



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: IREIT Global Group Pte. Ltd.

Security: IREIT Global

Meeting details:

Date: 29 April 2019

Time: 2.00 p.m.

Venue: Meeting Rooms 300-301, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

Company Description

IREIT Global (SGX-UD1U) which was listed on 13 August 2014, is the first Singapore-listed real estate investment trust with the investment strategy of principally investing, directly or indirectly, in a portfolio of income-producing real estate in Europe which is used primarily for office, retail and industrial (including logistics) purposes, as well as real estate-related assets. IREIT Global's current portfolio comprises five freehold properties strategically located in the German cities of Berlin, Bonn, Darmstadt, Münster and Munich with a total net lettable area of approximately 200,600 sqm and 3,400 car park spaces. IREIT Global is managed by IREIT Global Group Pte. Ltd., a subsidiary of pan-European asset management and investment group Tikehau Capital.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=UD1U)

Q1. In the Letter to unitholders, it was mentioned that Tikehau Capital's acquisition of additional stakes in the manager and units of IREIT in July 2018 have "*strengthened its long-term commitment to grow IREIT and shown a greater alignment of interest with Unitholders over the long run*" (page 5 of the annual report).

As at 1 March 2019, Tikehau Capital SCA holds 52,602,742 unit (page 135). For reference, the base fee received by the manager amounted to €2,515,000 in 2018 and €2,598,000 in 2017. The REIT manager did not receive performance fees in 2017 and 2018. In 2016, the manager received 2,431,933 units as performance fees (~ €1.15 million)

- (i) Can the board help unitholders understand how the acquisition of additional stakes in the manager will give Tikehau Capital greater alignment of interest with unitholders?**
- (ii) Does Tikehau Capital have plans to obtain a substantial stake in the units of IREIT to truly show its alignment of interest with minority unitholders?**

On 12 March 2019, the manager received 1,338,159 in units as payment of the manager's management fee for the period 1 October 2018 to 31 December 2018. On 20 March 2019, the manager entered into a sale and purchase agreement with Tikehau Capital SCA and Goodness Investments Limited for the sale of 1,131,063 and 207,096 Units to Tikehau Capital SCA and Goodness Investments Limited respectively.

- (iii) Would the board help shareholders understand if there is an agreement with Goodness Investments to sell its units received by the manager as management fee units?**
- (iv) Does this signal that Tikehau is less than fully committed to the REIT?**
- (v) Would the manager/Tikehau be reviewing this arrangement?**

Q2. Would the board/REIT manager provide unitholders with better clarity on the following operational and financial matters? Specifically:

- (i) Valuation of portfolio:** The valuation of the 5 assets in the REIT's portfolio increased from €463 million to €505 million as at 31 December 2018. The "Fair Valuation and Disclosure of Fair Value for Investment Properties" is also a key audit matter highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 88). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period. Despite gross revenue and net property income slipping by (0.4)% and (2.8)% respectively, the valuation of the portfolio jumped by 9%. In particular, the valuation of Berlin Campus increased by 16% when its gross rental income was stable. **Would the REIT consider providing unitholders with the valuation**

methodology, key assumptions and unobservable inputs used in the valuation? Has the audit and risk committee (ARC) considered if the valuation of the REIT's portfolio has moved ahead of the fundamentals?

- (ii) **Weighted average term to maturity of borrowings:** As disclosed by the REIT, subsequent to the end of the financial year, all existing borrowings of €193.5 million were refinanced with new secured loan facilities of €200.8 million maturing in January 2026. The weighted average term to maturity increased from 1.1 years to 7.1 years. **Does the REIT manager consider it prudent to have its borrowings all maturing at the same time? Would the REIT manager be further staggering its debt maturity to reduce its refinancing risks?**
- (iii) **Property operating expenses:** As seen in Note 15 (page 122 – Property operating expenses), property operating expenses jumped from €3.4 million to €4.2 million, an increase of 21.8%. The bulk of the increase was due to Repair and maintenance expenses increasing from €1.30 million to €1.88 million in the year. **Can the manager update shareholders on the state of the buildings? Is the increase a one-off expense for FY2018 or does the manager expect the “Repair and maintenance expense” to remain at the elevated level of €1.88 million each year?**

Q3. As disclosed in the Corporate governance report, the REIT manager has elected to [early] adopt the Code of Corporate Governance 2018 (the “2018 Code”) in accordance with Amended Rule 710 of the Listing Manual of Singapore Exchange Securities Trading Limited.

With regard to the audit committee, Principle 10 of the 2018 Code requires the board to form an Audit Committee (“AC”) which discharges its duties objectively.

The manager has an Audit and Risk Committee (“ARC”) comprising Mr Tan Wee Peng, Kelvin (as chairman), Mr Lim Kok Min, John and Mr Nir Ellenbogen, all of whom are independent non-executive directors.

The key role of the ARC is to monitor and evaluate the adequacy and effectiveness of the manager’s internal controls and risk management system. The ARC’s responsibility includes reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and monitoring the procedures established to regulate related party transactions, including ensuring compliance and reviewing transactions constituting related party transactions.

The REIT outsources the internal audit function of the manager to “an independent assurance service provider”.

- (i) **Would the board/ARC identify the service provider?**

- (ii) **What was the scope and key findings of the internal audit carried out for the financial year ended 31 December 2018?**
- (iii) The REIT's ARC chairman, Mr Tan Wee Peng, Kelvin, was appointed on 14 July 2014. As seen from the profile of the director (page 10), Mr Tan holds other directorship in other listed companies and REIT, including as chairman of the audit committees in (the manager of) Sabana REIT, Shanghai Turbo Enterprises Ltd (up to 15 April 2017) and Transcorp Holdings Limited (up to 31 October 2018).

As the ARC has the key role of monitoring and evaluating the adequacy and effectiveness of the internal controls and risk management system, would the chairman of the ARC help unitholders understand his experience, expertise and track record in helping listed companies/REITs in the key areas mentioned above, and including his experience in dealing with conflict of interest situations, related party transactions and interested person transactions?

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=IREIT%20Global&cid=4524>

The company's response could be found here: -----