



Trust Management (Suntec) Limited

Suntec Real Estate Investment Trust
("Suntec REIT")



ANNUAL GENERAL MEETING ON 20 APRIL 2022

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS

ARA Trust Management (Suntec) Limited (the "Manager"), as manager of Suntec Real Estate Investment Trust ("Suntec REIT") would like to thank unitholders of Suntec REIT ("Unitholders") for submitting their questions in advance of Suntec REIT's Annual General Meeting ("AGM") to be held by electronic means at 2.30 p.m. on 20 April 2022.

The Manager will address the substantial and relevant questions with regards to the resolutions tabled. The Manager had also received a list of questions from Securities Investors Association (Singapore) ("SIAS"). Please refer to **Annex A** for the list of substantial and relevant questions and the Manager's responses to these questions.

For full details on Suntec REIT's financial results for the financial year ended 31 December 2021, please refer to Suntec REIT's 2021 Annual Report on Suntec REIT's website at <https://suntecreit.listedcompany.com/ar.html>.

By Order of the Board
ARA Trust Management (Suntec) Limited
(as manager of Suntec Real Estate Investment Trust)
(Company registration no. 200410976R)

Chong Kee Hiong
Director
20 April 2022

Annex A

Please refer to The Manager's responses to the questions as set out in the table below:

Acquisition

Questions	Responses
<p>1. Recent acquisitions have been outside of Singapore. Current assets under management ("AUM") outside of Singapore is 29%. Does the REIT intend to continue diversifying outside of Singapore? If so, what is the target allocation of AUM outside of Singapore?</p>	<p>As at 31 December 2021, Singapore, Australia and United Kingdom assets constitute approximately 71%, 17% and 12% of Suntec REIT's AUM respectively.</p> <p>Suntec REIT will remain Singapore-centric. Over the next few years, the proportion of AUM that is overseas is expected to be in the range of 30% to 40%. The Manager will continue to source for distribution per unit ("DPU") accretive opportunities in these countries to deliver long term value to Unitholders.</p>

Operation

Questions	Responses
<p>1. What was the overall portfolio rent reversion for FY2021? Does the portfolio expect positive rent reversions for the current financial year?</p> <p>2. 30% of leases (by Gross Rental Income) at the MBFC Properties are expiring in FY 2022. Does the Manager see significant risks of office tenants downsizing their requirements in the REIT's portfolio? Has the Manager received enquiries by tenants to reduce their office space given the work-from-home trend?</p>	<p><u>Singapore Office Portfolio</u></p> <p>The Singapore Office Portfolio recorded a positive rent reversion of 3.2% for FY 2021. For the current financial year, The Manager expects rent reversion to remain positive albeit moderated due to high expiry rents.</p> <p>Leases expiring at MBFC Properties in 2022 are mainly in the fourth quarter. Majority of these leases have been renewed. Marketing is underway for the spaces which are not renewed and these spaces have received healthy interest.</p> <p>With digitalisation and changes in organisational needs, some financial institutions at One Raffles Quay and MBFC Properties may consider right sizing. Any returned spaces are expected to be readily leased on the back of limited new supply in the market.</p> <p>While downsizing requirements were received in 2021, expansions by tenants outweighed downsizing requirements for the year.</p>

