Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: First Real Estate Investment Trust
(Manager: First REIT Management Limited)

Stock code: AW9U

Meeting details:
Date: 25 April 2022
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The theme of the annual report is "Restructured • Refreshed • Ready to grow".

The REIT carried out a series of strategic initiatives to restructure the master lease agreements as well as to refinance and recapitalise its balance sheet. The trust has emerged refreshed with a renewed capital structure and ready to pursue sustainable long-term growth under its First REIT '2.0 Growth Strategy.

The REIT's portfolio now comprises 31 properties valued at $1.25 billion.

It includes the 12 nursing homes in Japan that were acquired on 1 March 2022. The Japan properties are freehold nursing homes and master-leased to independent, well-established and experienced local nursing home operators.

Details of the Japanese nursing homes can be found on pages 32 to 35 of the annual report.

(i) **Can the manager help unitholders understand the performance of the Japan nursing homes since the acquisition? Have the assets performed up to the managers' expectations?**

(ii) **What is the sentiment on the ground in Japan as the new Omicron wave spreads across the globe? Are the operations of the nursing homes affected by the government's pandemic management policies?**

(iii) **Has the manager reviewed the concentration risk of the nursing homes in Sapporo City, Hokkaido Prefecture? How is the manager addressing this concentration risk?**

(iv) **Can the manager clarify if there are rent reviews/fixed annual escalation or inflation-linked step-up mechanism in the leases with the nursing home operators? If not, is the income flat for the remainder of the lease term with the nursing home operators?**

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Q2. The four strategic growth pillars in the First REIT 2.0 Growth Strategy can be seen on page 3 of the annual report (reproduced below).

AT A **GLANCE**



(Source: Annual report 2021)

(i) **What are the other developed markets being evaluated by the manager?**

(ii) **Given the current market trends and uncertainties, including the widely expected interest rate hikes, is the manager pushing ahead with its portfolio repositioning (i.e. selling non-core assets, and acquiring new assets in developed markets)?**

(iii) The REIT manager has also just issued the "first-ever healthcare social bond in Singapore" as announced on 1 April 2022. The issue is a $100 million five-year guaranteed bond, paying 3.25% semi-annually in arrears, and guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank. **Can the manager elaborate further on the use of the proceeds from the healthcare social bond? Are the funds limited to investments in Indonesia? Is the manager looking at how it could leverage the new Japan assets to secure cheaper funds?**

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(iv) In addition, there is a growing focus by investors and society on sustainability, climate change and decarbonisation. The REIT's FY2021 performance highlights and targets relating to environmental factors are shown below.

	ENVIRONMENTAL	**Switching to more eco-friendly refrigerants**	• 9 out of the Trust's 15 hospitals in Indonesia purchased the new refrigerants
		Switching to LED light bulbs	• 100% of the Trust's Indonesia Hospitals • 63.9%[3] of the Trust properties in FY2021 (vs target of 68%)
		General waste at the Trust's Indonesia hospitals	• 2,395,000 kgs (2020: 2,300,000 kgs)
		Hazardous waste at the Trust's Indonesia hospitals	• 732,000 kgs (2020: 806,000 kgs)
		Reduction in Annual Report printing	• FY2021: 13,765 unitholders[4] 50 copies of annual report printed • FY2020: 14,213 unitholders 50 copies of annual report printed

[1] Excludes nursing homes in Japan
[2] Refers to the Manager
[3] Measured by GFA and portfolio includes nursing homes in Japan
[4] As at 17 March 2022

FY2021 Target	Performance for FY2021	FY2022 Target
Incorporate sustainability into vendor assessment	Achieved	Incorporate sustainability into vendor assessment
To start switching refrigerants in the Trust's hospitals in Indonesia to more eco-friendly and energy-efficient versions	Siloam has started replacing its old refrigerants and installed a more eco-friendly, energy-efficient and cheaper type of refrigerant to some hospitals. Currently, nine out of 15 of the Trust's Indonesia hospitals have purchased this refrigerant. Among the nine, two have installed the new refrigerant.	The remaining seven hospitals that have purchased the new refrigerants will undergo trial usage in 2022
To start the installation of flowmeters at the Trust's hospitals in Indonesia to monitor energy usage	None of the Indonesia hospitals had flowmeters installed, with installation planned for 2022.	All of the Trust's 15 hospitals in Indonesia to be installed with flowmeters
97.5% of all properties within the Trust's portfolio to use LED light bulbs	100.0% of the Trust's hospitals in Indonesia have switched to using LED lights in FY2021. Out of the Trust's portfolio, 63.9% of the properties are using LED lights in FY2021.	To increase the percentage of the Trust's portfolio switching to using LED lighting by 5%

(Source: annual report 2021)

(v) **Has the manager evaluated if there are other low hanging fruits that can be quickly implemented by the REIT to do its part for the environment?**

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(vi) **How energy efficient are the Japan nursing homes and the major hospitals in Indonesia? What are the financial and non-financial factors being considered by the manager when it is evaluating asset-enhancement to improve the green building ratings (such as CASBEE in Japan, BCA Green Mark in Singapore, or equivalent)?**

Q3. The restructured master lease agreements for the 11 hospitals that First REIT has leased to either PT Lippo Karawaci Tbk ("Lippo Karawaci") or Lippo Karawaci and certain subsidiaries of PT Siloam International Hospitals Tbk ("Siloam"), and the three hospitals leased to MPU (together, the "Affected Properties") have taken effect from 1 January 2021.

(i) **Following the restructuring of the master lease agreements ("MLAs"), have the master lessees been paying their rental payments on time without delay?**

In the previous financial year, the weighted average lease expiry of the REIT was 6.4 years as at 31 December 2020. Nevertheless, the manager entered into a restructuring of the MLAs for the 14 hospitals with Lippo Karawaci, Siloam and MPU as master lessess.

(ii) The lease expiry under each of the restructured MLAs for the Affected Properties is 31 December 2035. **How sustainable are the terms of the current master lease agreements? How does it reduce the risk of having the MLAs restructured (again) in the future?**

In addition, the REIT had also entered into settlement agreements with PT Saputra Karya ("PT SK"), an indirect wholly-owned subsidiary of Lippo Karawaci, resulting in a settlement amount of approximately $30.6 million to be paid to the REIT in instalments by 30 June 2022.

(iii) **Has PT SK been making the payments on time?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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