to 0.015% per annum of the value of the deposited property of the Sub-trust, subject to a minimum fee of \$15,000 per month.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. GENERAL (CONT'D)

(B) Management fees

Under the Trust Deed, the Manager is entitled to receive a base fee and performance fee as follows:

- (a) base fee ("Base Fee") of 0.5% per annum of the value of the deposited property or such higher percentage as may be fixed by an extraordinary resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed; and
- (b) performance fee ("Performance Fee"), computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of Units in issue for such financial year, provided that the Highest DPU Threshold is achieved.

The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by the Trust in the previous years for which a Performance Fee was payable ("Highest DPU Threshold"). Whenever a Performance Fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a Performance Fee in future, the Trust would have to outperform the adjusted Highest DPU Threshold.

For the purpose of calculating the Performance Fee, the Highest DPU Threshold is initially set at 6.000 cents, or if the DPU achieved during the Performance Fee Waiver period is higher, then such higher DPU.

Management fees (Base Fee and Performance Fee, including any accrued Performance Fee which have been carried forward from previous financial years but excluding any acquisition fee or disposal fee) to be paid to the Manager in respect of a financial year, whether in cash or in Units or a combination of cash and Units, are capped at an amount equivalent to 0.8% per annum of the value of deposited property as at the end of the financial year (referred to as the "annual fee cap").

(C) Acquisition and disposal fees

Under the Trust Deed, the Manager is also entitled to receive the following fees:

- (a) An acquisition fee of 1.0% of each of the following as is applicable, subject to there being no double-counting:
 - (i) the purchase price, excluding GST, of any real estate acquired, whether directly by ESR-REIT or indirectly through a special purpose vehicle;
 - (ii) the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate) where ESR-REIT invests in any class of real estate related assets, including any class of equity, equity-linked securities and/or securities issued in real estate securitisation, of any entity directly or indirectly owning or acquiring such real estate, provided that:
 - ESR-REIT shall hold or invest in at least 50% of the equity of such entity; or
 - if ESR-REIT holds or invests in 30% or more but less than 50% of the equity of such entity, ESR-REIT shall have management control of the underlying real estate and/or such entity;
 - (iii) the value of any shareholder's loan extended by ESR-REIT to the entity referred to in paragraph (ii) above, provided that the provision in paragraph (ii) is complied with; and
 - (iv) the value of any investment by ESR-REIT in any loan extended to, or in debt securities of, any property corporation or other special purpose vehicle owning or acquiring real estate, (where such investment does not fall within the ambit of paragraph (ii)) made with the prior consent of the Unitholders passed by ordinary resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. GENERAL (CONT'D)

(C) Acquisition and disposal fees (cont'd)

- (b) A disposal fee of 0.5% of each of the following as is applicable, subject to there being no double-counting:
- (i) the sale price, excluding GST, of any investment of the type referred to in paragraph (C)(a)(i) above for the acquisition fee;
 - (ii) in relation to an investment of the type referred to in paragraph (C)(a)(ii) above for the acquisition fee, the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-REIT's interest in such real estate);
 - (iii) the proceeds of sale, repayment or (as the case may be) redemption of an investment in a loan referred to in paragraph (C)(a)(iii) above for the acquisition fee; and
 - (iv) the value of an investment referred to in paragraph (C)(a)(iv) above for the acquisition fee.

The Manager may opt to receive acquisition and disposal fees in the form of cash or Units or a combination of cash and Units as it may determine.

(D) Development management fee

Pursuant to the amended and restated Trust Deed as approved and adopted by the Unitholders at the extraordinary general meeting held on 12 September 2019, the Manager is entitled to receive a development management fee equivalent to 3.0% of the total project costs incurred in a development project undertaken by the Manager on behalf of ESR-REIT, subject to the following:

- (a) when the estimated total project costs are greater than S\$100.0 million, the Trustee and the Manager's independent directors will first review and approve the quantum of the development management fee payable to the Manager, and the Manager may be directed by its independent directors to reduce the development management fee;
- (b) in cases where the Manager is of the view that the market pricing for comparable services is materially lower than the development management fee, the Manager's independent directors shall have the discretion to direct the Manager to reduce the development management fee to such amount which is less than 3.0% of the total project costs incurred in a development project undertaken by the Manager on behalf of ESR-REIT; and
- (c) any increase in the percentage of the development management fee or any change in the structure of the development management fee shall be approved by an extraordinary resolution passed at a meeting of Unitholders duly convened and held in accordance with the provision of the Trust Deed.

Where real estate or real estate related assets are purchased, invested in or acquired for development, no acquisition fee in relation to such purchase, investment or acquisition shall be paid to the Manager. Instead, the Manager will receive the development management fee for the development project.

The development management fee shall be payable in equal monthly instalments over the construction period of each development project based on the Manager's best estimate of the total project costs and construction period and, if necessary, a final payment of the balance amount when the total project costs have been finalised.

The Manager may opt to receive the development management fee in the form of cash or a combination of cash and Units as it may determine.

(E) Property Manager's fees

ESR Property Management (S) Pte. Ltd. (the "Property Manager"), as property manager for all of ESR-REIT's properties including those held through 7000 AMK LLP and Viva Trust, is entitled to receive the following fees:

- (a) A property management fee of 2.0% per annum of the gross revenue of the relevant property;
- (b) A lease management fee of 1.0% per annum of the gross revenue of the relevant property;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. GENERAL (CONT'D)

(E) Property Manager's fees (cont'd)

- (c) A marketing services commission equivalent to:
- (i) one month's gross rent, inclusive of service charge, for securing a tenancy of three years or less;
 - (ii) two month's gross rent, inclusive of service charge, for securing a tenancy of more than three years;
 - (iii) half month's gross rent, inclusive of service charge, for securing a renewal of tenancy of three years or less; and
 - (iv) one month's gross rent, inclusive of service charge, for securing a renewal of tenancy of more than three years.
- (d) A project management fee in relation to development or redevelopment (if not prohibited by the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code") or if otherwise permitted by the Monetary Authority of Singapore ("MAS")), the refurbishment, retrofitting and renovation works on a property, as follows:
- (i) where the construction costs are \$2.0 million or less, a fee of 3.0% of the construction costs;
 - (ii) where the construction costs exceed \$2.0 million but do not exceed \$20.0 million, a fee of 2.0% of the construction costs;
 - (iii) where the construction costs exceed \$20.0 million but do not exceed \$50.0 million, a fee of 1.5% of the construction costs; and
 - (iv) where the construction costs exceed \$50.0 million, a fee to be mutually agreed by the Manager, the Property Manager and the Trustee.
- (e) A property tax services fee in respect of property tax objections submitted to the tax authority on any proposed annual value of a property if, as a result of such objections, the proposed annual value is reduced resulting in property tax savings for the relevant property:
- (i) where the proposed annual value is \$1.0 million or less, a fee of 7.5% of the property tax savings;
 - (ii) where the proposed annual value is more than \$1.0 million but does not exceed \$5.0 million, a fee of 5.5% of the property tax savings; and
 - (iii) where the proposed annual value is more than \$5.0 million, a fee of 5.0% of the property tax savings.

The above-mentioned fee is a lump sum fixed fee based on the property tax savings calculated over a 12-month period.

The Property Manager may opt to receive the property and lease management fees in the form of cash or Units or a combination of cash and Units as it may determine.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties, investment property held for divestment and derivative financial instruments, which are stated at fair value as described in Note 27.

As at 31 December 2019, the current liabilities of the Group and the Trust exceed their current assets by \$243.6 million and \$159.5 million respectively. This is primarily due to the classification of medium term notes ("MTN") of \$160.0 million as current liabilities as they are maturing within one year from 31 December 2019. On 28 February 2020, ESR-REIT entered into a \$200.0 million unsecured loan facility agreement with MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation, Singapore Branch. With the \$200.0 million loan facility and \$90.0 million of unutilised committed revolving credit facilities, the Manager believes that the Group and the Trust will be able to refinance their borrowings and meet their current obligations as and when they fall due.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Trust's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2019. Except for the application of FRS 116 *Leases*, the adoption of these standards did not have any significant effect on the financial performance or position of the Group and the Trust.

FRS 116 *Leases*

FRS 116 superseded FRS 17 *Leases*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under FRS 116 is substantially unchanged from FRS 17. Lessor will continue to classify leases as either operating or finance leases using similar principles as in FRS 17. Therefore, FRS 116 does not have an impact on leases where the Group is the lessor.

The Group adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of Unitholders' Funds. The comparative figures are not restated.

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases under FRS 17 at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Changes in accounting policies (cont'd)

The Group is required to pay land rent, whether annually or on an upfront land premium basis to JTC Corporation ("JTC") and CapitaLand Singapore BP&C Pte Ltd ("CapitaLand") for properties in its portfolio. Upon adoption of FRS 116, the Group applied a single recognition and measurement approach for all leases for which it is the lessee. The accounting policy beginning on or after 1 January 2019 is disclosed in Note 2.10. The Group recognised right-of-use assets and lease liabilities for these land leases previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the indirect costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019, right-of-use assets and lease liabilities of the Group amounting to \$226.4 million were recognised in the statement of financial position.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group \$'000
Operating lease commitments as at 31 December 2018	470,344
Weighted average incremental borrowing rate as at 1 January 2019	6.07%
Discounted operating lease commitments as at 1 January 2019	226,351

2.5 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but are not yet effective.

Description	Effective for annual periods beginning on or after
Amendments to FRS 103: <i>Definition of a Business</i>	1 January 2020
Amendments to FRS 1 and FRS 8: <i>Definition of Material</i>	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107 <i>Interest Rate Benchmark Reform</i>	1 January 2020
FRS 117 <i>Insurance Contracts</i>	1 January 2021
FRS 110, FRS 28 Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Manager expects that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.6 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 financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Basis of consolidation (cont'd)

Subsidiaries (cont'd)

The accounting policies of the subsidiaries have been aligned with the policies adopted by the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

In the Trust's statement of financial position, investments in subsidiaries are accounted for at cost less impairment losses.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to the Group. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for investments in subsidiaries and joint venture in the Trust's financial statements

Investments in subsidiaries and joint venture are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

2.7 Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group accounts for its investment in joint venture using the equity method from the date on which it becomes a joint venture.

Under the equity method, the investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The statement of total return reflects the share of results of operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in joint venture.

