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

ANNUAL GENERAL MEETING TO BE HELD ON 26 APRIL 2023

DETAILED RESPONSES TO KEY QUESTIONS FROM UNITHOLDERS

ESR-LOGOS Funds Management (S) Limited, as manager of ESR-LOGOS REIT (the "**Manager**") would like to thank all unitholders of ESR-LOGOS REIT ("**Unitholders**") who have summitted their questions in advance of our Annual General Meeting to be held on Wednesday, 26 April 2023 at 10.00 a.m. (Singapore time). The Manager's responses to the key questions received from Unitholders can be found in the Appendix to this announcement.

As there was substantial overlap between the questions received from Unitholders, we have, for Unitholders' easy reference and reading, summarised some of the questions and also grouped related and similar questions and our responses together. Accordingly, not all questions received from Unitholders may be individually addressed.

BY ORDER OF THE BOARD

ESR-LOGOS Funds Management (S) Limited
(Company Registration No.: 200512804G, Capital Markets Services Licence No.: CMS 100132)
(as Manager of ESR-LOGOS REIT)

Adrian Chui
Chief Executive Officer and Executive Director
21 April 2023

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Appendix

Asset and Investment Management

1) **For FY2022, the group's total loss after tax was S$271.4 million, mainly due to the S$427.1 million in fair value adjustments relating to the acquisition of ARA LOGOS Logistics Trust ("ALOG"). Has the ALOG portfolio performed up to expectations?**

   a) The fair value adjustment of S$427.1 million represents the write-off of acquisition-related costs and premium over the fair value of net assets of ARA LOGOS Logistics Trust upon completion of the merger on 22 April 2022 (the "Merger"). Such fair value adjustments are recognised on the Statement of Total Return but are not tax deductible and therefore, **have no impact on distributable income.**

   b) The REIT has already started seeing the benefits of the Merger as demonstrated by the positive portfolio rental reversions, which are primarily driven by the logistics sector. Since 1Q2022, E-LOG has seen 4 consecutive quarters of positive rental reversions. In addition, the REIT's Australia portfolio contributed in extending the REIT's weighted average land lease expiry (from 30.7 years to 37.4 years, a c.21.8% increase) given the longer land lease and freehold nature of the Australia assets. The Australia portfolio has also increased the weighted average lease expiry ("WALE") of E-LOG's portfolio as the Australia leases are typically on longer terms with built-in rental escalations. c 92.1% of the leases in the REIT's Australia portfolio have lease terms of 5 years or more with built-in rental escalations, providing rental growth stability

   c) The enlarged portfolio allowed E-LOG to enjoy economies of scale and have more bargaining power with tenants and property service providers. For example, CEVA Logistics, a top 20 tenant of E-LOG, renewed its lease at 15 Greenwich Drive, Singapore at a 20% positive rental reversion. The REIT also managed to obtain more favourable terms from service providers for service contracts that were entered into recently.

   d) Post-Merger, the FY2022 DPU was 0.4% higher than FY2021 DPU. More importantly, **2H2022 DPU was 7.5% higher than 2H2021 DPU**, which shows the positive impact of the Merger which was completed in April 2022.

2) **How has the ESR Sakura Distribution Centre performed since its acquisition? Are there any challenges in finding tenants for the 25% of space that was vacant at the time of acquisition?**

   a) Since the acquisition in October 2022, JPY has appreciated resulting in capital appreciation and favourable exchange rates for distributions from the asset to Singapore.

   b) We have recently achieved committed occupancy of 85.7%, with a new tenant taking up approximately 8,740 sqm of space. We are also pleased to update that despite having rental support in place (up till October 2023) for the originally vacant 25% of NLA, we are in advanced negotiations with a 3PL provider to take up space at the property. We will make the relevant announcements in due course.

3) **What is the REIT's weighted average cost of capital ("WACC") and what is the criteria used in approving Asset Enhancement Initiatives ("AEIs") to ensure that enhancements create value for unitholders?**

   a) The REIT's WACC ranges from 5.0% to 6.0%[1].

   b) As mentioned in our public presentations, the AEIs we have been undertaking deliver an average of 6.0% to 8.0% initial yield on cost.

[1] Based on analyst consensus estimates.

c) The Manager has an investment evaluation process for approving AEIs which covers returns criteria, risks assessment, tender and costing processes and options available (i.e., undertake AEI or sell or status quo) to ensure that any transaction meets the investment returns criteria and commensurate with the risks to be undertaken. The key outcomes targeted are whether the AEIs are value accretive not only on a DPU basis, but if there is an uplift on the valuation post-completion of the AEIs. For example, the announced AEIs are expected to deliver 6% to 8% yield on cost and funded by 6.5% weighted average cost of capital. In typical cases, the AEI would also increase the valuation of the asset and thus, contribute to the REIT's NAV, thereby creating value for Unitholders. The REIT recently announced an AEI at 16 Tai Seng Street to increase its plot ratio and the property has recorded a c.48% valuation uplift ahead of AEI completion.