<p>3. How satisfied is the REIT Manager with the performance of the recently acquired assets in London?</p> <p>4. Suntec City Mall: Has footfall at the mall recovered to a pre-pandemic level? Rent reversion was -14.4% in FY2021 at Suntec City Mall. With nearly 30% of the leases (by Gross Rental Income) expiring in FY2022, what is the Manager's strategy to increase/maintain the rental income from the mall?</p> <p>5. Is Suntec Convention Centre fully operational? Or is it still closed? If it is opened, what is the utilisation rate? Does the Manager has visibility to the Meetings, Incentives, Conventions and Exhibitions ("MICE") operations at Suntec Convention following Singapore's gradual re-opening.</p>	<p><u>Australia Portfolio</u> Revenue is expected to be resilient underpinned by strong office occupancy, annual rent escalations and long weighed average lease expiry ("WALE").</p> <p><u>United Kingdom Portfolio</u> Nova Properties is fully occupied while the occupancy at The Minster Building was 96.7% as at 31 December 2021. These properties enjoy long WALE of 9.6 years and 11.1 years respectively with minimal lease expiry until 2027. Retail income for both properties is further supported by income guarantees which were negotiated during acquisition to protect against uncertainty arising from COVID-19 pandemic. Revenue will remain resilient for these newly acquired assets.</p> <p><u>Suntec City Mall</u> Rent reversion for Suntec City Mall for FY 2022 is expected to be weak as retailers remain cautious due to manpower shortages and rising operating costs. However, the Manager will continue to incorporate a higher gross turnover rent component as part of the rent structure such that the effective rent will increase in the event turnover of these tenants recover to pre-pandemic (2019) level.</p> <p>FY 2021 footfall had recovered to 66% of 2019 level. Overall tenant sales had however recovered at a faster rate to approximately 90% of 2019 level. The recently announced easing of border measures and Safe Management Measures ("SMMs") are expected to boost recovery of footfall from office, convention and tourists.</p> <p><u>Suntec Convention</u> Suntec Convention is fully operational. Although MICE, conferences and corporate / consumer events were affected by various SMMs over the last two years, the Manager had and will continue to identify and capture new revenue streams. With the recent significant easing of SMMs and the introduction of a new Vaccination Travel Framework, the Manager expects demand from larger-scale conferences and events to increase. International MICE events recovery will be slower due</p>
---	--

	to the longer lead time required to organise such large scale events. The domestic market will remain as the key driver for revenue recovery in 2022.
--	---

Capital Management and Accounting

Questions	Responses
<p>1. The aggregate leverage ratio is 43.7% as at 31 December 2021. The trust is possibly the S-REIT with the highest aggregate leverage listed on SGX. In the section on “Risk management” (page 66), the Manager has stated that it manages the REIT’s exposure to interest rate volatility through interest rate swaps. The Manager proactively seeks to mitigate interest rate risks and have hedged (or have fixed rates for) 53.4% of the REIT’s borrowings.</p> <p>i. What is management’s view of the interest rate trend going forward? How will rising interest rates affect the REIT and its distribution?</p> <p>ii. As shown in footnote (2) on page 13, DPU has largely trended down from 10.005 cents, to 9.988 cents, 9.507 cents, 7.402 cents and 8.666 cents for FY 2017, FY 2018, FY 2019, FY 2020 and FY 2021 respectively even as leverage increased. With a relatively high leverage ratio, will the REIT’s ability to maintain/increase the DPU be impaired when interest rates start to rise?</p> <p>2. The interest coverage ratio (“ICR”) is barely above the MAS</p>	<p>The general consensus is that interest rates are on an upward trend. However, the outlook remains uncertain given geo-political tensions. The Manager, cognizant of the rising interest rate environment and its impact on distribution, will strive to balance between optimal returns and leverage while maintaining an appropriate capital structure.</p> <p>The Manager manages the interest costs by striking a balance between fixed / hedged and floating interest rates. As at 31 December 2021, the proportion of borrowings with fixed / hedged interest rates was approximately 53%.</p> <p>The target aggregate leverage ratio for Suntec REIT is between 40% to 45% with adjusted interest coverage ratio (as defined by MAS) of 2.5 times or higher.</p> <p>The Manager will continue to strengthen the REIT’s balance sheet through active capital and portfolio management.</p> <p>The DPU cited included capital distribution, Without capital distribution, the DPU remains relatively stable over the years with the exception of FY2020 due to the COVID-19 pandemic:</p> <p>FY 2017: 8.907 cents FY 2018: 8.529 cent FY 2019: 8.570 cents FY 2020: 7.402 cents FY 2021: 8.666 cents</p>