The financial statements of joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Investment properties

Investment properties are properties that are owned by the Group and held to earn rentals or for capital appreciation, or both but not for sale in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are accounted for as non-current assets, except if they meet the conditions to be classified as held for divestment (see Note 2.9 below). They are initially measured at cost, including transaction costs and at valuation thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following manner:

- (i) in such manner and frequency required under the CIS code issued by MAS; and
- (ii) at least once in each period of 12 months following the acquisition of each investment property

Any increase or decrease on fair valuation is credited or charged directly to the statement of total return as a net change in fair value of investment properties.

Subsequent expenditure relating to investment properties is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly valued on the basis set out above.

2.9 Investment properties held for divestment

Investment properties that are expected to be recovered primarily through divestment rather than through continuing use, are classified as held for divestment and accounted for as current assets. These investment properties are measured at fair value and any increase or decrease on fair valuation is credited or charged directly to the statement of total return as a net change in fair value of investment properties.

Upon disposal, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

2.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at fair value and are derived by discounting future lease payments using the Group's incremental borrowing rate for borrowings of similar amount and tenor. Any increase or decrease in right-of-use assets is credited or charged directly to the statement of total return. Right-of-use assets which meets the definition of an investment property is accounted for in accordance with Note 2.8.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Leases (cont'd)

Group as a lessee (cont'd)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group as a 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 2.17. Contingent rents are recognised as revenue in the period in which they are earned.

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. 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, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of total return. 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.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. 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. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in statement of total return when the assets are derecognised or impaired, and through amortisation process.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in the statement of total return.

Derecognition

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 the statement of total return.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of total return when the liabilities are derecognised and through the amortisation process.

Derivative financial instruments

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the statement of total return.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of total return.

Netting of financial assets and liabilities

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 legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Impairment

(a) Financial assets

Expected credit losses (ECLs) are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment (cont'd)

(a) Financial assets (cont'd)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also 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.

(b) Non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the statement of total return.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the statement of total return.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.15 Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental costs, directly attributable to the issuance, offering and placement of Units are deducted directly against Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Perpetual securities

The perpetual securities confer a right to receive distributions at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter. Distributions are payable semi-annually in arrears on a discretionary basis and will be non-cumulative.

The perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

Accordingly, the perpetual securities are classified as equity and the expenses relating to their issue are deducted directly against Unitholders' funds.

2.17 Revenue recognition

(a) Rental income from operating leases

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) Interest income

Interest income is accrued using the effective interest method.

2.18 Expenses

(a) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are the Property Manager's fee which is based on the applicable rate stipulated in Note 1E.

(b) Management fees

Management fees are recognised on an accrual basis based on the applicable rates stipulated in Note 1B.

(c) Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses are the trustee's fees which are based on the applicable rate stipulated in Note 1A.

(d) Borrowing costs

Borrowing costs comprise interest expense on borrowings, amortisation of related transaction costs which are recognised in the statement of total return using the effective interest method over the period of borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Taxation

(a) Current tax and deferred tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of goodwill or 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 investment in subsidiaries and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits 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 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 laws 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 period that such a determination is made.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the taxation of ESR-REIT and its Unitholders. Subject to meeting the terms and conditions of the tax ruling issued by IRAS, the Trustee will not be assessed to tax on the taxable income of ESR-REIT on certain types of income. Instead, the Trustee and the Manager will deduct income tax (if required) at the prevailing corporate tax rate (currently 17.0%) from the distributions made to Unitholders that are made out of the taxable income of ESR-REIT in that financial year, except:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Taxation (cont'd)

(a) Current tax and deferred tax (cont'd)

- (i) where the beneficial owners are Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax; or
- (ii) where the beneficial owners are Qualifying Non-resident Non-individual Unitholders or Qualifying Non-resident Funds, the Trustee and the Manager will deduct Singapore income tax at the reduced tax rate of 10.0% for distributions made on or before 31 December 2025.

A "Qualifying Unitholder" is a Unitholder who is:

- an individual and who holds the Units either in his sole name or jointly with other individuals;
- a Central Provident Fund ("CPF") member who uses his CPF funds under the CPF Investment Scheme and where the distributions received are returned to the CPF accounts;
- an individual who uses his Supplementary Retirement Scheme ("SRS") funds and where the distributions received are returned to the SRS accounts;
- a company which is incorporated and tax resident in Singapore;
- a Singapore branch of companies incorporated outside Singapore;
- a non-corporate constituted or registered in Singapore such as town councils, statutory boards, charities registered under the Charities Act (Cap.37) or established by any written law, co-operative societies registered under the Co-operative Societies Act (Cap. 62) or trade unions registered under the Trade Unions Act (cap. 333);
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap.145); and
- a real estate investment trust exchange-traded fund which has been accorded the tax transparency treatment.

A "Non-resident Non-individual Unitholder" is one, not being an individual, which is not a resident of Singapore for income tax purposes and;

- which does not have a permanent establishment in Singapore; or
- which carries on any operation in Singapore through a permanent establishment in Singapore, where the funds used to acquire the Units are not obtained from that operation in Singapore.

A "Qualifying Non-resident Fund" is one that qualifies for tax exemption under section 13CA, 13X or 13Y of the Income Tax Act that is not a resident of Singapore for income tax purpose and;

- which does not have a permanent establishment in Singapore (other than a fund manager in Singapore); or
- which carries on any operation in Singapore through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used to acquire the Units are not obtained from that operation.

The above tax transparency ruling does not apply to gains from sale of real estate properties, if considered to be trading gains derived from a trade or business carried on by ESR-REIT. Tax on such gains or profits will be assessed, in accordance to section 10(1)(a) of the Income Tax Act, Chapter 134 and collected from the Trustee. Where the gains are capital gains, they will not be assessed to tax and the Trustee and the Manager may distribute the capital gains without having to deduct tax at source.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Taxation (cont'd)

(b) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.20 Distribution policy

The Group's distribution policy is to distribute at least 90% of its annual distributable income to Unitholders, comprising income from letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion. Distributions are made on a quarterly basis at the discretion of the Manager.

2.21 Earnings per Unit

The Group presents basic and diluted earnings per Unit ("EPU") data for its Units. Basic EPU is calculated by dividing the total return for the period after tax by the weighted average number of Units outstanding during the year. Diluted EPU is determined by adjusting the total return for the period after tax and the weighted average number of Units outstanding for the effects of all dilutive potential Units.

2.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by ESR-REIT's Chief Operating Decision Makers ("CODM"s) which comprise mainly the Chief Executive Officer and Chief Financial Officer of the Manager, to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available.

2.23 Contingencies

A contingent liability is:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) A present obligation that arises from past events but is not recognised because:
 - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected.

In particular, information about critical judgements, assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 10 - Estimating the incremental borrowing rate for leases
- Note 22 - Assessment of income tax provision
- Note 27 - Valuation of investment properties

4. INVESTMENT PROPERTIES

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Investment properties, at valuation</u>				
At 1 January	3,021,900	1,675,800	1,458,200	1,372,800
Acquisition of investment properties	-	95,557	-	95,557
Additions through acquisition of subsidiaries	-	1,257,717	-	-
Acquisition related costs	-	4,029	-	4,029
Capital expenditure incurred	9,995	12,628	7,452	12,015
Disposal of investment properties	(5,700)	(23,600)	(5,700)	(23,600)
Change in fair value during the year*	(91,795)	(231)	(56,152)	(2,601)
	2,934,400	3,021,900	1,403,800	1,458,200
<u>Right-of-use assets</u>				
Initial recognition of right-of-use of leasehold land	226,351	-	170,928	-
Re-measurement due to change in lease rates	1,136	-	1,136	-
De-recognition due to divestment of investment property	(759)	-	(759)	-
Change in fair value of right-of-use of leasehold land**	953	-	(1,614)	-
	227,681	-	169,691	-
At 31 December	3,162,081	3,021,900	1,573,491	1,458,200
Investment properties (non-current)	3,162,081	3,016,200	1,573,491	1,452,500
Investment property held for divestment (current)	-	5,700	-	5,700
	3,162,081	3,021,900	1,573,491	1,458,200

* The fair value loss of \$91.8 million (2018: \$0.2 million) together with an adjustment for the effect of lease incentives and marketing fee amortisation of \$0.2 million (2018: \$1.8 million), aggregate to \$91.6 million (2018: \$2.0 million) as disclosed in the Statement of Total Return.

** The change in fair value of right-of-use of leasehold land has been adjusted for the effect of interest and payments borne by tenants of \$1.1 million as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. INVESTMENT PROPERTIES (CONT'D)

Details of the investment properties are shown in the Investment Properties Portfolio Statement. Investment properties are leased to non-related parties under operating leases.

Investment properties are stated at fair value based on valuations performed by independent professional valuers as at 31 December 2019 and 31 December 2018. Information on the fair value assessment of investment properties is disclosed in Note 27.

Investment properties held for divestment

In the previous financial year, an investment property with carrying value of \$5.7 million was classified as an investment property held for divestment. The investment property was subsequently disposed in June 2019 at a consideration of \$5,797,000 and a gain on disposal of \$48,000 was recognised in Statement of Total Return. As at 31 December 2019, there was no investment property which was classified as an investment property held for divestment.

Security

All the investment properties are fully unencumbered as at 31 December 2019 and 2018.

Critical judgements made in accounting for acquisitions

2018

On 15 October 2018, the Group completed its merger with VIT by way of a trust scheme of arrangement. VIT owns a portfolio of nine properties. VIT, which comprised VI-REIT and VI-BT, holds a subsidiary, Viva iTrust MTN Pte. Ltd.

Following the completion of the Merger on 15 October 2018, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT. VI-REIT was subsequently renamed as Viva Trust. VI-BT, which was dormant, was wound up in December 2018.

At the time of the Merger, the Group considered whether the Merger represented the acquisition of business or the acquisition of assets. The Group accounted for the Merger as assets acquisition as a business combination requires an integrated set of activities to be acquired in addition to the properties.

In determining whether an integrated set of activities was acquired, the Group considered whether significant processes such as strategic management and operational processes were acquired. Where significant processes are acquired, the acquisition is considered an acquisition of a business. Where the acquisition of the subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities.

The Group assessed and presented the Merger as assets acquisition as no strategic management function and operational processes were acquired along with the portfolio of nine investment properties.

Merger related costs

With the Merger being accounted for as assets acquisition, the premium over the fair value of net assets of VIT was allocated to investment properties and written off as fair value adjustments relating to the Merger upon completion.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. INVESTMENTS IN SUBSIDIARIES

	Trust	
	2019 \$'000	2018 \$'000
Unquoted equity investment, at cost	1,148,771	1,173,978
Impairment losses	(304,000)	–
	844,771	1,173,978

Impairment losses

During the year, the Trust recognised an impairment loss of \$304.0 million against its investment in subsidiaries. This amount relates predominantly to the premium paid for the merger with Viva Trust which could not be substantiated by the value of the net assets of Viva Trust. The impairment loss has no impact on distributable income.