4) How does the Board or Manager determine if an asset is non-core to the REIT?

a) Our definition of Non-Core Assets are properties that generally are/have:

i. Small in size and value

ii. Declining revenue-generation potenial, primarily due to building specifications obsolence

iii. Short land lease tenure (e.g. less than 25 years) with no potential for land lease extension

iv. Limited redevelopment potential

b) Such divestments are part of the REIT's rejuvenation strategy to improve overall portfolio quality and position the REIT for further upside growth as the capital value is unlikely to hold or improve especially for properties with shorter land lease tenure, i.e., land lease decay

c) The REIT has been divesting non-core assets on an ongoing basis as part of this strategy – aggregating c.S$215.0 million across 7 assets since 2021 at an average of 9.2% premium to book value.

d) Divestment proceeds are to be recycled towards higher quality and higher yielding New Economy assets, used for further optimisation of E-LOG's capital structure or distributed to Unitholders in the form of capital distributions.

5) It is stated in the Annual Report that up to S$450 million of non-core assets have been identified for divestment. Please identify the non-core assets earmarked for divestment.

We are currently in a non-binding exclusivity arrangement with a potential buyer and appropriate announcements will be made in due course when there are material developments.

6) Why did the REIT divest 28 Senoko Drive below valuation last year? The valuation of 28 Senoko Drive was S$13.1 million, but the REIT divested the property at S$12 million.

a) 28 Senoko Drive was a non-core asset in the General Industrial asset class with limited gross floor area of only c.159,000 square feet with outdated asset specifications such as low floor loading, low ceiling height and inefficient floor plan layout. Substantial capital expenditure would be required to upgrade the building and there was limited redevelopment potential.

b) The Manager is of the view that 28 Senoko Drive is unlikely to maintain its S$13.1 million valuation in the longer term given that the master lease was expiring in 2022 and the outdated specifications of the property. In addition, taking into consideration the substantial capital expenditure required to convert the asset into a multi-tenanted building, rising constuction costs and the small size of the property relative to the portfolio, divesment was a more viable option despite the discount to valuation.

Acquisitions/ Growth Strategy

7) Has the REIT identified acquisition targets now that the Equity Fund Raising ("EFR") is nearly completed?

a) The REIT currently has presence in Singapore, Australia and Japan. These markets will remain our core focus for expansion. As mentioned previously, the REIT has c.US$2.0 billion of visible and executable pipeline from the Sponsor in our core markets of Singapore, Australia and Japan.

b) The target assets are New Economy assets, located in scalable markets and in developed countries, are of freehold or longer land lease tenor, and will be value accretive.

c) Acquisition is part of E-LOG's portfolio rejuvenation strategy to ensure that our assets remain relevant in order to provide rental stability and capital value growth especially in view of the fast-changing secular trends on how goods are produced, delivered and consumed.

8) ESR Group has a Korean REIT and is also intending to set up a China REIT. Will E-LOG be missing out on acquisition opportunities in these countries?

a) E-LOG's core markets for acquisitions are Singapore, Australia and Japan as these are developed markets with clear rule of law, have a strong local lending market and allows for efficient repatriation of dividends back to Singapore with minimal tax leakages. In these 3 countries, ESR Group has c.US$70 billion of assets under management ("AuM") – c.12 times E-LOG's current AuM – which serves as potential asset acquisition pipeline. As mentioned previously, E-LOG has identified c.US$2.0 billion of visible and executable asset pipeline from the Sponsor which are immediately suitable for acquisitions.

b) Currently, Korea and China logistics assets are displaying lower capitalisation rates due to high price expectations, have high tax leakages and high onshore borrowing costs resulting in net property income yields that are lower than onshore funding costs. As such, acquisitions of Korea and China logistics assets will not be DPU or value accretive for E-LOG.

c) The Sponsor is a developer and fund manager of New Economy assets which means that the asset pipeline can be "re-stocked" when the new developments stabilize. In the future, if we believe Korea and/or China can offer better investment and growth prospects than Singapore, Australia and Japan, we do not rule out investing in Korea and/or China.