<p>mandated 2.5x. If the ICR of Suntec REIT drops below 2.5x, the maximum permissible gearing limit is 45%, which only allows a small buffer given the REIT's current gearing of 43.7%. Are there plans by the REIT to reduce its gearing level? With the impending rise in interest rates, how does the company plan to adapt and manage in the rising interest rate environment?</p> <p>3. For the \$200 million perpetual securities issued in October 2020 and the \$150 million perpetual securities issued in June 2021, the REIT is paying 3.80% per annum and 4.25% per annum respectively. Why is the Manager using such expensive sources of fund? Is there sufficient "spread" between the cost of funding and the NPI yield? For instance, NPI yield for The Minster Building was just 4.5% compared to the 4.25% the REIT pays for the \$150 million perpetual securities issued in June 2021.</p> <p>4. For its Australian and UK portfolio, what are the levels of the natural currency hedge?</p> <p>5. In Page 151 of the annual report, a 50bps increase in interest rate would result in a \$20.3 million loss for a S\$4.0 billion loan. Could you explain how \$1.8 billion nominal interest rate swap would result in a gain of \$16.3 million.</p>	<p>The Manager diversifies its funding source through bank borrowings, divestments and/or the issuance of equity and perpetual securities.</p> <p>The acquisitions in the United Kingdom were funded through a combination of perpetual securities, bank borrowings and/or divestment proceeds. With the blended cost of funding, the acquisitions of Nova Properties and The Minster Building were both DPU accretive.</p> <p>The currency hedge for the Australian and UK portfolio was approximately 32% and 47% respectively as at 31 Dec 2021.</p> <p>The "gain" in relation to the \$1.8 billion nominal interest rate swap included a potential net gain on fair value of the financial derivatives. An increase in floating rate, relative to the fixed interest rate payable on the interest rate swaps, leads to changes in other factors that has a positive impact to the fair value of the interest rate swaps.</p>
---	--

Resolution 2

Questions	Responses
<p>1. Please explain the sizable rise in audit fees. It is 740k this year (2021), versus 547k (2020) and 507k (2019). I note we are still using the same audit firm KPMG. Why did audit fees increase by almost 200k, a more than 35% increase</p>	<p>The increase in audit fees were related to the increase in the number of entities and properties acquired/incorporated since December 2020.</p>

Others

Questions	Responses
<p>1. The REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited. ARA, in turn, has been acquired by ESR Group, which is Asia Pacific's leading real asset manager with its focus on the "New Economy".</p> <ul style="list-style-type: none">i. Can the Manager help unitholders understand if the acquisition of ARA by ESR Group has led to any strategic and/or operational changes?ii. Please (re)state the REIT's strategic long-term growth plans.iii. Can the Manager elaborate the support the REIT gets from ESR Group given that the latter is focused on "New Economy" assets?	<p>Suntec REIT is currently the largest listed REIT within the ESR portfolio. ESR has stated that it is committed to the long-term growth of all ESR-managed REITs including Suntec REIT. As part of ESR, Suntec REIT will be able to harness the strength of the bigger group as well as leverage on the enlarged group's network, strategic alliances and capital partners.</p> <p>The Manager continues to improve the resilience of the properties, strengthen the REIT's balance sheet through active capital and portfolio management and enhance Suntec REIT's income stability by sourcing for good quality, accretive assets to deliver sustainable returns and long-term value to unitholders.</p>