Composition of the Group

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2019 %	2018 %
ESR-MTN Pte. Ltd.^	Provision of financial and treasury services	Singapore	100	100
Cambridge SPV1 LLP^	Investment, management, leasing and redevelopment of properties	Singapore	100*	100
ESR-SPV2 Pte. Ltd.^	Investment holding	Singapore	100	100
7000 AMK LLP^ (converted from 7000 AMK Pte. Ltd. on 1 February 2018)	Property investment and other related businesses	Singapore	80	80
Viva Trust^ (formerly known as Viva Industrial Real Estate Investment Trust)	Property investment and other related businesses	Singapore	100	100
Held through Viva Trust:				
Viva iTrust MTN Pte. Ltd.^	Provision of financial and treasury services	Singapore	100*	100

^ Audited by Ernst & Young LLP, Singapore.

* In the process of being struck-off.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries

2018

Merger with VIT

On 15 October 2018, the Group completed its merger with VIT by way of a trust scheme of arrangement. VIT owns a portfolio of nine properties. VIT, which comprised VI-REIT and VI-BT, holds a subsidiary, Viva iTrust MTN Pte. Ltd.

Following the completion of the Merger on 15 October 2018, VIT was delisted from the Official List of SGX-ST. VI-REIT ceased to be an authorised collective investment scheme and became a wholly-owned sub-trust of ESR-REIT. VI-REIT was subsequently renamed as Viva Trust. VI-BT, which was dormant, was wound up in December 2018.

The purchase consideration was settled by way of the issuance of 1,561.2 million new Units at an issue price of \$0.54 and a cash consideration of \$93.6 million. The Merger was accounted for as an asset acquisition. Any premium over the fair value of net assets at the Merger date was allocated to investment properties and written off as fair value change upon completion.

The fair value of identifiable assets and liabilities of VIT as at 15 October 2018 (the Merger date) and the cashflow effect of the Merger were as follows:

	Fair Value recognised on Merger 2018 \$'000
Investment properties	(1,257,717)
Trade and other receivables	(5,840)
Cash and cash equivalents	(28,148)
Trade and other payables	53,947
Income tax payable	785
Interest-bearing borrowings	561,764
Fair value of net assets acquired	(675,209)
Premium over the fair value of net assets acquired	(261,519)
Total purchase consideration paid	(936,728)
Effect of the Merger with VIT on cashflows:	
Purchase consideration paid	(936,728)
<u>Less:</u>	
Cash and cash equivalents acquired	28,148
Consideration paid in Units	843,055
Net cash outflow on Merger net of cash acquired	(65,525)

Details of the investment properties are shown in the Investment Properties Portfolio Statement. Investment properties are leased to non-related parties under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Put option for 20% interest in 7000 AMK LLP

As part of the acquisition in 2017, ESR-REIT granted a put option to Ho Lee Properties Pte Ltd ("HLP"), the owner of the remaining 20% interest in 7000 AMK LLP, that provides HLP with the right to require ESR-REIT to purchase its 20% interest in 7000 AMK LLP at a price of no less than \$60.0 million (the "Put Option"). As the Put Option contains an obligation for ESR-REIT to purchase the remaining 20% interest in 7000 AMK LLP, the 20% non-controlling interest in 7000 AMK LLP has been accounted for by the Group as a financial liability (see Note 12). The Put Option, which expired on 13 December 2019, has been extended for a further term of 12 months.

As at 31 December 2019, the Put Option remains unexercised and HLP's 20% share of the results of 7000 AMK LLP has been allocated to non-controlling interest, which has been accounted for and classified as a current liability. Upon the exercise of the Put Option, the amount recognised as financial liability at that date will be extinguished by the payment made by ESR-REIT to HLP.

6. INVESTMENT IN JOINT VENTURE

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Unquoted equity investment, at cost	44,648	-	44,648	-
Impairment losses	(1,465)	-	(1,465)	-
Share of results	(1,519)	-	-	-
Distribution received	(1,858)	-	-	-
	39,806	-	43,183	-

On 17 June 2019, ESR-REIT entered into a joint venture arrangement with Poh Tiong Choon Logistics Limited ("PTC") to jointly set up a limited liability partnership, PTC Logistics Hub LLP ("PTC LLP"), in which ESR-REIT has 49% interest. PTC LLP is established in Singapore as a strategic venture in property investment. The Group jointly controls the venture with PTC under a contractual agreement that requires unanimous consent for all major decisions over the relevant activities of PTC LLP.

On 7 August 2019, PTC LLP completed the acquisition of an investment property located at 48 Pandan Road at a purchase consideration of \$225.0 million under a sale-and-leaseback arrangement with Poh Tiong Choon Logistics Limited for an initial lease term of ten years with fixed annual rental escalations.

The cost of investment of the 49% interest in PTC LLP amounted to \$44,648,000 which included acquisition fee of \$1,103,000 paid to the Manager (Note 26).

During the year, impairment losses of \$1,465,000 were made against the investment. This amount represents predominantly the transaction costs incurred by the Trust in relation to its investment in the joint venture which could not be substantiated by the value of the Trust's share of net assets of PTC LLP at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6. INVESTMENT IN JOINT VENTURE (CONT'D)

Summarised financial information of the joint venture, based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statement of financial position of PTC LLP:

	Group	
	2019 \$'000	2018 \$'000
Current assets, including cash and cash equivalents of \$1,808,094	2,470	-
Non-current assets, including investment property of \$225,000,000	240,130	-
Current liabilities	(1,434)	-
Non-current liabilities, including long-term borrowings of \$145,109,550	(159,930)	-
Net assets	81,236	-
Proportion of the Group's ownership	49%	-
Group's share in net assets	39,806	-
Carrying amount of the Group's investment	39,806	-

Summarised statement of comprehensive income of PTC LLP:

	Group	
	2019 \$'000	2018 \$'000
Revenue	6,544	-
Property expenses	(126)	-
Other operating expenses	(172)	-
Change in fair value of investment property	(7,174)	-
Net finance costs	(2,173)	-
Loss before tax	(3,101)	-
Income tax expense	-	-
Loss for the year, representing total comprehensive loss for the year	(3,101)	-
Proportion of the Group's ownership	49%	-
Group's share of loss for the year	(1,519)	-

The joint venture has no other contingent liabilities or commitments as at 31 December 2019. PTC LLP cannot distribute its taxable profits without the consent from the joint venture partners.

7. LOANS TO SUBSIDIARIES (TRUST)

The loans to subsidiaries are unsecured and bear interest at rates based on ESR-REIT's prevailing cost of debt. Interest is payable in arrears on a quarterly basis.

The loans are repayable at dates mutually agreed by the parties, which are not likely to occur within the next 12 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables (gross)				
- Non related parties	2,633	3,841	1,477	1,400
Less: Impairment losses	(173)	-	(173)	-
Trade receivables (net)	2,460	3,841	1,304	1,400
Deposits	2,857	3,148	1,619	1,455
Other receivables				
- Subsidiaries	-	-	15,874	23,423
- Non related parties	4,676	3,033	1,347	4,090
	4,676	3,033	17,221	27,513
Financial assets carried at amortised cost	9,993	10,022	20,144	30,368
Prepayments	2,110	1,122	74	167
Total trade and other receivables	12,103	11,144	20,218	30,535

Trade receivables are non-interest bearing and are generally on 14 days credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables due from subsidiaries are non-trade related, non-interest bearing and repayable on demand.

The Group's primary exposure to credit risk arises from its trade and other receivables. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Concentration of credit risk relating to trade receivables is limited due to the Group's large number and diverse range of tenants. The maximum exposure to credit risk for trade and other receivables is represented by the carrying amount at the reporting date.

Impairment losses

The ageing of trade receivables at the reporting date is as follows:

	Gross receivables	Impairment losses	Gross receivables	Impairment losses
	2019 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Group				
Past due 0 – 30 days	1,065	-	1,669	-
Past due 31 – 120 days	1,125	(134)	1,932	-
More than 120 days past due	443	(39)	240	-
	2,633	(173)	3,841	-
Trust				
Past due 0 – 30 days	557	-	738	-
Past due 31 – 120 days	657	(134)	605	-
More than 120 days past due	263	(39)	57	-
	1,477	(173)	1,400	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Impairment losses (cont'd)

The movements in impairment loss in respect of trade receivables are as follows:

	Group and Trust	
	2019 \$'000	2018 \$'000
At 1 January	-	1,163
Written off	-	(1,163)
Charge for the year	173	-
At 31 December	173	-

Trade receivables are individually assessed for impairment on an ongoing basis.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other than the above, the Manager believes that no additional allowance is necessary in respect of the remaining trade receivables as these receivables are mainly due from tenants that have good payment records and sufficient securities in the form of bankers' guarantees, insurance bonds or cash security deposits as collaterals.

The Group's and the Trust's exposure to credit risk related to trade and other receivables are disclosed in Note 28.

9. TRADE AND OTHER PAYABLES

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current liabilities				
Trade payables and accrued operating expenses	22,851	33,050	9,082	21,081
Amounts due to related parties (trade):				
- the Manager	2,799	3,543	2,258	2,283
- the Property Manager	1,240	841	923	214
- the Trustee	165	163	116	112
Amount due to subsidiaries (non-trade)	-	-	795	10,795
Amount due to joint venture	315	-	315	-
Interest and loan commitment fee payable	6,285	6,100	5,493	5,308
Security deposits	9,259	8,332	4,027	3,564
Rent received in advance	2,178	2,175	1,007	881
Retention sums	1,364	1,812	1,172	1,511
Distribution payable to non-controlling interest	970	808	-	-
Other payables	380	1,406	167	107
	47,806	58,230	25,355	45,856
Non-current liability				
Security deposits	20,000	16,129	10,484	7,860
Total trade and other payables	67,806	74,359	35,839	53,716

The amounts due to related parties and subsidiaries are unsecured, non-interest bearing and repayable on demand. Transactions with related parties are priced on terms agreed between the parties.

Retention sums relate to certain investment properties acquired in prior years.