Capital Management

9) The distributions to perpetual securities ("PERP") holders are estimated to be S$18.7 million in FY2023. In FY2022, the amount reserved for distributions to PERP holders was just S$12.0 million. What is the impact of higher distributions to PERP holders on the REIT's adjusted interest coverage ratio ("ICR") going forward? What happens if the adjusted ICR falls below the MAS threshold of 2.5 times?

a) The total amount of distributions attributable to PERP holders (including the ALOG PERP holders) for FY2022 was S$15.9 million as compared to the estimated amount of S$18.7 million for FY2023. The increase in distributions attributable to PERP holders is not expected to have a material impact on E-LOG's adjusted ICR for FY2023.

b) If E-LOG's adjusted ICR falls below the 2.5 times threshold set by MAS, the regulatory limit on E-LOG's gearing would be reduced from 50% to 45%. E-LOG's gearing as at 31 December 2022 was 41.8% and assuming that the S$300.0 million EFR had been completed on 31 December 2022 and the net proceeds from the EFR had been fully utilised to repay existing debt as at 31 December 2022, E-LOG's proforma gearing as at 31 December 2022 would be 38.0%, which is well below 45%.

10) There are concerns that the gearing is approaching the 50% limit. Has the board provided any guidance to management on maintaining or reducing the current gearing level of 41.8% given the current interest rate trends?

a) As previously announced, assuming that the S$300.0 million Equity Fund Raising ("EFR") launched on 16 February 2023 had been completed on 31 December 2022 and the net proceeds from the EFR had been fully utilised to repay existing debt as at 31 December 2022, E-LOG's **proforma gearing as at 31 December 2022 would be 38.0%,** which is well below 50%.

b) In addition to the EFR, further assuming that the proposed divestments of up to S$450.0 million had been completed on 31 December 2022 and the divestment proceeds had been fully utilised to repay existing debt as at 31 December 2022, E-LOG's proforma gearing as at 31 December 2022 would be as low as 32.3%.

c) The intention is to maintain portfolio gearing below 40.0% on a long-term basis in order to provide flexibility in managing overall interest rate risks.

11) As of 31 December 2021, the REIT had hedged or fixed 92% of its interest rate risks. Why did the REIT decide to reduce the level of hedging to 72% of its borrowings?

a) As at 31 December 2021, the REIT had hedged 92.1% of its interest rate exposure against its S$1,199.5 million of debt. However, in FY2022, the REIT took on additional debt of S$893.5 million to land at S$2,093.0 million of debt as at 31 December 2022, mainly due to new debt taken for the Merger and the acquisition of ESR Sakura Distribution Centre.

b) Given the interest rate hikes which occurred during FY2022, it was costly to hedge all the S$893.5 million of additional debt to maintain the hedge ratio at c.92%, and this would have increased the REIT's all-in cost of debt significantly. As at 31 December 2022, 72.0% of the REIT's interest rate exposure is on fixed interest rates, with allowance for further hedging should favourable hedging opportunities arise.

12) What are the tenors of the interest rate swaps that the REIT has entered into?

a) The REIT has been entering into a mix of tenors for its interest rate swaps, varying from 1 to 3 years. As at 31 December 2022, our portfolio weighted average fixed debt expiry was 2.0 years.

b) Generally, we keep our fixed debt expiry at a shorter tenor than our debt expiry (2.9 years as at 31 December 2022) to provide us with the flexibility to prepay our existing loans ahead of expiry.

13) What is the outlook on financing costs amidst the higher interest rate environment. Has there been any negative impact from the interest rate hikes?

a) Finance costs are expected to increase amidst the higher interest rate environment. However, the increase in finance costs due to rising interest rates was mitigated by fixing the interest rates for 72.0% of E-LOG's debt for a weighted average tenor of 2.0 years as at 31 December 2022.

b) The increase in finance costs due to higher interest rates can also be mitigated by reducing the level of debt. On 16 February 2023, E-LOG launched an EFR to raise gross proceeds of S$300 million comprising (i) the Private Placement of S$150 million, which has been completed on 27 February 2023; and (ii) the Preferential Offering of S$150 million, which is expected to be completed on 28 April 2023. Pending deployment of the net proceeds of the EFR, the net proceeds from the EFR will be fully utilised to repay existing debt. In addition, E-LOG has identified up to S$450 million of non-core assets to be divested. The divestment proceeds can also be used to repay existing debt.

c) Higher finance costs have a negative impact on E-LOG's distributable income and interest coverage ratio. Therefore, the Manager will regularly review and determine (i) the appropriate level of debt in E-LOG's capital structure; and (ii) the appropriate proportion of fixed rate debt to be maintained, by taking into consideration the prevailing market conditions.

