



**SPH REIT MANAGEMENT PTE. LTD.**  
(Registration No: 201305497E)  
(Incorporated in the Republic of Singapore)

**ANNUAL GENERAL MEETING TO BE HELD ON 26 NOVEMBER 2020  
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

SPH REIT Management Pte Ltd, as manager (the “**Manager**”) of SPH REIT, wishes to thank all unitholders of SPH REIT (“**Unitholders**”) who submitted their questions in advance of the Annual General Meeting (“**AGM**”) which will be convened and held by way of electronic means on 26 November 2020 at 2.30 p.m. (Singapore time).

Please refer to Annex A hereto for the list of substantial and relevant questions, and the Manager’s responses to these questions. The questions have been categorised into the following themes:

- A. Impact of the COVID-19 Pandemic;
- B. Strategy and Acquisitions;
- C. Financial Performance;
- D. Operational Performance; and
- E. Digitalisation.

The presentation slides for the presentation by the Chief Executive Officer of the Manager at the AGM will be made available on SPH REIT’s website at the URL <http://sphreit.listedcompany.com/newsroom.html> and will also be made available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements> as soon as practicable after the AGM.

Issued by SPH REIT Management Pte Ltd  
As manager of SPH REIT

Singapore,  
25 November 2020

## ANNEX A: RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

### A. IMPACT OF THE COVID-19 PANDEMIC

No.	Questions	Responses
1	What is management's outlook for Orchard Road as a shopping destination in the near-term and post-COVID-19?	Paragon's location on Orchard Road appeals to locals as well as tourists. Its well-established premier upscale positioning continues to attract the target market from the local community. However, with the border restrictions imposed since February 2020, international tourist arrivals declined 97%. Without the tourists' consumption along Orchard Road, which is the most visited free access attraction in Singapore, Paragon's tenant sales were inevitably impacted.
2	What is the impact to Paragon in view of the border closure and pandemic?	
3	What is the customer mix for Paragon (local vs tourist)? What is the overall customer mix i.e. total aggregate for all the properties held by the REIT?	Paragon's tourist visitation closely reflects the Singapore Tourism Board's report that about 30% of Orchard Road consumption is from tourists.
4	Under this pandemic condition, how will SPH REIT maintain its DPU when the Paragon mall and medical hub rely heavily on tourists coming from overseas?	The Manager is working with the tenants on targeted collaborations to motivate visitation to the mall and stores. To this end, the Manager has provided assistance to the tenants by purchasing their vouchers which will be used to incentivise shoppers' visitation. The tenants on their part have actively engaged with their shoppers through various forms of communication to showcase their latest arrivals and promotions. In addition, for the convenience of their shoppers, online orders and delivery services are also provided.
5	If not, what mitigation steps are you taking to improve Paragon's earnings?	An enhanced rewards program, "Paragon Club", was launched in 2019. During Phase 2 of COVID-19 where most businesses were allowed to resume, Paragon's rewards program offered additional reward points during this period to motivate shoppers' spend.  The Manager works with its anchor tenant to create a Christmas setting at its atrium for visitors' enjoyment, and at the same time, showcase gift ideas to attract shoppers to the stores.
6	Is Paragon Medical proving to be a resilient tenant during COVID-19 & how was it affected?	Paragon medical tower houses about 90 medical specialists which provide medical services to locals as well as tourists.  Prior to the onset of the two months' mandatory lockdown period in April & May imposed by the Government ("Circuit Breaker"), the Ministry of Health issued an advisory to private and public healthcare institutions with regards to foreign patients (which affected the medical clinics): <ul style="list-style-type: none"> <li>a. Patient must have healthcare needs that cannot be met in his/her home country;</li> <li>b. Patient must already be under the specialist's active care;</li> <li>c. Specialist must certify that delay in treatment will lead to serious adverse outcomes; and</li> <li>d. Patient must not have visited any hospitals outside Singapore 14 days before application for treatment in Singapore.</li> </ul> <p>Since 27 March 2020 till August 2020, 303 foreign patients on</p>

