lendlease
GLOBAL COMMERCIAL REIT

MOVING FORWARD WITH STABILITY

Lendlease Global Commercial REIT
Annual Report FY2023

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Sky Complex, Milan

313@somerset, Singapore

Jem, Singapore

Parkway Parade, Singapore

Corporate Profile

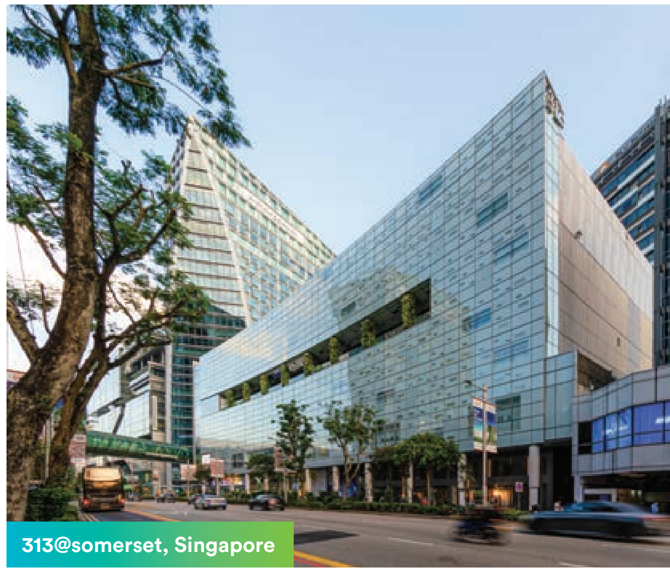
OUR CUSTOMERS LOVE THE PLACES WE CREATE. WE COLLABORATE WITH OUR COMMUNITIES TO INNOVATE AND RESPOND TO A CHANGING WORLD.

Lendlease Global Commercial REIT ("**LREIT**") is a real estate investment trust listed on 2 October 2019 on the Main Board of Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Its principal investment strategy is to invest directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally that are used primarily for retail or office purposes.

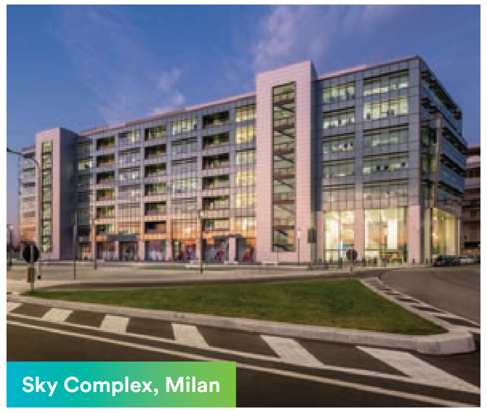
As at 30 June 2023, LREIT's portfolio has a total net lettable area ("**NLA**") of approximately 2.1 million square feet ("**sq ft**"), with an appraised value of S$3.65 billion[1]. It comprises two leasehold properties in Singapore, Jem (office and retail property) and 313@somerset (retail property), and three Grade A freehold office buildings, Sky Complex, in Milan. In addition, LREIT owns a stake in Parkway Parade and is developing a multifunctional event space on a site adjacent to 313@somerset.

LREIT is managed by Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**"), an indirect wholly-owned subsidiary of Lendlease Corporation Limited. Lendlease Corporation is part of the Lendlease Group, which also comprises Lendlease Trust, and their subsidiaries. The Lendlease Group is an international property and infrastructure group with core expertise in shaping cities and creating strong and connected communities, with global operations in Australia, Asia, Europe and the Americas.

Jem, Singapore



313@somerset, Singapore



Sky Complex, Milan

Parkway Parade, Singapore

Multifunctional Event Space adjacent to 313@somerset (under development)

[1] Comprises investment properties and investment property under development (including the recognition of right-of-use-asset).

Performance Highlights

GROSS REVENUE (S$m)
204.9[1]

FY2023	204.9
FY2022	101.7

NET PROPERTY INCOME (S$m)
153.9[1]

FY2023	153.9
FY2022	75.5

DISTRIBUTABLE INCOME (S$m)
108.2[1]

FY2023	108.2
FY2022	71.5

DISTRIBUTION PER UNIT (S¢)
4.70

FY2023	4.70
FY2022	4.85

TOTAL ASSETS (S$m)
3,826.4

FY2023	3,826.4
FY2022	3,702.0

NET ASSET VALUE PER UNIT (S$)
0.79[2]

FY2023	0.79
FY2022	0.78

APPRAISED VALUE (S$m)[3]
3,650.0

FY2023	3,650.0
FY2022	3,599.4

COMMITTED PORTFOLIO OCCUPANCY (%)
99.9

FY2023	99.9
FY2022	99.8

WEIGHTED AVERAGE LEASE EXPIRY (BY NLA)
8.2 years

DISTRIBUTION YIELD (%)
7.1[4]