14) In November 2022, the REIT reset the distribution rate of Series 006 perpetual securities ("PERP") to 6.632%. What was the rationale behind this? Are PERPs still a viable part of the REIT's capital structure?

a) Given the interest rate environment and capital market conditions at the first call date, it was not in the interest of E-LOG to issue a new PERP to redeem the Series 006 PERP from a cost perspective. Issuing a new PERP then would have cost E-LOG a distribution rate of more than 7.0% per annum.

b) In addition, redeeming the Series 006 PERP using debt would increase E-LOG's gearing and reduce the debt headroom available for acquisition opportunities, asset enhancement initiatives and/or redevelopment opportunities during a market recovery.

c) Nevertheless, E-LOG continues to maintain flexibility with the option to exercise its right to redeem the Series 006 PERP on any semi-annual distribution payment date at lower cost when market conditions normalise. Issuing a new PERP then would have locked in the high distribution rate of more than 7.0% per annum for the next 5 years.

d) As at 31 December 2022, PERPs made up only c.6.0% of the capital stack of the REIT.

e) PERPs are a viable alternative source of capital to complement the use of debt and equity plus its structure is favourable to the issuer, i.e., E-LOG.

f) The redemption of a PERP is at the option of the issuer and there will not be any step-ups in margin should the PERP not be called as the PERP distribution rate is reset based on the latest benchmark rate plus the initial spread. The issuer also has the option to redeem the PERP on any semi-annual distribution payment date after the first call date. Furthermore, PERPs are treated as equity for accounting purposes and thus, PERPs will not increase the REIT's gearing. However, given the smaller size of the PERP market relative to the debt and equity markets, the Manager is of the view that PERPs as a percentage of E-LOG's capital structure should account for about 10% to 15% of E-LOG's total assets.

<u>Ongoing EFR</u>

15) The issue price of the Preferential Offering ("PO") units is 32.5 cents. Besides maintaining their percentage shareholding and to avoid being diluted, why should unitholders subscribe to the seemingly unattractive rights issue?

a) The S$300.0 million Equity Fund Raising ("EFR") announced on 16 February 2023, comprised the Private Placement of S$150.0 million completed on 27 February 2023 and the PO of S$150.0 million.

b) The Private Placement was approximately 3.0 times subscribed (or c.S$450.0 million of demand orders) at the Private Placement Issue Price of S$0.330 per Private Placement Unit, with two-thirds of the Private Placement allocated to quality long-only institutional investors, real estate specialists and existing institutional and accredited investors.

c) Given the S$450.0 million of demand for the Private Placement, the Manager could have allocated the entire S$300.0 million to the Private Placement tranche and cancelled the PO. In fact, by doing away with the PO, the Manager could have issued the new units allocated to the PO at 33.0 cents instead of 32.5 cents. The rationale for retaining the PO tranche despite the high demand for the Private Placement was to provide existing Unitholders with an opportunity to participate in the EFR and the long-term growth trajectory of E-LOG. This rationale stems from past E-LOG EFRs, where the feedback from Unitholders was that private placements are mainly offered to institutional investors and that existing retail investors are not given the opportunity to participate.

d) In order to give the existing Unitholders an opportunity to participate in the EFR, the PO tranche provided all eligible Unitholders with the right (but not the obligation) to subscribe to their pro-rata entitlement under the PO and apply for excess PO units. In addition, as the PO is only offered to existing Unitholders, the Manager priced the PO at a lower issue price of 32.5 cents as compared to the Private Placement Issue Price of 33.0 cents.

e) Eligible Unitholders subscribing to the PO units and applying for excess PO units will not incur any brokerage fees as opposed to buying E-LOG units from the open market.

f) Since the launch of the EFR on 16 February 2023, market volatilities have increased due to the US Federal Reserve Chairman's hawkish statements on further interest rate hikes, two bank failures in the US (i.e., Silicon Valley Bank and Signature Bank) and the takeover of Credit Suisse by UBS that is brokered by the Swiss authorities which has shaken confidence in the global banking sector.

g) To demonstrate its long-term commitment and support for E-LOG and the PO, the Sponsor, ESR Group, has announced that it will fully backstop the PO, providing financing certainty for E-LOG to execute its strategies and save underwriting fees for Unitholders.

h) The S$300.0 million EFR further provides financial flexibility for E-LOG in a continued high inflationary and interest rate environment where the uncertainties of economic recession are increasingly looming. Together with the proposed divestment of up to S$450.0 million of non-core assets, it will further strengthen E-LOG's balance sheet and enable us to execute our Rejuvenation strategy to position E-LOG as the Leading New Economy REIT that benefits from the fast-changing secular trends where how goods are produced, delivered and consumed have fundamentally changed.