		<p>short-term visitor pass and 260 accompanying caregivers have been approved to enter Singapore for medical treatment. Of these, 183 foreign patients had entered Singapore and 147 of them brought along a caregiver.</p> <p>With border restrictions still in place, recovery of the medical tourism industry (in relation to foreign patients seeking medical treatment in Singapore) will be slow.</p> <p>For Singaporeans and those residing in Singapore, during the Circuit Breaker, only “essential” medical services could be rendered and these included general practitioners and acute procedures. With effect from 2 June 2020, this was relaxed to cover more medical procedures. Upon the commencement of Phase 2 in June 2020, medical clinics were allowed to resume all healthcare services including recommended chronic diseases, cancer screening programs, statutory medical examinations and pre-employment medical screening.</p>
7	What cost control measures are currently in place in view of the COVID-19 measures here and worldwide?	<p>SPH REIT benefited from the Singapore Government’s Job Support Scheme (“JSS”) which subsidised wages for certain employees based on certain criteria.</p> <p>During the Circuit Breaker, where most tenants were not allowed to trade, and visitorship to the mall was low, SPH REIT negotiated with service providers for cleaning, security &amp; valet to reduce staff strength and corresponding costs.</p> <p>Utility fees, in particular air-conditioning, was one of the major costs. When the malls were not operating at full capacity during the Circuit Breaker, the air-con systems were calibrated to support only those areas that were open for trading.</p>
8	How prepared is the company in the event of another lockdown?	<p>Since the pandemic started, the Board had convened regular meetings with management to closely monitor the situation and provide operational and strategic guidance to management. The meetings allowed the Board to assess the situation in a timelier manner and approve plans to mitigate the impact on our assets and operations.</p> <p>This will ensure that the interests of our stakeholders, including tenants, shoppers and unitholders are protected and put us in good stead in the event of another lockdown.</p>
9	How bad are the effects on assets with this COVID-19 situation?	Tenants’ businesses at SPH REIT malls in Singapore have not been spared, particularly during the Circuit Breaker, where only essential services were allowed to trade.
10	What is the outlook for retail malls?	<p>On 19 June 2020, the Singapore Government relaxed the measures and most businesses were allowed to resume trading, albeit with social distancing in place. Progressively, businesses have started to show signs of recovery. With Phase 3 soon to be announced by the Singapore Government, it is anticipated that dining capacity and overall shopper traffic will increase, which will in turn benefit our tenants’ businesses.</p> <p>In the initial months when COVID-19 hit Australia, tenant sales</p>

		<p>declined in our malls in the continent. Unlike Singapore, in the cities where SPH REIT assets are located, there were no lockdowns, but there was some form of restricted trading, in particular, those with “touch points” such as cinemas and massage services. Since May, both of SPH REIT’s assets in Australia started to show signs of recovery and from July onwards, tenant sales are almost back at pre-COVID-19 levels.</p>
11	<p>We read about the recent closure of an anchor retail tenant. e.g. Robinsons. What is our exposure to similar group of retail tenants? What are the mitigation measures on hand?</p>	<p>As part of our active asset management, SPH REIT’s plans for improvement in tenancy mix to keep its assets relevant to the evolving consumer preferences are continually developing. Such plans may involve a change in the use of anchor spaces, a replacement anchor tenant, and/or downsizing the existing anchor tenant to bring in complementary product mixes to strengthen the total offerings of the mall. In some situations, SPH REIT may consider de-anchoring the space and creating a new cluster to boost shopper traffic.</p>