The Group and the Trust's exposure to liquidity risk related to trade and other payables are disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. LEASES

As a lessee

The Group is required to pay land rent, whether annually or on an upfront land premium basis to JTC and CapitaLand for properties in its portfolio. The annual land rent payable is based on market land rent for the relevant year and any increase in annual land rent from year to year shall not exceed 5.5% of the annual land rent for the respective properties for the immediate preceding year.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Lease liabilities for leasehold land			
	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January (upon initial recognition)	226,351	-	170,928	-
Re-measurement due to change in lease rates	1,136	-	1,136	-
De-recognition due to divestment of investment property	(759)	-	(759)	-
Accretion of interest	10,799	-	8,232	-
Payments	(8,708)	-	(8,708)	-
Effect of interest and payments borne by tenants	(1,138)	-	(1,138)	-
At 31 December	227,681	-	169,691	-
Current	2,608	-	2,608	-
Non-current	225,073	-	167,083	-

The following are the amounts recognised in the Statement of Total Return:

	Group	
	2019 \$'000	2018 \$'000
Change in fair value of right-of-use of leasehold land	(2,091)	-
Finance costs on lease liabilities for leasehold land	10,799	-
Net amount recognised in Statement of Total Return	8,708	-

As a lessor

The Group's investment properties are leased to tenants under operating leases. The remaining lease terms of the leases range from less than one year to 22 years. Certain leases include a fixed annual rental escalation clause to enable upward revision of the rental charge on an annual basis. Rental income recognised by the Group during the year is \$236,676,000 (2018: \$151,559,000).

Future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Receivable:				
- Within 1 year	229,455	219,150	91,148	99,911
- After 1 year but within 5 years	464,391	491,427	193,018	196,499
- After 5 years	196,999	248,521	166,711	201,251
	890,845	959,098	450,877	497,661

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. INTEREST-BEARING BORROWINGS

	Group		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current liabilities				
Unsecured loans	-	282,569	-	282,569
Fixed rate notes (unsecured)	160,000	-	-	-
Loan from a subsidiary (unsecured)	-	-	160,000	-
Unamortised loan transaction costs	(74)	(648)	(74)	(648)
	159,926	281,921	159,926	281,921
Non-current liabilities				
Unsecured loans	990,000	785,000	990,000	785,000
Fixed rate notes (unsecured)	50,000	210,000	50,000	50,000
Loan from a subsidiary (unsecured)	-	-	-	160,000
Unamortised loan transaction costs	(8,802)	(8,718)	(8,802)	(8,718)
	1,031,198	986,282	1,031,198	986,282
Total interest-bearing borrowings	1,191,124	1,268,203	1,191,124	1,268,203

The weighted average all in cost of debt as at 31 December 2019 was 3.9% per annum (2018: 3.8% per annum).

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	← 2019 →		← 2018 →	
			Face value \$'000	Gross carrying amount \$'000	Face value \$'000	Gross carrying amount \$'000
Group						
Unsecured						
Term loan facilities	SOR* + margin	2021 to 2024	880,000	872,040	725,000	716,788
Revolving credit facilities	SOR* + margin	2021 to 2022	110,000	109,299	342,569	341,870
Medium Term Notes	3.95% to 4.10%	2020 to 2023	210,000	209,785	210,000	209,545
			1,200,000	1,191,124	1,277,569	1,268,203
Trust						
Unsecured						
Term loan facilities	SOR* + margin	2021 to 2024	880,000	872,040	725,000	716,788
Revolving credit facilities	SOR* + margin	2021 to 2022	110,000	109,299	342,569	341,870
Medium Term Notes	3.95%	2023	50,000	49,859	50,000	49,817
Loans from a subsidiary	3.95% to 4.10%	2020	160,000	159,926	160,000	159,728
			1,200,000	1,191,124	1,277,569	1,268,203

* Swap Offer Rate.

The nominal interest rate for the S\$ floating rate loans is determined by an interest margin plus SOR per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. INTEREST-BEARING BORROWINGS (CONT'D)

As at the reporting date, the Group has in place unsecured borrowings comprising:

(A) Term loans and revolving credit facilities

- (i) loan facility of \$150 million from CIMB Bank Berhad, Singapore Branch ("TLF1") consisting of:
 - Facility A: \$100 million term loan facility maturing in May 2024 at an interest margin plus SOR; and
 - Facility B: \$50 million revolving credit facility maturing in May 2022 at an interest margin plus SOR.
- (ii) loan facility of \$200 million from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") maturing in June 2021 ("TLF2") consisting of:
 - Facility A: \$25 million term loan facility at an interest margin plus SOR for 4.75 years from the date of loan drawn down; and
 - Facility B: \$175 million revolving credit facility at an interest margin plus SOR, of which \$25 million has been cancelled during the year.
- (iii) loan facility of \$700 million from a syndicate of four banks comprising United Overseas Bank Limited, HSBC, Malayan Banking Berhad, Singapore Branch and RHB Bank Berhad ("TLF3") consisting of:
 - Facility A: \$160 million term loan facility maturing in October 2021 at an interest margin plus SOR;
 - Facility B: \$180 million term loan facility maturing in October 2022 at an interest margin plus SOR;
 - Facility C: \$160 million term loan facility maturing in October 2023 at an interest margin plus SOR; and
 - Facility D: \$200 million revolving credit facility at an interest margin plus SOR, which has been fully repaid and cancelled during the year.
- (iv) term loan facility of \$100 million from BNP Paribas, Singapore Branch maturing in October 2023 ("TLF4") at an interest margin plus SOR.
- (v) club loan facility of \$155 million from three banks comprising Australia and New Zealand Banking Group Limited, Singapore Branch, CTBC Bank Co., Ltd., Singapore Branch, and Standard Chartered Bank, Singapore Branch ("TLF5") consisting of:
 - Facility A: \$75 million term loan facility maturing in March 2022 at an interest margin plus SOR; and
 - Facility B: \$80 million term loan facility maturing in March 2023 at an interest margin plus SOR.

As at 31 December 2019, the total amounts outstanding under the term loan and revolving credit facilities were \$880 million and \$110 million respectively.

(B) Unsecured Medium Term Notes

On 2 February 2012, ESR-REIT, through its wholly owned subsidiary, ESR-MTN Pte. Ltd. (the "Issuer"), established a \$500 million multi-currency medium term note programme (the "MTN Programme"). The MTN Programme was modified and renamed as \$750 million multi-currency debt issuance programme (the "Debt Issuance Programme") in March 2016 to allow the issue of medium term notes (the "Notes") and/or perpetual securities (the "Perps") by either the Trust or the Issuer.

Under the Debt Issuance Programme, the Trust and/or the Issuer may, subject to compliance with all relevant laws, regulations, and directives, from time to time issue the Notes/Perps denominated in Singapore dollars and/or any other currencies. The payment of all amounts payable in respect of the Notes/Perps are unconditionally and irrevocably guaranteed by RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (the "Guarantor").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. INTEREST-BEARING BORROWINGS (CONT'D)

(B) Unsecured Medium Term Notes (cont'd)

The Notes/Perps may be issued in series having one or more issue dates and the same maturity date, and on identical terms.

The Group has issued the following Notes under its Debt Issuance Programme:

- \$30 million 6-year Fixed Rate Notes (the "Series 002 Notes") issued in April 2014, bearing a fixed interest rate of 4.10% per annum payable semi-annually in arrears which will mature in April 2020;
- \$130 million 5-year Fixed Rate Notes (the "Series 004 Notes") issued in May 2015, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2020; and
- \$50 million 7-year Fixed Rate Notes (the "Series 005 Notes") issued in May 2016, bearing a fixed interest rate of 3.95% per annum payable semi-annually in arrears which will mature in May 2023.

The Issuer has on-lent the net proceeds from the issuance of the Series 002 Notes and Series 004 Notes to the Trust, which in turn, had used such proceeds to finance property acquisitions and/or repayment of existing loans. The Series 005 Notes were issued directly by the Trust.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	2018 \$'000	Cash flows* \$'000	Amortisation of loan transaction costs \$'000	2019 \$'000
Bank loans	1,058,658	(80,755)	3,436	981,339
Fixed rate notes	209,545	-	240	209,785
	1,268,203	(80,755)	3,676	1,191,124

* The cash flows included an upfront loan transaction cost of \$3.2 million relating to new loan facilities.

12. AMOUNT DUE TO NON-CONTROLLING INTEREST

This relates to the 20% non-controlling interest in 7000 AMK LLP (converted from 7000 AMK Pte. Ltd. with effect from 1 February 2018), which has been accounted for and classified as a current liability due to the Put Option granted by ESR-REIT to HLP that provides HLP with the right to require ESR-REIT to purchase its 20% interest in 7000 AMK LLP as disclosed in Note 5.

13. AMOUNT DUE TO A SUBSIDIARY (TRUST)

The amount due to a subsidiary relates to the transfer of property at 3 Tuas South Avenue to ESR-REIT from one of its subsidiaries in 2017, which has been settled in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Trust			
	2019		2018	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Interest rate swaps				
Non-current	-	(22,276)	-	(16,289)

The Group uses interest rate swaps to manage its exposure to interest rate movements on its floating rate borrowings by swapping the interest rates on such borrowings from floating rates to fixed rates.

At 31 December 2019, the Group has entered into interest rate swap contracts with a total notional amount of \$855.0 million (2018: \$855.0 million) to provide fixed rate funding for a weighted average tenor of approximately 4.0 years (2018: 3.7 years). Under these interest rate swap contracts, the Group pays interest at a weighted average fixed interest rate of 2.3% (2018: 2.3%) per annum and receives interest based on SOR.

15. PERPETUAL SECURITIES

In November 2017, ESR-REIT issued \$150.0 million of perpetual securities. The key terms and conditions are as follows:

- the perpetual securities confer a right to receive distribution at a rate of 4.6% per annum, with the first distribution rate reset falling on 3 November 2022 and subsequent resets occurring every five years thereafter;
- distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative;
- the perpetual securities constitute direct, unsecured and subordinated obligations of ESR-REIT and rank pari passu and without any preference among themselves and with any Party Obligations (as defined in the conditions of the issuance) of the Trust; and
- the perpetual securities may be redeemed at the option of ESR-REIT in whole, but not in part, on 3 November 2022 or on any distribution payment date thereafter and otherwise upon the occurrence of certain redemption events specified in the conditions of the issuance.