16) To what extent will our current shareholdings be diluted from the current EFR?

The EFR (comprising both the Private Placement and the Preferential Offering) will represent approximately 13.6% of the total number of units outstanding.

Distribution Performance

17) Will the REIT be able to maintain the same DPU as last year?

a) E-LOG has been able to maintain an average annual DPU of 4.0 cents prior to 2020. The Covid-19 pandemic in 2020 resulted in high negative rental reversions which severely hit the bottom-line resulting in FY2020 DPU of 2.800 cents. While 2H2021 and FY2022 were recovery years, in FY2022, the global energy crisis brought about by the Ukraine-Russia conflict and global inflation caused a spike in utilities and maintenance expenses. In addition, E-LOG continued to divest its non-core assets resulting in loss of income from the divested assets. Despite these, E-LOG's FY2021 and FY2022 DPU were 2.987 cents and 3.00 cents, respectively.

b) Since then, E-LOG has completed the merger with ALOG, managed to structure more than 90% of its utility costs on a pass-through basis to tenants and increased service charge to cover for inflation. Importantly, given the continued increase in depth and pace of the secular trends, E-LOG's pivot towards New Economy assets (making up 62.8% of our portfolio as at 31 December 2022) continues to show strong positive rental reversions, i.e., FY2022 rental reversion of +11.8%, which are driven primarily by logistics assets. As the weighted average lease tenor of E-LOG's portfolio is 3.2 years, we expect the positive rental reversions to continue as E-LOG's rentals catch up with the deep negative rental reversions suffered during the Covid-19 years.

c) E-LOG will continue to execute its Rejuvenation, Recycling and Recapitalisation strategy to ensure its portfolio is New Economy focused in order to continue riding the wave of the secular trends and remain relevant for rental growth while addressing the short land lease issue pertinent to Singapore industrial assets in order to preserve or grow capital values.

18) The recent fundraising has been dilutive to DPU and share price has been falling. Any thoughts?

a) The share price performance tracks the DPU of E-LOG over the last three years. The main reasons for the decrease in DPU and share price are:

   a. High negative rental reversions in 2020 due to Covid-19.

   b. Increases in utility and maintenance expenses due to high energy prices and global inflation respectively hitting the bottom-line immediately.

   c. Loss of income due to divestment of non-core assets.

   d. Market volatilities due to continued expectations of the US Federal Reserve's hawkish stance on raising interest rates to combat stubbornly high inflation.

b) E-LOG has been able to maintain an average annual DPU of 4.0 cents prior to 2020. The Covid-19 pandemic in 2020 resulted in high negative rental reversions which severely hit the bottom-line resulting in FY2020 DPU of 2.800 cents. While 2H2021 and FY2022 were recovery years, in FY2022, the global energy crisis brought about by the Ukraine-Russia conflict and global high inflation with the reopening of economies caused a spike in utilities and maintenance expenses.

c) In addition, E-LOG continues to divest its non-core assets, resulting in loss of income from the divested assets. Despite these, E-LOG's FY2021 and FY2022 DPU were 2.987 cents and 3.000 cents, respectively.

d) In April 2022, E-LOG completed the acquisition of the ALOG portfolio, managed to structure a 90% pass through of its utility costs to its tenants and increased service charges to cover for inflation. Importantly, given the continued increase in depth and pace of the secular trends, E-LOG's pivot towards New Economy assets (making up 62.8% of our portfolio) continues to show strong positive rental reversions, i.e., FY2022 rental reversion of +11.8%, which are driven primarily by logistics assets. As the weighted average lease tenor of E-LOG's portfolio is 3.2 years, we expect the positive rental reversions to continue as E-LOG's rentals catch up with the deep negative rental reversions suffered in the Covid-19 years. This positive development is evident as shown in our FY2022 financial results where our 2H2022 DPU of 1.540 cents was 7.5% higher than our 2H2021 DPU of 1.433 cents.

e) Since the EFR has been announced on 16 February 2023, we have seen two bank failures in the US and Credit Suisse being forcefully acquired by UBS in order to combat huge volatilities in the global financial markets. This impacted global equities markets including E-LOG's share price.

f) With the completion of the S$300.0 million EFR, E-LOG will continue to execute its Rejuvenation, Recycling and Recapitalisation strategy to ensure our portfolio are New Economy focused in order to continue riding the wave of the secular trends in ensuring that our properties remain relevant to continue catching the positive rental reversions while addressing the short land lease issue pertinent to Singapore industrial assets in order to preserve or grow capital values.