## B. STRATEGY AND ACQUISITIONS

No.	Questions	Responses
1	Does SPH REIT have any near-term plans for acquisition of assets?	SPH REIT's mandate is to invest primarily in a portfolio of income-producing real estate, used primarily for retail purposes in Asia-Pacific.
2	Are there any acquisition(s) coming up soon?	SPH REIT will continue to explore acquisition opportunities while being mindful of the uncertainty brought about by COVID-19.
3	What is the possible acquisition in the future?	
4	Does the REIT intend to expand beyond Singapore and Australia and look at other malls in the region (i.e. Japan)?	Post-IPO in July 2013, SPH REIT considered various countries to explore overseas acquisitions. The criteria were benchmarked against SPH REIT's portfolio profile and risk appetite. The Board, after due consideration, shortlisted Australia to explore acquisition opportunities. In the last four years, the investment team conducted due diligence for several asset acquisitions, which were in line with SPH REIT's acquisition strategy.
5	Other than Singapore & Australia, is the REIT looking at other countries?	
6	Does the REIT intend to expand beyond its current retail mandate and include other asset classes?	The expansion into Australia enhances the sustainability and resilience of SPH REIT's returns to unitholders through the increased geographic diversity, larger freehold land tenure, and longer underlying leases.
7	Is the REIT looking at expanding its mandate to new asset classes considering that the sponsor has aged homes & student accommodation assets?	SPH REIT is always open to explore acquisitions in other complementary asset classes that will add long-term value to SPH REIT's unitholders.
8	With most revenue from Paragon, does management view this heavy concentration on one asset as a strength for the REIT or would it endeavour to seek diversification & if so, what are the plans?	Post the acquisition of the 2 Australian assets, namely Westfield Marion and Figtree Grove Shopping Centre, Paragon now contributes approximately 60% of total gross revenue.
9	Why did the REIT choose to hold only 50% of Westfield Marion & 85% of Figtree Grove, & is there any intention to own the remaining? If yes, when?	<p>Figtree Grove was acquired in 2018 and Westfield Marion in 2019. SPH REIT will continue to explore opportunities in Australia.</p> <p>Figtree Grove was acquired with a 15% minority joint venture partner who also acts as the asset manager, to ensure alignment of interests with SPH REIT.</p> <p>SPH REIT acquired the 50% stake in Westfield Marion from Lendlease-managed Australian Prime Property Fund (APPF) Retail with Scentre as the other 50% stakeholder. Scentre has owned and managed Westfield Marion for more than 25 years.</p>

		For both joint venture partners, there has been no indication of their intent to sell their shares.
10	The REIT does not have a property developer as a sponsor, so how does the REIT ensure it has a good pipeline of assets for growth? Are there any ROFR assets from the sponsor?	<p>SPH REIT's sponsor is Singapore Press Holdings Limited ("SPH"). There are currently two Right of First Refusal (ROFR) properties located in Singapore from the sponsor.</p> <p>The first ROFR is The Seletar Mall which opened in 2014 and the second ROFR is the Woodleigh Mall, an asset under construction.</p>
11	Are there opportunities for the REIT to acquire Seletar Mall soon?	The Seletar Mall is a joint development between SPH and United Engineers. At the appropriate time, when the developers decide to divest, SPH REIT will evaluate the opportunity, taking into account the stabilization of trading in the mall and yield accretion to unitholders.

### C. FINANCIAL PERFORMANCE

No.	Questions	Responses
1	<p>Given the gloomy outlook, can you justify the increase in Income Statement (IS) in Manager's management fees Investment (8.2%), Trust expenses (14.4%)?</p>	<p>The Manager's fee structure remains unchanged as provided for in the IPO Prospectus and reiterated in the Annual Reports.</p> <p>The structure measures the performance of the asset based on the annual net property income and a longer term measurement based on the asset value.</p> <p>In particular, the fee increase in FY 2020, was due to the contribution from the newly acquired Westfield Marion.</p> <p>Correspondingly, the associated trust expenses related to the acquisition of Westfield Marion accounts for the increase in Trust expenses.</p>
2	<p>Can you elaborate on the Income Statement (IS)'s "impairment loss on (AU) trade receivables"? Do you foresee any such impairment?</p>	<p>The impairment loss on trade receivables was due to the rental relief that may be granted to the tenants.</p> <p>Australia Federal Government issued the guideline "SME Commercial Code of Conduct &amp; Leasing Principles" to govern the rental relief to be granted by landlords, in April 2020. The "rental relief" which accounted for the impairment loss of trade receivables, were computed based on these guidelines.</p>
3	<p>The unit price is now far below the IPO price. Please provide reasons for the dismal situation and how the company would take steps to rectify the situation.</p>	<p>SPH REIT was listed on the SGX-ST on 24 July 2013 at an issue price of S\$0.90. Since then, it has been well supported by investors. SPH REIT's distributable income since listing has registered consistent growth. This was attributable to proactive asset management through continual asset enhancement initiatives, rental reversions and inorganic growth through acquisitions of The Rail Mall, a Singapore asset in June 2018, Figtree Grove Shopping Centre located in Wollongong, New South Wales, in December 2018 and more recently, Westfield Marion Shopping Centre in South Australia.</p> <p>COVID-19 was declared a pandemic in February 2020 and caused major disruptions across the globe. To slow down the spread of the virus, the governments rolled out various measures which inadvertently have severe impacts on the economies.</p> <p>SPH REIT's assets located in Singapore and Australia have also been similarly impacted.</p> <p>From February till mid November 2020, the FTSE ST REIT Index registered a negative price change of 11%.</p> <p>Retail S-REITs have been more impacted as malls are more affected by COVID-19 due to the weak outlook of the retail sector with some institutional players down weighting on counters with retail exposure, in line with the global trend.</p> <p>SPH REIT with Paragon, an asset located in the tourist shopping belt, has greater exposure due to cross border travel restrictions, and consequently registered a decline of 25% for the same period.</p>

