

(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

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**RESPONSE TO QUERY FROM THE SGX-ST IN RELATION TO  
ESR-REIT ANNUAL REPORT 2019**

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ESR Funds Management (S) Limited, in its capacity as the manager of ESR-REIT (the "**Manager**"), refers to the following query raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 28 April 2020, and responds as follows:

**SGX-ST's Query:**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1(b) of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

**The Manager's Response:**

In relation to the variance from Provision 8.1(b) of the Code, the Manager had explained on Page 82 of the ESR-REIT Annual Report 2019 ("**AR2019**") [(points (i) to (iv))], the considerations taken into account in arriving at the decision not to disclose the remuneration of the other four key management personnel ("**KMP**") in bands of S\$250,000 or their aggregate total remuneration. In brief, the reasons are that (i) the remuneration of all personnel of the Manager is paid by the Manager rather than by ESR-REIT; (ii) the remuneration is not linked to the Manager's profitability; (iii) it is not in the interests of ESR-REIT and its Unitholders for such remuneration information to be disclosed in view of the sensitive and confidential nature of remuneration matters and competitive nature of the business environment; and (iv) the non-disclosure does not compromise good corporate governance on the part of the Manager as the Nominating and Remuneration Committee ("**NRC**") comprising independent and non-independent directors reviews the remuneration of KMP to ensure that they are fairly remunerated.

The disclosures on Pages 80 to 82 of the AR2019 are consistent with the intent of Principle 8 of the Code.

The remuneration policies and practices adopted by the Manager are set out in detail on Pages 80 and 81 of the AR2019. The Manager elaborates therein on the Manager's remuneration policy in the form of the Total Compensation Framework developed for the Manager by Aon-Hewitt, and explains the different remuneration components which are within the Total Compensation Framework. These remuneration components include fixed pay, fixed allowances, short-term incentive ("**STI**") bonus and long-term incentive ("**LTI**") plan.

In brief, for the STI bonus component, the Manager Corporate Scorecard sets a mixture of financial key performance indicators (“**KPIs**”) (such as distribution per unit (DPU), debt costs and operating costs) as well as non-financial KPIs (such as talent management, occupancy rate and risk management and control processes) for ESR-REIT for management, and in so doing, helps to align their interest with those of Unitholders.

Besides daily business-as-usual activities, given the growth profile and footprint of ESR-REIT, strategic transactions such as Mergers & Acquisitions or any other transformational deals are a key feature of ESR-REIT’s business plan, and require special and sustained attention, care and commitment. Within the STI component, an Additional Bonus Pool (ABP) is included to reward employees involved in such transactions, which vests over a three-year period.

The LTI plan, on the other hand, is to reward KMP for achieving the Manager’s strategic objectives which maximise Unitholders’ value, and is conditional upon the achievement of pre-determined performance targets over a three-year period.

As stated on Page 80 of the AR2019, the NRC reviews the remuneration of the Chief Executive Officer (CEO) and certain KMP annually or as and when there is a significant change in the structure of the Manager.

In summary, the Manager’s remuneration policies and practices, as well as the Total Compensation Framework are designed to support the implementation of ESR-REIT’s strategy and create value for Unitholders.

For more information, please refer to the AR2019.

## **BY ORDER OF THE BOARD**

### **ESR Funds Management (S) Limited**

As Manager of ESR-REIT

(Company Registration No. 200512804G, Capital Markets Services Licence No.100132)

#### **Adrian Chui**

Chief Executive Officer and Executive Director

30 April 2020

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## About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2019 holds interest in a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 15.1 million square feet and an aggregate property value of S\$3.2 billion<sup>1</sup>. 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 by namely, ESR Cayman Limited ("ESR") (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](http://www.esr-reit.com.sg).

## About the Sponsor, 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 31 December 2019, the fair 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\$22.1 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised over 17.2 million sqm in total. ESR has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 November 2019.

For more information on ESR, please visit [www.esr.com](http://www.esr.com).

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<sup>1</sup> 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 Standard (FRS) 116 Leases which became effective on 1 January 2019.

## Important Notice

The value of units in ESR-REIT (“**Units**”) and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited (“**Manager**”), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (“**Trustee**”), or any of their respective related corporations and affiliates (individually and collectively “**Affiliates**”). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses, governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support ESR-REIT’s future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.

This announcement is for information purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this announcement is not to be construed as investment or financial advice and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the Manager, the Trustee or any of the Affiliates.