19) Can DRP be held back as some unitholders prefer cash, but do not want their unitholdings to be diluted if they opt for cash?

a) We had received feedback over the years from Unitholders, in particular institutional investors, that they prefer to take their distributions in the form of E-LOG units instead of cash. This allows them to increase their investments in E-LOG as we execute our portfolio rejuvenation strategies. Several retail investors have also given us similar feedback. From the Manager's perspective, Unitholders' participation in the DRP benefits the REIT in conserving cash and hence, reduce gearing. The DRP participation rate (excluding the Sponsor) was c.19% and c.11% in FY2021 and FY2022, respectively.

b) At the same time, we have also received similar feedback on the "downside" of DRP for certain Unitholders including odd-lots and during periods when E-LOG undertakes EFR.

c) The option to receive cash or units or a combination of both is at the discretion of the Unitholders and the Manager is providing a platform to allow Unitholders to make the choice based on their own investment decisions. Nevertheless, the Manager takes all Unitholders' feedback and seeks to balance the needs of most investors. In the future, we may consider turning off the DRP for the period when E-LOG undertakes an EFR where a PO tranche is available.

20) The mission of the REIT states the following:

a) To deliver stable returns, and long-term capital growth to our unitholders.

b) To develop a resilient and balanced portfolio through strategic investment of quality assets, proactive asset management of our properties, and prudent capital and risk management.

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

Can the manager provide more clarity on how the trust plans to deliver "stable returns" and "long-term capital growth" to its unitholders? Have the current strategies been successful?

a) In order to deliver our mission of "stable returns" and "long term capital growth", the Manager has highlighted to investors over the years of its strategy which entails potential short term negative financial impact as the strategies are being executed:

   a. Phase 1: Size Does Matter strategy i.e., bulking up to create a sizable REIT to be included in key indices followed by institutional investors.

   b. Phase 2: Rejuvenation & Recycling of E-LOG's asset portfolio to focus on New Economy assets.

b) Phase 1 entails bulking up the REIT as size matters for a REIT's long term prospects in order to have comparative advantages when it comes to bargaining power, economies of scale, loan pricing, access to funding and funding costs. Once the REIT reaches a certain size, it can be included in key global indices and hence, opens more sources of funding especially institutional investors. With good and large funding sources from institutional investors, E-LOG will then be able to rejuvenate its portfolio faster. This is especially important as E-LOG's 100% Singapore focused portfolio suffers from land lease decay due to its short underlying land lease tenor e.g., weighted average land lease is less than 30 years remaining which implies that the capital values of the properties will decline (and hence NAV of the REIT) by 3.0% to 5.0% every year as the land lease shortens.

c) As such, E-LOG undertook mergers and acquisitions ("M&A") with two REITs – Viva Industrial Trust and ALOG. As a premium is required to acquire a portfolio, the decline in E-LOG's NAV over the years is a combination of the premium being written off and land lease decay of its properties. However, the decline in NAV has been mitigated by the uplift in property valuations as E-LOG acquired overseas properties on freehold land and/or longer land leases in Australia and Japan. For example, the fair value of E-LOG's 10.0% interest in ESR Australia Logistics Partnership increased by 16.2% from FY2021 to FY2022 and in local currency terms, E-LOG's Australia portfolio valuation increased by 13.8% in FY2022.

d) The replies to question 18 explain the DPU impact. However, the key point is that our 2H2022 DPU of 1.540 cents is 7.5% higher than our 2H2021 DPU of 1.433 cents. This shows that our strategies to rejuvenate our portfolio with a sizable REIT is starting to bear fruits.

e) Another 2 indicative validations that investors agree with our ongoing strategy to size up and rejuvenate our portfolio are the consistently above 90% "For" votes at our EGMs for Unitholders' approval of M&A transactions and EFR.

   a. M&A: (i) Acquisition of Viva Industrial Trust in 2018 = 94.2% "For" votes; and (ii) Acquisition of ALOG in 2022 = 98.6% "For" votes.

   b. The strong demand generated whenever E-LOG undertakes EFR.