		<p>SPH REIT's well-established assets are dominant and resilient, evidenced by the high occupancy of 97.7% and high retention rate as at 31 August 2020. Our near-term focus is to minimize vacancies and provide sustainable rental income by working with our tenants to tide through this difficult period, while carefully managing costs.</p> <p>We value the interests of our unitholders and our main focus is to position the assets to be ready to capture the business opportunities when recovery begins, with the core objective of preserving long term returns for unitholders.</p>
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## D. OPERATIONAL PERFORMANCE

No.	Questions	Responses
1	<p>Please provide details of the performance of the Wollongong mall.</p>	<p>Figtree Grove Shopping Centre was acquired in 2018, in line with SPHREIT's long term strategy to diversify its asset base and income stream geographically.</p> <p>It is a well located suburban mall with ~85,000 residents in its immediate catchment. It is anchored by the 2 national supermarkets, namely Coles and Woolworths, and a 24-hour Kmart, a leading national discount department store in Australia. The specialty stores in the mall offer mainly essential goods and services.</p> <p>Despite the recent weak market sentiments, it achieved high tenant retention of 90.9% by number of leases in FY 2020 and its occupancy as at 31 August 2020 remains high at 99.2%.</p> <p>In addition, its footfall remains at pre COVID-19 levels of about 4.6 million per annum. Tenant sales have declined marginally by 1.1% to A\$184.7 million in FY 2020.</p>
2.	<p>The percentage of lease expiry in 2021 (in terms of Gross Rental Income) is 23% for assets in Singapore &amp; 34% for assets in Australia.</p> <p>What is management doing on renewal &amp; what is the outlook?</p>	<p>SPH REIT's strategy has always been to renew and/or sign new leases in advance to mitigate against vacancies.</p> <p>SPH REIT's portfolio lease expiry profile is well staggered, both by NLA as well as by gross rental income, with no significant concentration of expiries in any one year.</p>

## E. DIGITALIZATION

No.	Questions	Responses
1	How is the REIT adopting digitalization in its malls in Singapore & Australia, & any example(s) of such efforts?	COVID-19 has accelerated digitalization with lockdowns and restricted trading. Retailers at the forefront of such impact have adopted various channels to engage with their shoppers.
2	How big a threat is e-commerce to the REIT & its malls in Singapore & Australia, & how are they dealing with it?	<p>Even prior to COVID-19, SPH REIT has invested in digitalized marketing tools, such as integrated digital screens allowing tenants to showcase their product offerings as well as the landlord to utilize imagery to articulate the brand positioning of its assets.</p> <p>It has also kept pace with the accepted communication norms with shoppers through electronic applications.</p> <p>As e-commerce gathers momentum, the omni-channel retailing format will become more evident at malls. SPH REIT works with its retailers to provide support to enhance this experience.</p> <p>“Westfield Direct” enables customers to purchase products online from multiple Westfield retailers, and pick them up from the convenience of their car via a contactless drive-thru location.</p>

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