The perpetual securities are classified as equity instruments and recorded as equity in the Statement of Financial Position. The \$151.1 million (2018: \$151.1 million) presented in the Statement of Financial Position represents the carrying value of the \$150.0 million perpetual securities issued and the total return attributable to the perpetual securities holders. The issue costs were deducted from the Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. UNITS IN ISSUE

	Group and Trust	
	2019 Number of Units '000	2018 Number of Units '000
Units in issue:		
At 1 January	3,170,173	1,313,623
Issue of new Units:		
- Management fees paid in Units	15,915	1,449
- Distribution Reinvestment Plan	8,937	7,229
- Acquisition fees paid in Units pursuant to the Merger	-	23,808
- Partial consideration paid in Units pursuant to the Merger	-	1,561,214
- Private placement	194,174	-
- Preferential offering	98,117	262,850
Total issued Units at 31 December	3,487,316	3,170,173

During the financial year ended 31 December 2019, the Trust issued the following new Units:

- (i) 15.9 million new Units amounting to approximately \$8.4 million at issue prices ranging from \$0.5048 to \$0.5351 per Unit as partial payment of base management fees to the Manager and property management fees to the Property Manager;
- (ii) 8.9 million new Units amounting to approximately \$4.6 million at an issue price of \$0.5123 per Unit in lieu of distribution payments pursuant to the Distribution Reinvestment Plan ("DRP"), whereby the Unitholders have the option to receive their distribution payment in Units instead of cash or a combination of Units and cash;
- (iii) 194.2 million new Units amounting to approximately \$100.0 million at an issue price of \$0.5150 per Unit pursuant to a private placement in June 2019; and
- (iv) 98.1 million new Units amounting to approximately \$50.0 million at an issue price of \$0.5100 per Unit pursuant to a preferential offering in October 2019.

During the previous financial year ended 31 December 2018, the Trust issued the following new Units:

- (i) 7.2 million new Units amounting to approximately \$4.0 million at an issue price of \$0.5577 per Unit in lieu of distribution payments pursuant to the DRP;
- (ii) 262.8 million new Units amounting to approximately \$141.9 million at an issue price of \$0.5400 per Unit pursuant to a preferential offering in March 2018;
- (iii) 1.4 million new Units amounting to approximately \$0.7 million at an issue price of \$0.4999 per Unit as partial payment for base management fees to the Manager;
- (iv) 23.8 million new Units amounting to approximately \$11.7 million at an issue price of \$0.4919 per Unit as payment for acquisition fees to the Manager for the Merger with VIT; and
- (v) 1,561.2 million new Units amounting to approximately \$843.0 million at an issue price of \$0.5400 as partial consideration paid in Units pursuant to the Merger with VIT.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. UNITS IN ISSUE (CONT'D)

Unitholders' rights

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 include 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. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or any estate or interest in any asset (or part thereof) of the Trust;
- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and
- one vote per Unit.

The limitations on a Unitholder's rights include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to redeem his Units while the Units are listed on the SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Unit in the Trust. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of the Trust exceed its assets.

17. GROSS REVENUE

	Group	
	2019	2018
	\$'000	\$'000
Property rental income	236,676	151,559
Other income	16,368	5,357
	253,044	156,916

18. PROPERTY EXPENSES

	Group	
	2019	2018
	\$'000	\$'000
Property Manager's fees paid and payable in:		
- cash	8,314	6,683
- Units ⁽¹⁾	2,360	-
	10,674	6,683
Land rental expenses ⁽²⁾	-	8,324
Property tax	18,059	11,260
Repair and maintenance expenses	17,468	10,708
Other property operating expenses	18,913	7,905
	65,114	44,880

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. PROPERTY EXPENSES (CONT'D)

- ⁽¹⁾ Includes approximately \$0.7 million paid to the Property Manager subsequent to the reporting date by way of an issuance of 1.4 million new Units to the Property Manager at an issue price of \$0.5308 per Unit.
- ⁽²⁾ Due to the adoption of FRS 116 on 1 January 2019, land rental expenses for the current financial year have been presented as "finance costs on lease liabilities for leasehold land" and "change in fair value of right-of-use of leasehold land" in the Statement of Total Return. Please refer to Notes 2.4 and 10 for further details on the adoption of FRS 116.

19. MANAGEMENT FEES

	Group	
	2019	2018
	\$'000	\$'000
Base fees paid and payable in:		
- cash	8,435	7,248
- Units ⁽¹⁾	6,491	2,557
	14,926	9,805

- ⁽¹⁾ Includes approximately \$1.6 million (2018: \$1.8 million) paid to the Manager subsequent to the reporting date by way of an issuance of 2.9 million (2018: 3.6 million) new Units to the Manager at an issue price of \$0.5308 (2018: \$0.5048) per Unit.

There was no Performance Fee payable for the financial year as the Trust did not outperform the initial Highest DPU Threshold of 6.000 cents for the financial year ended 31 December 2019. Please refer to Note 1B(b) for further details on the Performance Fee structure.

20. TRUST EXPENSES

	Group	
	2019	2018
	\$'000	\$'000
Auditor's remuneration:		
- audit fees	305	217
- non-audit fees	103	110
Trustee's fees	764	469
Valuation fees	140	129
Professional fees	348	382
Other expenses	918	584
	2,578	1,891

Other expenses comprise investor relations costs, compliance costs, listing fees and other non-property related expenses.

In addition to the auditor's remuneration disclosed above, the auditors were paid \$373,000 for services rendered relating to the Merger in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. BORROWING COSTS

	Group	
	2019	2018
	\$'000	\$'000
Borrowing costs paid and payable:		
- bank loans	34,521	12,933
- financial derivatives	4,417	90
- fixed rate notes	8,340	12,918
Amortisation of transaction costs relating to debt facilities	3,883	1,501
	51,161	27,442

22. INCOME TAX EXPENSE

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019	2018
	\$'000	\$'000
Reconciliation of tax expense		
Total return/(loss) for the year before income tax	9,949	(228,299)
Income tax using Singapore tax rate of 17% (2018: 17%)	1,691	(38,811)
Income not subject to tax	(8)	(22)
Non-tax deductible items	19,947	52,363
Tax transparency	(21,604)	(13,433)
Income tax expense	26	97

During the current financial year, the Trust disposed of an investment property and the resultant gain was assessed to be capital in nature and not subject to tax.

23. EARNINGS AND DISTRIBUTION PER UNIT

(a) Basic earnings per Unit

The calculation of basic earnings per Unit is based on the total return attributable to Unitholders and the weighted average number of Units in issue for the financial year.

	Group	
	2019	2018
	\$'000	\$'000
Total return/(loss) after income tax	9,923	(228,396)
Less:		
Non-controlling interest	(3,843)	(4,166)
Amount reserved for distribution to perpetual securities holders	(6,900)	(6,900)
Total loss attributable to Unitholders	(820)	(239,462)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. EARNINGS AND DISTRIBUTION PER UNIT (CONT'D)

(a) Basic earnings per Unit (cont'd)

	Number of Units	
	2019 '000	2018 '000
Weighted average number of Units:		
- Units issued at beginning of year	3,170,173	1,313,623
Effect of issue of new Units:		
- Management fees paid in Units	6,578	127
- Distribution Reinvestment Plan	5,019	6,080
- Acquisition fees paid in Units pursuant to the Merger	-	4,957
- Partial consideration paid in Units pursuant to the Merger	-	325,075
- Preferential offering	21,236	200,918
- Private placement	100,545	-
	<u>3,303,551</u>	<u>1,850,780</u>
	Group	
	2019	2018
Basic earnings per Unit (cents)	<u>(0.025)</u>	<u>(12.938)</u>

(b) Diluted earnings per Unit

Diluted earnings per Unit is the same as basic earnings per Unit as there were no dilutive instruments in issue during the current and previous financial years.

(c) Distribution per Unit

The calculation of distribution per Unit is based on the total amount available for distribution and the number of Units entitled to distribution during the financial year.

	Group	
	2019 \$'000	2018 \$'000
Total amount available for distribution	123,366	75,327
Amount reserved for perpetual securities holders	(6,900)	(6,900)
Distribution from other gains	16,100	6,039
Amount available for distribution to Unitholders	<u>132,566</u>	<u>74,466</u>
Distribution per Unit (cents)	<u>4.011</u>	<u>3.857</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. EQUITY ISSUE COSTS

	Group and Trust	
	2019	2018
	\$000	\$000
Equity issue costs:		
- Distribution reinvestment plan	103	74
- Preferential offering	1,556	1,177
- Private placement	2,156	-
	3,815	1,251

The equity issue costs are deducted directly against Unitholders' funds.

25. COMMITMENTS

Capital commitments

As at the reporting date, the Group had \$2.8 million (2018: \$4.1 million) of capital commitments in respect of asset enhancement initiatives and capital expenditure for investment properties that had been authorised and contracted for but not provided for in the consolidated financial statements. These projects are targeted to be completed in 2020.

26. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Manager or the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Manager and the party are subject to common significant influence. Related parties may be individuals or other entities. The Manager and the Property Manager are indirect subsidiaries of a substantial Unitholder of the Trust.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. RELATED PARTIES (CONT'D)

Other than as disclosed elsewhere in the financial statements, there were the following significant related party transactions carried out in the normal course of business on terms agreed between the parties:

	Group	
	2019	2018
	\$'000	\$'000
ESR Funds Management (S) Limited (the Manager)		
Management fees paid and payable in:		
- cash	8,435	7,126
- Units	6,491	2,557
Acquisition fees paid and payable in:		
- cash	1,103	958
- Units	-	11,711
Divestment fees paid in cash	29	120
Viva Industrial Trust Management (S) Pte. Ltd. (Manager of Viva Trust)		
Management fees paid in cash	-	122
ESR Property Management (S) Pte. Ltd. (Subsidiary of immediate holding company of the Manager)		
Property and lease management fees paid and payable in:		
- cash	5,044	4,488
- Units	2,360	-
Lease marketing services commission paid and payable in cash	2,556	2,139
Project management fees paid and payable in cash	58	216
RBC Investor Services Trust Singapore Limited (the Trustee)		
Trustee fees paid and payable	574	429
Perpetual (Asia) Limited (the Sub-trust Trustee)		
Trustee fees paid and payable	190	41

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. FAIR VALUE MEASUREMENT

Valuation processes applied by the Group

The Group has an established control framework with respect to the measurement of fair values. This framework includes a real estate team that reports directly to the Chief Executive Officer of the Manager, and has an overall responsibility for all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Manager's Board.

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to entire measurement (with Level 3 being the lowest).