Year	EFR Size (S$m)	Subscription
2018	141.9	1.7x
2019	150.0	2.4x
2021	150.0	3.5x
2023	150.0 (Placement)	3.0x

21) **In 2022, the management fees amounted to S$21.2 million, compared to S$6.5 million in 2013. Total assets have jumped to S$5.65 billion in 2022, compared to S$1.26 billion a decade ago. DPU in 2022 was 3.00 cents versus 4.784 cents in 2013 while NAV decreased from 69.5 cents to 36.4 cents. Will the Board, particularly the independent directors, review the Manager's track record in delivering stable returns and long-term capital growth to unitholders? Can the Manager explain how unitholders have benefitted from the group's growth in the past decade?**

Total Returns

a) Prior to ESR becoming the Sponsor of E-LOG, E-LOG provided a total return of +5.42% (annualised total return of +1.40%) for the period from 2 January 2013 to 18 October 2016, which was the first day ESR announced it was acquiring a 10.0% stake in E-LOG.

b) Since ESR became its Sponsor, E-LOG has achieved a total return of +16.1% (annualised total return of +2.81%) for the period from 18 October 2016 to 14 March 2022. This period excludes the effects of the US Federal Reserve's unprecedent hikes in interest rates, which led to depressed prices in the equities markets.

Price to Book Ratio

a) Furthermore, E-LOG has been trading at a premium or close to book value in addition to increased trading liquidity. In recent times, E-LOG has been trading at 0.91x P/B, which is higher than the average of the S-REIT universe which has been trading at around 0.80x P/B.

b) E-LOG used to trade at a discount to NAV, similar to other non-Sponsor backed REITs, while the other developer-sponsor backed REITs have been trading at a premium to NAV. Since ESR Group became its Sponsor, E-LOG's share price started trading closer to NAV, and then at a premium to NAV post-completion of the merger with Viva Industrial Trust.

c) Furthermore, during E-LOG's previous EFRs, E-LOG's share price would typically drop slightly after the announcement of the EFR but its share price will recover shortly after completion of the EFR, barring any disruption caused by macro-economic movements, as the proceeds are utilized in accordance with our stated strategies.

Unencumbered Assets for Debt and Ability to Issue PERPs

a) Prior to ESR Group becoming the Sponsor of E-LOG, c.18% of the REIT's properties were pledged to banks as collateral for loans (i.e., encumbered) with loan margins of over c.2.0% over SOR. Since ESR Group became the Sponsor and with the increase in total assets, E-LOG now borrows from banks without the need to pledge any of its properties as collaterals, i.e., 100% unencumbered. In addition, the loan margins have been reduced to 1.5%.

b) Moreover, E-LOG is now able to access the PERP market for financing which previously the REIT was not able to. In terms of bonds, E-LOG was able to issue five-year unsecured bonds at 2.60% per annum in 2021 as compared to 3.95% per annum prior to ESR Group becoming the Sponsor of the REIT.

Diversified Portfolio with a focus on New Economy Assets and Sponsor Financial Support

a) Since ESR Group became the Sponsor, quality New Economy assets on freehold land or long underlying land lease tenures were made available to E-LOG, e.g., investment in ESR Australia Logistics Partnership where most of the assets are freehold and ESR Sakura Distribution Centre – a freehold logistics asset in Tokyo, Japan. In addition, as announced on 29 August 2022, ESR Sakura Distribution Centre was acquired at a purchase consideration that was c.21.8% lower than market comparables on average.

b) In every EFR undertaken by E-LOG from 2017, the Sponsor has provided full backstop to the PO. In all, the Sponsor, ESR Group, has availed c.S$400.0 million of capital to fully backstop the POs such that:

   a. all Unitholders save on underwriting fees.

   b. ESR Group takes on the market risk exposure of two weeks in respect of the new units (e.g., if the market price at subscription is lower than the issue price of the new units, the Sponsor will need to take up the new units at the higher price).

   c. single-digit discount for the issue price of the new units to achieve the highest possible DPU and NAV per unit accretion. The market norm for banks to underwrite long exposure rights issue averages c.28%. Such huge discount results in DPU and NAV per unit dilution.

   d. there is funding certainty for E-LOG in executing its strategies.

c) As such, the increase in management fees is much lower than the Sponsor's c.S$400.0 million financial support in backstopping the POs over the same period.

22) Does the current incentive framework prioritise growth in assets under management over value creation as measured by NAV per unit?

The Manager's key performance indicators ("KPIs") are all based on the REIT's metric across portfolio performance indicators (e.g., net property income, occupancy, DPU, NAV per unit growth), capital structure indicators (e.g., cost of debt, debt tenor, access to capital), compliance indicators (e.g., no breaches), sustainability indicators and human resource indicators (e.g., employee satisfaction). The current incentive framework does **<u>not</u>** include growth in assets under management as one of the KPIs.