<p>2. Rent guarantee/income support: The group received "other income" of \$14.86 million which relates to the recognition of income support in relation to 21 Harris Street, Olderfleet, 477 Collins Street, Nova Properties and The Minster Building (Note 25 – Other income; page 165). Is the trust facing difficulties in filling up the vacant spaces in these properties or is the rental income below the minimum income as negotiated with the vendors? In the Manager's report (page 20), it was stated that the total rent guarantee received amounted to approximately \$16.4 million. This accounted for 0.575 cents of FY2021 DPU. Can the Manager clarify the difference between income support and rent guarantee? If so, what are the reasons for the different numbers? Is there a significant risk that rental income at these affected properties will not catch up when the income support ends?</p>	<p>Income support includes:</p> <p>(i) rent guarantee over vacant spaces - 21 Harris Street, 477 Collins Street and The Minster Building are newly completed/acquired buildings. As the leasing of the vacant units at these properties takes time, the rent guarantee provides an income stream during the vacancy period. Occupancy at 21 Harris Street, 477 Collins Street and The Minster Building were 91.0%, 98.3% and 96.7% respectively as at 31 December 2021. With improving occupancy, the amount of rent guarantee drawn will decrease over time.</p> <p>(ii) income top up for incentives granted by vendors of the properties to existing tenants, and;</p> <p>(iii) income guarantee for loss of retail income (including rent concessions granted to tenants). Income guarantee for Nova Properties and The Minster Building were negotiated during acquisition to protect the retail income amidst the uncertainty due to the COVID-19 pandemic.</p> <p>The figure cited on page 20 comprised part of the income support for 55 Currie Street which was included in gross revenue.</p>
<p>3. Is the Manager proceeding with the redevelopment of the retail podium and the construction of a new office tower at Southgate Complex given that the planning control amendments were approved by the authorities in December 2021? What is the expected capital expenditure?</p>	<p>In view of the volatility arising from the COVID-19 pandemic, the investment parameters will be reviewed.</p> <p>Further details will be provided when the detailed analyses have been completed.</p>

<p>4. Please elaborate on Australia and the UK's reopening status. Are Australia and the UK borders fully opened? Or are they only opened selectively? Is work from home still the norm in Australia and the UK or is it back to work from the office?</p>	<p>Australia and UK have reopened its borders, subject to each country's immigration requirements.</p> <p>Flexible or hybrid work arrangements remain an option for companies although more companies seemed to be encouraging staff to return to the office physically.</p>
<p>5. What is the frequency of DPUs payment for the next 2 years?</p>	<p>Suntec REIT's DPU is paid on a quarterly basis. Barring any unforeseen circumstances, the Manager expects to maintain the quarterly distribution in 2022.</p>
<p>6. Please explain why Suntec REIT once again decided not to hold physical AGM (or at least semi-physical ones) this year, when the rules are very much relaxed now and there is a huge convention centre available to demonstrate to other companies how a physical/semi-physical AGM can be held successfully.</p>	<p>The Notice of AGM was published on 29 March 2022. Although the relaxation of the Safe Management Measures was announced by the Government on 24 March 2022, all prior preparations and printing of necessary materials had been largely completed by 24 March 2022.</p> <p>To ensure an effective two-way communication with Unitholders, the AGM proceedings will be conducted with real-time electronic or "live" Q&A, and real-time electronic or "live" voting, to facilitate greater Unitholder engagement.</p>

ABOUT SUNTEC REIT

Listed on 9 December 2004, Suntec REIT holds properties in Suntec City, Singapore's largest integrated commercial development (including one of Singapore's largest shopping Mall), a 66.3% interest in Suntec Singapore Convention & Exhibition Centre, a one-third interest in One Raffles Quay, a one-third interest in Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall. Suntec REIT holds a 100% interest in a commercial building located at 177 Pacific Highway, Sydney, a 100% interest in a commercial building located at 21 Harris Street, Pyrmont, Sydney, a 50.0% interest in Southgate Complex, Melbourne, a 50.0% interest in a commercial building located at Olderfleet 477 Collins Street, Melbourne and a 100% interest in a commercial building located at 55 Currie Street, Adelaide, Australia. Suntec REIT also holds a 50.0% interest in Nova Properties and a 100% interest in The Minster Building both located in London, United Kingdom. Its aim is to invest in income-producing real estate which is primarily used for office and/or retail purposes. Suntec REIT is managed by an external manager, ARA Trust Management (Suntec) Limited. For more details, please visit www.suntecreit.com.

ABOUT ARA TRUST MANAGEMENT (SUNTEC) LIMITED

Suntec REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited ("ARA").

ARA is part of the ESR Group (the "Group"), APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140 billion in gross assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by the Group and its associates, ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Our purpose – Space and Investment Solutions for a Sustainable Future – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

More information is available at www.ara-group.com, www.esr.com.