The Group recognises any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no such transfers during the current and previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. FAIR VALUE MEASUREMENT (CONT'D)

(b) *Assets and liabilities measured at fair value*

The table below shows an analysis of each class of assets and liabilities of the Group and the Trust measured at fair value as at the end of the reporting period:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
2019				
Non financial assets				
Investment properties (including right-of-use assets)	-	-	3,162,081	3,162,081
Derivatives				
Derivative financial instruments	-	(22,276)	-	(22,276)
2018				
Non financial assets				
Investment properties (including investment property held for divestment)	-	-	3,021,900	3,021,900
Derivatives				
Derivative financial instruments	-	(16,289)	-	(16,289)
Trust				
2019				
Non financial assets				
Investment properties (including right-of-use assets)	-	-	1,573,491	1,573,491
Derivatives				
Derivative financial instruments	-	(22,276)	-	(22,276)
2018				
Non financial assets				
Investment properties (including investment property held for divestment)	-	-	1,458,200	1,458,200
Derivatives				
Derivative financial instruments	-	(16,289)	-	(16,289)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. FAIR VALUE MEASUREMENT (CONT'D)

(c) *Level 2 fair value measurements*

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Financial derivatives

The fair value of derivative financial instruments such as interest rate swaps (Level 2 fair values) are based on valuation statements from banks that are the counterparties of the transactions. These quotes are tested for reasonableness by discounting estimated future cashflows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(d) *Level 3 fair value measurements*

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 3 of the fair value hierarchy:

Investment properties

Investment properties are stated at fair value based on valuations as the reporting date performed by independent professional valuers, having appropriate recognised professional qualifications and experience in the location and category of property being valued. Independent valuations are obtained annually for all investment properties. Any change in the fair value is recorded in the Statement of Total Return.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the reporting date between a willing seller and a willing buyer in an arm's length transaction after proper marketing wherein the parties has each acted knowledgeably, prudently and without compulsion.

In determining the fair values, the valuers have used valuation methods including direct comparison method, capitalisation approach and discounted cash flows in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The capitalisation approach capitalise an income stream into a present value using a market-corroborated capitalisation rate. The discounted cash flows method involves the estimation of an income stream over a period and discounting the income stream with an expected internal rate of return and terminal yield.

The fair values of investment properties of the Group and the Trust as at the reporting dates were \$3.16 billion (2018: \$3.02 billion) and \$1.57 billion (2018: \$1.46 billion), respectively.

The above fair values have been classified as Level 3 fair values based on the inputs to the valuation techniques used.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. FAIR VALUE MEASUREMENT (CONT'D)

(d) Level 3 fair value measurements (cont'd)

The following table shows the key unobservable inputs in Level 3 fair value measurement used in the valuation model:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Investment properties and investment property held for divestment</i>		
Discounted cash flow approach, direct comparison approach and capitalisation approach	<ul style="list-style-type: none"> Market rental growth ranges from 1.5% to 6.8% (2018: 1.6% to 6.15%) per annum. Adjusted price (psm) of \$838 to \$1,981 (2018: \$1,075 to \$1,723) Risk-adjusted discount rates of 7.5% to 8.0% (2018: 7.5% to 8.0%) Capitalisation rates of 5.25% to 7.25% (2018: 5.25% to 7.0%) Terminal yield rates of 5.50% to 7.75% (2018: 5.50% to 7.25%) 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> expected market rental growth were higher/(lower); the adjusted price psm were higher/(lower); the risk-adjusted discount rates were lower/(higher); the capitalisation rates were lower/(higher); or the terminal yield rates were lower/(higher)

Key unobservable inputs correspond to:

- Market rental growth, adjusted price psm, capitalisation and terminal yield rates derived from specialised publications from the industrial market and recent sales in the industrial sector.
- Discount rates, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the increased risk of investing in the asset class.

The reconciliation of investment properties for the financial year for Level 3 fair value measurements is shown in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. FAIR VALUE MEASUREMENT (CONT'D)

(e) *Assets and liabilities not measured at fair value for which fair value is disclosed*

The table below shows an analysis of other non-current assets and liabilities of the Group and the Trust not measured at fair value for which fair value is disclosed:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
2019				
Liabilities				
Fixed rate notes	210,242	-	-	210,242
2018				
Liabilities				
Fixed rate notes	209,936	-	-	209,936
Trust				
2019				
Liabilities				
Fixed rate notes	50,038	-	-	50,038
Loans from a subsidiary	-	160,204	-	160,204
	50,038	160,204	-	210,242
2018				
Liabilities				
Fixed rate notes	49,723	-	-	49,723
Loans from a subsidiary	-	160,213	-	160,213
	49,723	160,213	-	209,936

Determination of fair values for fixed rate notes and loans from a subsidiary

The fair values of the fixed rate notes are determined based on the quoted bid prices in an active market as at the reporting date. The fair values of the loans from a subsidiary are deemed to be the same as those of the fixed rate notes issued by the subsidiary as there is a back-to-back loan arrangement between the Trust and the subsidiary (Level 2).

(f) ***Fair value of financial instruments by classes that are not carried at fair value and whose amounts are reasonable approximation of fair value***

The carrying amounts of the current financial assets and liabilities of the Group and the Trust approximated their fair values due to their short maturity period. The carrying amounts of the non-current floating rate borrowings of the Group and the Trust approximated their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. FAIR VALUE MEASUREMENT (CONT'D)

(g) Classification of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts shown in the Statement of Financial Position, are as follows:

	Note	Financial assets at amortised cost \$'000	Fair value through profit or loss \$'000	Financial liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$'000
Group						
2019						
Trade and other receivables*	8	9,993	-	-	9,993	9,993
Cash and cash equivalents		15,662	-	-	15,662	15,662
Loans and borrowings	11	-	-	(1,191,124)	(1,191,124)	(1,191,581)
Trade and other payables^	9	-	-	(62,823)	(62,823)	(62,823)
Derivative financial instruments	14	-	(22,276)	-	(22,276)	(22,276)
		25,655	(22,276)	(1,253,947)	(1,250,568)	(1,251,025)
2018						
Trade and other receivables*	8	10,022	-	-	10,022	10,022
Cash and cash equivalents		17,664	-	-	17,664	17,664
Loans and borrowings	11	-	-	(1,268,203)	(1,268,203)	(1,268,593)
Trade and other payables^	9	-	-	(71,581)	(71,581)	(71,581)
Derivative financial instruments	14	-	(16,289)	-	(16,289)	(16,289)
		27,686	(16,289)	(1,339,784)	(1,328,387)	(1,328,777)
Trust						
2019						
Trade and other receivables*	8	20,144	-	-	20,144	20,144
Cash and cash equivalents		8,200	-	-	8,200	8,200
Loans and borrowings	11	-	-	(1,191,124)	(1,191,124)	(1,191,581)
Trade and other payables^	9	-	-	(33,749)	(33,749)	(33,749)
Derivative financial instruments	14	-	(22,276)	-	(22,276)	(22,276)
		28,344	(22,276)	(1,224,873)	(1,218,805)	(1,219,262)
2018						
Trade and other receivables*	8	30,368	-	-	30,368	30,368
Cash and cash equivalents		6,560	-	-	6,560	6,560
Loans and borrowings	11	-	-	(1,268,203)	(1,268,203)	(1,268,593)
Trade and other payables^	9	-	-	(53,888)	(53,888)	(53,888)
Derivative financial instruments	14	-	(16,289)	-	(16,289)	(16,289)
		36,928	(16,289)	(1,332,091)	(1,301,452)	(1,301,842)

* Excludes prepayments.

^ Excludes rent received in advance and GST payable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to credit risk, liquidity risk and interest rate risk.

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management process to ensure an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit, Risk Management and Compliance Committee ("ARCC") oversees how management monitors compliance with the Trust's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Trust. The ARCC is assisted in its oversight role by Internal Audit. Internal Audit, which is outsourced to a public accounting firm, undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARCC.

The following sections provide details regarding the Group's and Trust's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) **Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group and the Trust, as and when they fall due.

The Manager has established credit limits for tenants and monitors the amounts receivable from tenants on an on-going basis. Credit evaluations are performed by the Manager before lease agreements are entered into with the tenants. In addition, the Group and the Trust require the tenants to provide tenancy security deposits or corporate guarantees, or to assign rental proceeds from sub-lessees to the Group and the Trust. For cash and cash equivalents, the Group and the Trust minimise credit risk by dealing exclusively with high credit rating counterparts.

The Manager establishes an allowance for impairment loss, based on a specific loss component that relates to individually significant exposures, that represents its estimate of expected losses in respect of trade and other receivables.

Credit risk concentration profile

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment history with the Group. Cash deposits are placed with financial institutions which are reputable and regulated.

Financial assets that are past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 8 (Trade and other receivables). As at the reporting date, the Group and the Trust had no other financial assets which it had been determined to be impaired and there are no allowances for impairment loss provided for.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturity of financial assets and liabilities.

The Manager monitors the liquidity risk of the Group on an on-going basis. The Group's objective is to maintain a level of cash and cash equivalents deemed adequate by the Manager to finance the Group's operations. Typically, the Manager ensures that the Group has sufficient cash on demand and committed revolving credit facilities to meet expected operating expenses for a reasonable period, including the servicing of financial obligations; but this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Analysis of financial instruments by remaining contracted maturities

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	Within 1 year \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
2019				
Non-derivative financial liabilities				
Term loan facilities	(29,463)	(935,446)	-	(964,909)
Revolving credit facilities	(4,094)	(111,672)	-	(115,766)
Medium Term Notes	(165,115)	(54,935)	-	(220,050)
Trade and other payables*	(42,823)	(20,000)	-	(62,823)
Amount due to non-controlling interest	(61,074)	-	-	(61,074)
Lease liabilities	(11,637)	(46,548)	(401,551)	(459,736)
	(314,206)	(1,168,601)	(401,551)	(1,884,358)
Derivative financial liabilities				
Interest rate swaps	(7,582)	(13,616)	-	(21,198)
	(321,788)	(1,182,217)	(401,551)	(1,905,556)
2018				
Non-derivative financial liabilities				
Term loan facilities	(119,093)	(690,811)	-	(809,904)
Revolving credit facilities	(192,289)	(168,983)	-	(361,272)
Medium Term Notes	(7,260)	(220,087)	-	(227,347)
Trade and other payables*	(55,452)	(16,129)	-	(71,581)
Amount due to non-controlling interest	(61,074)	-	-	(61,074)
	(435,168)	(1,096,010)	-	(1,531,178)
Derivative financial liabilities				
Interest rate swaps	(3,540)	(10,586)	-	(14,126)
	(438,708)	(1,106,596)	-	(1,545,304)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contracted maturities (cont'd)

	Within 1 year \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trust				
2019				
Non-derivative financial liabilities				
Term loan facilities	(29,463)	(935,446)	-	(964,909)
Revolving credit facilities	(4,094)	(111,672)	-	(115,766)
Medium Term Notes	(1,975)	(54,935)	-	(56,910)
Loans from a subsidiary	(163,140)	-	-	(163,140)
Trade and other payables*	(23,265)	(10,484)	-	(33,749)
Lease liabilities	(11,637)	(46,548)	(303,802)	(361,987)
	(233,574)	(1,159,085)	(303,802)	(1,696,461)
Derivative financial liabilities				
Interest rate swaps	(7,582)	(13,616)	-	(21,198)
	(241,156)	(1,172,701)	(303,802)	(1,717,659)
2018				
Non-derivative financial liabilities				
Term loan facilities	(119,093)	(690,811)	-	(809,904)
Revolving credit facilities	(192,289)	(168,983)	-	(361,272)
Medium Term Notes	(1,688)	(56,910)	-	(58,598)
Loans from a subsidiary	(5,572)	(163,177)	-	(168,749)
Trade and other payables*	(46,028)	(7,860)	-	(53,888)
	(364,670)	(1,087,741)	-	(1,452,411)
Derivative financial liabilities				
Interest rate swaps	(3,540)	(10,586)	-	(14,126)
	(368,210)	(1,098,327)	-	(1,466,537)

* Excludes rent received in advance and GST payable.