23) How is the Board, particularly the independent directors, addressing the potential impact of dilutive private placements on the interests of unitholders and the group's long-term growth prospects?

a) As mentioned in the EFR launch announcement, the EFR is in line with the REIT's overall growth strategy focusing on (i) Rejuvenating the asset portfolio, (ii) Recycling capital, (iii) Recapitalising for growth and (iv) Reinforcing the Sponsor's commitment. It enables the REIT to drive its portfolio reconstitution agenda and "future-ready" its portfolio while unlocking value for Unitholders.

b) There is generally a time lag between when an asset divestment is announced to when the divestment is completed and proceeds are received. This is especially so for assets that require JTC's approval, which introduces an element of uncertainty in the timing of the receipt of the divestment proceeds. The EFR will provide the REIT with flexibility to deploy capital for potential acquisitions, AEIs or redevelopments while maintaining a strong financial position, and not be subject to prevailing market funding conditions and/or significant market volatilities as we have seen in recent weeks. In addition, in times of still rising inflation and volatility in the financial markets from 2 bank failures in the US and the swift takeover of Credit Suisse by UBS, having a strong balance sheet provides financial flexibility against potential increase in gearing due to lower property valuations as a result of increase in capitalisation rates and discount rates.

c) Hence, the proceeds from the EFR can provide E-LOG with downside protection against further rises in interest rates and its negative impact on gearing should the global economy enter a recession while inflation persists. On the other hand, if the economy improves and/or inflation eases, E-LOG will be in pole position to execute its growth plans swiftly when it identifies any potential redevelopments / AEIs and/or future acquisitions that are in line with E-LOG's strategy and to the benefit of Unitholders.

d) The strong over 98.5% "For" votes by Unitholders at our recent EGM held on 28 March 2023 for the S$150.0 million PO and the 3.0x subscription demand for the S$150.0 million Private Placement on 16 February 2023 are validations of investors' views on the Manager's stated strategies and the long-term prospects of E-LOG.

24) How would you see the prospect of ESR-LOGOS REIT in 2023?

The Manager believes that we have the right sector fundamentals with our New Economy assets enjoying positive rental reversions. In the immediate term, the Manager's focus for 2023 are:

1. Actively manage the underlying expiring leases to leverage on the positive rental reversions expected to come into the portfolio especially in the logistics segment (making up 51% of our portfolio) in view of the continued strong demand for logistics space and the lack of supply.
2. Divest non-core assets at the best possible prices, taking into consideration current market and funding conditions.
3. Identify redevelopment and acquisition opportunities to deploy the EFR proceeds and recycle the divestment proceeds in order to enhance E-LOG's value and reduce the drag on DPU.

One key downside risk that the Manager will be paying attention to is the impact of the expected rise in capitalisation rates and discount rates on property valuations. Such increases may result in drop in property valuations and hence, increase gearing. However, in view of the still strong positive rental reversions for logistics assets which helps to mitigate any increase in capitalisation rates or discount rates, we believe that E-LOG's gearing is manageable.

About ESR-LOGOS REIT

ESR-LOGOS REIT is a leading New Economy and future-ready Asia Pacific S-REIT. Listed on the Singapore Exchange Securities Trading Limited since 25 July 2006, ESR-LOGOS REIT invests in quality income-producing industrial properties in key gateway markets.

As at 31 December 2022, ESR-LOGOS REIT holds interests in a diversified portfolio of logistics properties, high-specifications industrial properties, business parks and general industrial properties with total assets of approximately S$5.7 billion. Its portfolio comprises 82 properties (excluding 48 Pandan Road held through a joint venture) located across the developed markets of Singapore (61 assets), Australia (20 assets) and Japan (1 asset), with a total gross floor area of approximately 2.3 million sqm, as well as investments in three property funds in Australia. ESR-LOGOS REIT is also a constituent of the FTSE EPRA Nareit Global Real Estate Index.

ESR-LOGOS REIT is managed by ESR-LOGOS Funds Management (S) Limited (the "**Manager**") and sponsored by ESR Group Limited ("**ESR**"). The Manager is owned by ESR (99.0%) and Shanghai Summit Pte. Ltd. (1.0%), respectively.

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

About the Sponsor, ESR

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With over US$156 billion in total assets under management (AUM), its 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.. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across its private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US$46 billion. ESR's purpose – *Space and Investment Solutions for a Sustainable Future* – drives it to manage its business sustainably and impactfully, and ESR considers the environment and the communities in which it operates as key stakeholders of its 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.

For more information on ESR, please visit www.esr.com

Important Notice

The value of units in ESR-LOGOS 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-LOGOS Funds Management (S) Limited ("**Manager**"), Perpetual (Asia) Limited (in its capacity as trustee of ESR-LOGOS 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-LOGOS REIT, the Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-LOGOS REIT, any particular rate of return from investing in ESR-LOGOS REIT, or any taxation consequences of an investment in ESR-LOGOS REIT. Any indication of ESR-LOGOS 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-LOGOS 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.

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