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relates primarily to its interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. The Manager adopts a policy of ensuring that the majority of the Group's exposures to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps and fixed rate borrowings.

As at the reporting date, the Group has entered into interest rate swap contracts to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional amounts of the unsecured bank loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk (cont'd)

As at 31 December 2019, the Group has fixed 88.8% (2018: 83.4%) of its interest rate exposure by entering into interest rate swaps and fixed rate borrowings. The Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges after taking into account the prevailing market conditions.

Sensitivity analysis for variable rate instruments

For the variable rate instruments, a change of 100 basis points ("bps") in interest rates at the end of the reporting period would have increased/(decreased) Unitholders' funds and total return by the amounts shown below. The analysis assumes that all other variables remain constant.

	Total Return		Unitholders' Funds	
	100 bps increase \$'000	100 bps decrease \$'000	100 bps increase \$'000	100 bps decrease \$'000
Group				
2019				
Variable rate instruments				
Interest-bearing borrowings				
- Interest expense	(1,350)	1,350	(1,350)	1,350
2018				
Variable rate instruments				
Interest-bearing borrowings				
- Interest expense	(2,126)	2,126	(2,126)	2,126

29. CAPITAL MANAGEMENT

The Manager's objective when managing capital is to optimise Unitholders' value through the mix of available capital sources which include debt, equity and other financial instruments, whilst complying with statutory and constitutional capital and distribution requirements, maintaining gearing, interest service coverage and other ratios within approved limits.

The Group is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the CIS code. The CIS code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's deposited property. As at the reporting date, the Aggregate Leverage of the Group is 41.5% (2018: 41.9%) which is in compliance with the Aggregate Leverage limit of 45.0%.

The Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As part of its finance policy, the Board of the Manager (the "Board") proactively reviews the Group's capital and debt management regularly so as to optimise the Group's funding structure to meet its investment opportunities. The Board also monitors the Group's exposure to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. SEGMENT REPORTING

Segment information is presented based on the information reviewed by ESR-REIT's Chief Operating Decision Makers ("CODMs") for performance assessment and resource allocation.

As each investment property is mainly used for industrial (including warehousing) purposes, these investment properties are similar in terms of economic characteristics, nature of services and type of customers. The CODMs are of the view that the Group has only one reportable segment – Leasing of investment properties. This forms the basis of identifying the operating segments of ESR-REIT under FRS 108 *Operating Segments*. No geographical segment information has been presented as all of the Group's investment properties are located in Singapore.

31. FINANCIAL RATIOS

	2019 %	2018 %
Expenses to weighted average net assets ⁽¹⁾		
- including performance component of management fees	1.14	1.12
- excluding performance component of management fees	1.14	1.12
Portfolio turnover rate ⁽²⁾	0.38	2.29

⁽¹⁾ The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property related expenses, borrowing costs and income tax expense.

⁽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.

32. SUBSEQUENT EVENTS

Subsequent to the reporting date, the following significant events occurred:

(a) *New loan facility*

On 28 February 2020, the Trust entered into a \$200 million unsecured loan facility with MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation, Singapore Branch consisting of:

- Facility A: \$150 million term loan facility maturing in February 2024 at an interest margin plus SOR; and
- Facility B: \$50 million revolving loan facility maturing in February 2024 at an interest margin plus SOR.

(b) *Issuance of new Units*

- (i) On 14 February 2020, the Trust issued 4.3 million new Units amounting to approximately \$2.3 million at an issue price of \$0.5308 per Unit as partial payment for base management fees to the Manager and property management fees to the Property Manager.
- (ii) On 9 March 2020, the Trust issued 14.4 million new Units amounting to approximately \$7.7 million at an issue price of \$0.5317 per Unit in lieu of distribution payments pursuant to the DRP.

33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board on 18 March 2020.

ADDITIONAL INFORMATION

(A) INTERESTED PERSON TRANSACTIONS (“IPTs”)

Transactions entered into with interested persons during the financial year falling under the SGX-ST Listing Rules and the Property Funds Appendix of the CIS (excluding transactions of less than \$100,000 each) are as follows:

Name of Entity	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Unitholders’ mandate pursuant to Rule 920 of the SGX-ST Listing Rules) \$’000	Aggregate value of all IPTs conducted under the Unitholders’ mandate pursuant to Rule 920 of the SGX-ST Listing Rules (excluding transactions less than \$100,000) \$’000
ESR Funds Management (S) Limited (the “Manager”)		
Management fees paid and payable in:		
- cash	8,435	-
- Units	6,491	-
Acquisition fees paid in cash	1,103	-
ESR Property Management (S) Pte Ltd (Subsidiary of immediate holding company of the Manager)		
Property and lease management fees paid and payable in:		
- cash	5,044	-
- Units	2,360	-
Lease marketing services commissions paid and payable in cash	2,556	-
RBC Investor Services Trust Singapore Limited (the “Trustee”)		
Trustee fees paid and payable	574	-
Perpetual (Asia) Limited (the “Sub-trust Trustee”)		
Trustee fees paid and payable	190	-

ADDITIONAL INFORMATION

(A) INTERESTED PERSON TRANSACTIONS (“IPTs”) (CONT'D)

Saved as disclosed above, there were no additional interested person transactions (excluding transactions of less than \$100,000 each) entered into up to and including 31 December 2019 nor any material contracts entered by ESR-REIT or any of its subsidiaries that involve the interests of the CEO, any Directors or any controlling Unitholder of the Trust.

Please also see Related Parties in Note 26 to the financial statements.

As set out in ESR-REIT’s Prospectus dated 14 July 2006, fees and charges payable by ESR-REIT to the Manager under the Trust Deed are not subject to Rule 905 and Rule 906 of the SGX-ST Listing Rules.

The Group has not obtained a general mandate from Unitholders pursuant to Rule 920 for any interested person transactions.

(B) RATIO OF TOTAL OPERATING EXPENSES TO NET ASSET VALUE

The revised CIS issued by MAS on 14 July 2015 requires that the total operating expenses (including all fees and charges paid to the Manager) be disclosed in both absolute terms and as a percentage of the net asset value of the Trust as at the end of the financial year.

The total operating expenses of the Trust, including all fees and charges paid to the Manager and interested parties to net asset value as at the reporting dates are as follows:

	2019	2018
	\$'000	\$'000
Property expenses	65,114	44,880
Management fees	14,926	9,805
Trust expenses	2,578	1,891
Borrowing costs	51,161	27,442
Finance costs on lease liabilities for leasehold land	10,799	-
Total operating expenses	<u>144,578</u>	<u>84,018</u>
Net asset value	1,508,576	1,479,668
Ratio of total operating expenses to net asset value (%)	9.6	5.7

ADDITIONAL INFORMATION

(C) USE OF PROCEEDS RAISED FROM OFFERINGS PURSUANT TO CHAPTER 8 OF THE LISTING MANUAL

Gross proceeds of \$150.0 million raised pursuant to the private placement of 194,174,000 new Units completed on 26 June 2019 and the pro rata and non-renounceable preferential offering of 98,117,183 new Units completed on 14 October 2019 (together, the "Equity Fund Raising") has been used in the following manner:

Intended Use of Proceeds	Amount Allocated (S\$ million)	Aggregate Amount Utilised to Date (S\$ million)	Balance Proceeds Pending Utilisation (S\$ million)
To fully finance the total acquisition costs for 48 Pandan Road	44.4	44.4	-
To fully finance the proposed asset enhancements at 7000 Ang Mo Kio Avenue 5 and UE BizHub East	45.7	-	45.7
To repay existing indebtedness	56.8	56.8	-
To pay for the transaction related expenses including the underwriting and selling commission and expenses related to the Equity Fund Raising	3.1	3.1	-
Total	150.0	104.3	45.7

The use of proceeds from the Equity Fund Raising set out above is in accordance with the stated use and in accordance with the percentage of the gross proceeds of the Equity Fund Raising allocated to such use as set out in our announcement dated 17 June 2019 titled "Launch of Equity Fund Raising to Raise Gross Proceeds of Up To Approximately \$150.0 Million".

STATISTICS OF UNITHOLDERS

as at 11 March 2020

ISSUED AND FULLY PAID-UP UNITS

3,506,051,101 Ordinary Units (voting rights: one vote per Unit)

Market Capitalisation S\$1,753,025,551 (based on closing price of S\$0.50 as at 11 March 2020)

Size of Unitholdings	No. of Units	% of Units in Issue	No. of Unitholders	% of Unitholders
1 - 99	14,927	0.00	344	2.45
100 - 1,000	464,839	0.01	723	5.14
1,001 - 10,000	23,764,140	0.68	4,430	31.49
10,001 - 1,000,000	501,431,180	14.30	8,491	60.37
1,000,001 and above	2,980,376,015	85.01	78	0.55
Total	3,506,051,101	100.00	14,066	100.00

TWENTY LARGEST UNITHOLDERS

As shown in the Register of Unitholders

No.	Name	No. of Units	% of Units in Issue
1	CITIBANK NOMINEES SINGAPORE PTE LTD	1,171,628,178	33.42
2	DB NOMINEES (SINGAPORE) PTE LTD	326,313,612	9.31
3	DBS NOMINEES PTE LTD	306,150,201	8.73
4	RHB BANK NOMINEES PTE LTD	279,925,807	7.99
5	RAFFLES NOMINEES (PTE) LIMITED	166,942,684	4.76
6	DBSN SERVICES PTE LTD	154,605,728	4.41
7	HSBC (SINGAPORE) NOMINEES PTE LTD	82,539,522	2.35
8	UNITED ENGINEERS DEVELOPMENTS PTE LTD	49,684,385	1.42
9	MEIBAN INVESTMENT PTE LTD	34,339,455	0.98
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	32,509,924	0.93
11	ESR FUNDS MANAGEMENT (S) LIMITED	30,605,531	0.87
12	MITSUI AND CO LTD	26,432,353	0.75
13	RHB SECURITIES SINGAPORE PTE LTD	25,294,236	0.72
14	GOH TIONG YONG	21,200,519	0.60
15	PHILLIP SECURITIES PTE LTD	18,783,325	0.54
16	OCBC SECURITIES PRIVATE LTD	18,251,267	0.52
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	15,031,775	0.43
18	OCBC NOMINEES SINGAPORE PTE LTD	14,174,919	0.40
19	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	13,930,164	0.40
20	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	13,036,879	0.37
		2,801,380,464	79.90

STATISTICS OF UNITHOLDERS

as at 11 March 2020

INTERESTS OF SUBSTANTIAL UNITHOLDERS

The interests of the substantial Unitholders in Units as recorded in the Register of Substantial Unitholders as 11 March 2020 are set out below.

Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	%*	No. of Units	%*	No. of Units	%*
Tong Jinquan	172,802,987	4.93	904,911,729 ^[1]	25.81	1,077,714,716	30.74
Shanghai Summit (Group) Co., Ltd	-	-	670,209,878 ^[2]	19.12	670,209,878	19.12
Longemont Real Estate Pte Ltd	-	-	670,209,878 ^[2]	19.12	670,209,878	19.12
Leading Wealth Global Inc	670,209,878	19.12	-	-	670,209,878	19.12
Shanghai Summit Pte Ltd	-	-	234,701,851 ^[3]	6.69	234,701,851	6.69
Wealthy Fountain Holdings Inc	190,924,226	5.45	-	-	190,924,226	5.45
ESR Cayman Limited	-	-	314,963,693 ^[4]	8.98	314,963,693	8.98
e-Shang Jupiter Cayman Limited	-	-	314,963,693 ^[4]	8.98	314,963,693	8.98
e-Shang Infinity Cayman Limited	279,925,807	7.98	35,037,886 ^[5]	1.00	314,963,693	8.98

* Based on substantial Unitholders' disclosures in respect of interest in securities.

[1] Mr. Tong Jinquan is the sole shareholder of Shanghai Summit (Group) Co., Ltd and Shanghai Summit Pte. Ltd. Each of Shanghai Summit (Group) Co., Ltd and Shanghai Summit Pte. Ltd. is deemed to be interested in 670,209,878 Units and 234,701,851 Units, respectively. Therefore, Mr. Tong Jinquan is deemed to be interested in the 904,911,729 Units held by Shanghai Summit (Group) Co., Ltd and Shanghai Summit Pte. Ltd.

[2] Shanghai Summit (Group) Co., Ltd is the sole shareholder of Longemont Real Estate Pte. Ltd., which is in turn the sole shareholder of Leading Wealth Global Inc. Therefore, each of Shanghai Summit (Group) Co., Ltd and Longemont Real Estate Pte. Ltd. is deemed to be interested in the 670,209,878 Units held by Leading Wealth Global Inc.

[3] Shanghai Summit Pte. Ltd. is the sole shareholder of Wealthy Fountain Holdings Inc and Skyline Horizon Consortium Ltd, and owns 25.0% equity interest in the Manager. Each of Wealthy Fountain Holdings Inc, Skyline Horizon Consortium Ltd and the Manager holds 190,924,226 Units, 13,172,094 Units and 30,605,531 Units, respectively. Therefore, Shanghai Summit Pte. Ltd. is deemed to be interested in the 234,701,851 Units held by Wealthy Fountain Holdings Inc, Skyline Horizon Consortium Ltd and the Manager.

[4] ESR Cayman Limited is the sole shareholder of e-Shang Jupiter Cayman Limited, which is in turn the sole shareholder of e-Shang Infinity Cayman Limited. Therefore, each of ESR Cayman Limited and e-Shang Jupiter Cayman Limited is deemed to be interested in the 314,963,693 Units held by e-Shang Infinity Cayman Limited.

[5] e-Shang Infinity Cayman Limited indirectly owns 67.3% equity interest in the Manager and 100.0% equity interest in ESR Property Management (S) Pte. Ltd. Each of the Manager and ESR Property Management (S) Pte. Ltd. holds 30,605,531 Units and 4,432,355 Units, respectively. Therefore, e-Shang Infinity Cayman Limited is deemed to be interested in the 35,037,886 Units held by the Manager and ESR Property Management (S) Pte. Ltd.

STATISTICS OF UNITHOLDERS

as at 11 March 2020

DIRECTOR'S INTEREST

The interests of the Directors in Units, as recorded in the Register of Directors' Unitholdings as at the Latest Practicable Date, are set out below.

Directors	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Mr. Ooi Eng Peng	-	-	-	-	-	-
Mr. Bruce Kendle Berry	-	-	-	-	-	-
Mr. Philip John Pearce	-	-	-	-	-	-
Mr. Jeffrey David Perlman	-	-	-	-	-	-
Dr. Leong Horn Kee	102,400	0.0029	-	-	102,400	0.0029
Mr. Ronald Lim Cheng Aun	148,800	0.0042	-	-	148,800	0.0042
Ms. Stefanie Yuen Thio	148,527	0.0042	-	-	148,527	0.0042
Mr. Wilson Ang Poh Seong	3,631,736	0.1036	-	-	3,631,736	0.1036
Mr. Tong Jinqun	172,802,987	4.9287	904,911,729	25.8100	1,077,714,716	30.7387
Mr. Adrian Chui Wai Yin	-	-	-	-	-	-

FREE FLOAT

Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10.0% of its listed securities are at all times held by the public. Based on the information made available to the Manager as at 11 March 2020, approximately 61.2% of ESR-REIT's Units are held by the public and therefore, Rule 723 of the listing Manual of the SGX-ST has been complied with.

(1) The percentage interest is based on Units in issue as at 11 March 2020.

ESR-REIT

(A Unit trust constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

REQUEST FORM

8 April 2020

Dear Unitholder,

We are pleased to enclose the Notice of Meeting and Proxy Form for the upcoming Annual General Meeting.

As part of our sustainability efforts and in line with ESR-REIT's Trust Deed, the Code on Collective Investment Schemes and the SGX Listing Rules, electronic copy of the Annual Report for the financial year ended 31 December 2019 (the "Annual Report 2019") has been uploaded onto SGXNET and ESR-REIT's website from the date of this letter, and may be accessed and downloaded at <https://www2.sgx.com/securities/company-announcements> and <https://esr-reit.listedcompany.com/ar.html>. You will need an internet browser and PDF reader to view these documents.

If you wish to receive a printed copy of the Annual Report 2019, please indicate your preference by completing and signing the request form below and returning it to us no later than **16 April 2020**.

For avoidance of doubt, your latest request supersedes any earlier requests received by us.

By providing us with the information required in the request form below, you agree and acknowledge that we and/or our service providers may collect, use and disclose your personal data provided by you for the purpose of processing and effecting your request.

We look forward to seeing you at our Annual General Meeting.

Yours faithfully

For and on behalf of
ESR Funds Management (S) Limited
(as manager of ESR-REIT)

Adrian Chui
Chief Executive Officer and Executive Director

**To: ESR Funds Management (S) Limited
(as manager of ESR-REIT)**

NB. Please tick the box below if you would like to receive a printed copy of the Annual Report 2019. We regret that we would not be able to process any incomplete or improperly completed forms.

[] I wish to receive a printed copy of the Annual Report 2019.

Name of Unitholder: _____ NRIC/ Passport No.: _____

The Units are held by me under or through:

				-					-					
--	--	--	--	---	--	--	--	--	---	--	--	--	--	--

CDP Securities Account number

CPFIS Account

Email: _____

Signature: _____ Date: _____

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**ESR Funds Management (S) Limited
(As Manager of ESR-REIT)**

B.A.C.S. Private Limited

c/o

8 Robinson Road

#03-00 ASO Building

Singapore 048544

2nd fold here

1st fold here

CORPORATE DIRECTORY

THE MANAGER

ESR Funds Management (S) Limited ("ESR-FM")

Company Registration Number:
200512804G
Capital Markets Services Licence
Number: 100132
Registered Office:
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#26-03/04 CapitaGreen
Singapore 048946
T: (65) 6222 3339
F: (65) 6827 9339
www.esr-reit.com.sg

BOARD OF DIRECTORS OF ESR-FM

Mr. Ooi Eng Peng
Independent Chairman

Mr. Bruce Berry
Independent Director

Dr. Leong Horn Kee
Independent Director

Mr. Ronald Lim
Independent Director

Ms. Stefanie Yuen Thio
Independent Director

Mr. Philip Pearce
Non-Executive Director

Mr. Jeffrey Perlman
Non-Executive Director

Mr. Tong Jinquan
Non-Executive Director

Mr. Wilson Ang
Non-Executive Director

Mr. Adrian Chui
CEO and Executive Director

ARCC

Mr. Bruce Berry
Chairman

Mr. Ooi Eng Peng
Member

Dr. Leong Horn Kee
Member

Mr. Ronald Lim
Member

Ms. Stefanie Yuen Thio
Member

NRC

Mr. Ooi Eng Peng
Chairman

Mr. Ronald Lim
Member

Mr. Jeffrey Perlman
Member

EXCO

Mr. Ooi Eng Peng
Chairman

Mr. Philip Pearce
Member

Mr. Jeffrey Perlman
Member

Mr. Adrian Chui
Member

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

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F: (65) 6593 4847

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Singapore Limited**
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Singapore 018960
T: (65) 6230 1988
F: (65) 6532 0215
www.rbcits.com

THE PROPERTY MANAGER

**ESR Property Management (S)
Pte. Ltd. ("ESR-PM")**
Company Registration Number:
200515344N
Registered Office:
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#26-03/04 CapitaGreen
Singapore 048946
T: (65) 6222 3339
F: (65) 6827 9339
www.esr-reit.com.sg

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Partner-in-charge:
Mr. Lee Wei Hock
(since financial year ended
31 December 2019)

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F: (65) 6808 1616
www.tmf-group.com

SGX CODE - ESR-REIT STOCK SYMBOL - J91U

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Ms. Gloria Low
Corporate Communications Manager
T: (65) 6827 9332
E: enquiry@esr-reit.com.sg

UNITHOLDER DEPOSITORY

The Central Depository (Pte) Limited

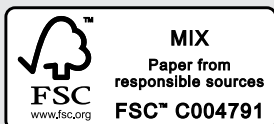
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