CAPITAL MANAGEMENT

GEARING RATIO	WEIGHTED AVERAGE COST OF DEBT	WEIGHTED AVERAGE DEBT MATURITY	INTEREST COVERAGE RATIO
40.6%	2.69% per annum[5]	2.1 years[6]	4.2 times[7]

1 The year-on-year growth was mainly attributed to the full-year financial contribution in FY2023 from the acquisition of Jem in April 2022.
2 Excludes non-controlling interests and perpetual securities holders.
3 Comprises investment properties and investment property under development (including the recognition of right-of-use-asset).
4 Based on unit price of S$0.660 as at 30 June 2023.
5 Excludes amortisation of debt-related transaction costs.
6 Weighted average debt maturity will be 3.4 years post the refinancing of the €285m loan facility that has been put in place.
7 The interest coverage ratio ("**ICR**") is in accordance with requirements in its debt agreements; 2.7 times (2.0 times for adjusted ICR) in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.

Sustainability Performance

THE MANAGER HAS ADOPTED TARGET-SETTING BEST PRACTICES BY RESETTING BASELINE YEAR TO FY2022 AND SET 5-YEAR ENVIRONMENTAL TARGETS.

FACTORS	BASELINE YEAR	END YEAR	TARGET
Greenhouse Gas ("GHG") Emissions	FY2022	FY2023	Net Zero (Scope 1 and 2) emissions
Energy	FY2022	FY2027	10% reduction in landlord consumption
Water	FY2022	FY2027	2% reduction in landlord consumption
Waste Recycling	–	FY2027	Achieve 28% recycling rate annually

ENVIRONMENTAL[1]

ENERGY USE INTENSITY	WATER USE INTENSITY	GHG EMISSIONS INTENSITY	WASTE RECYCLING
Achieved 18% reduction	Achieved 14% reduction	Achieved 18% reduction	Achieved 20% recycling rate

BOARD DIVERSITY

Female **40%**

SENIOR MANAGEMENT

Female **60%**

STAKEHOLDERS ENGAGEMENT[2]

TENANT SATISFACTION SCORE (%)
82

FY2023	82
FY2022	64

SHOPPER SATISFACTION SCORE (%)
84

FY2023	84
FY2022	81

HEALTH AND SAFETY

ZERO INCIDENTS
- Work-related injuries and ill health incidents
- Non-compliance with regulations and voluntary codes

GOVERNANCE

ZERO INCIDENTS
- Corruption
- Complaints on breach of customer privacy
- Leaks, thefts or losses of customer data
- Non-compliance with relevant laws and regulations including environmental

1 From baseline year FY2022.
2 Correction of FY2022 tenant satisfaction from 81% to 64% and shopper satisfaction from 64% to 81%.

FOCUS

We will go above and beyond. Every time.

Group Overview

What's in this section :

1.5

Market Capitalisation S$1.5 billion

204.9

Gross Revenue S$204.9 million

108.2

Distributable Income S$108.2 million

153.9

Net Property Income S$153.9 million

4.70

Distribution Per Unit 4.70¢

Mission and Strategy

OUR PURPOSE AND GUIDING PRINCIPLES TOWARDS GROWTH AND ACHIEVING SUCCESS.

OUR MISSION IS TO PROVIDE UNITHOLDERS WITH REGULAR, STABLE DISTRIBUTIONS WHILE ACHIEVING LONG-TERM GROWTH IN DISTRIBUTION PER UNIT ("DPU") AND NET ASSET VALUE ("NAV") PER UNIT, AS WELL AS MAINTAINING A PRUDENT CAPITAL STRUCTURE.

ASSET MANAGEMENT AND ENHANCEMENT

We proactively manage LREIT's property portfolio to maintain and improve its operational performance, and optimise the cash flow and value of the properties. At the same time, we build strong relationships with the tenants of these assets to drive organic growth, ensure continued relevance of the properties and facilitate property enhancement opportunities.

INVESTMENTS AND ACQUISITION GROWTH

We pursue opportunities that we believe will boost LREIT's portfolio, improve risk-adjusted returns to unitholders ("**Unitholders**"), and drive future income and capital growth. We also seek acquisitions that may enhance the diversification of the portfolio by location, asset segment and tenant profile. We identify investment opportunities by leveraging Lendlease Group's experience and track record in real estate investment.

CAPITAL MANAGEMENT

We maintain a prudent capital structure through a combination of debt and equity to finance acquisitions and asset enhancement initiatives ("**AEI**"). Exposure to market volatility is managed by utilising interest rate and currency risk management strategies, while we secure diversified funding sources to access both financial institutions and capital markets.

313@somerset, a downtown mall along Orchard Road, drew more than 30 million footfall in FY2023

In Conversation with Chairperson and CEO

FY2023 represented a period of recovery from COVID-19 and progression across various industries. These positive sentiments were also reflected in LREIT's operational and financial performance for FY2023. During the year, LREIT clinched multiple industry accolades, entered the GPR 250 Index Series and launched its inaugural distribution reinvestment plan ("DRP").

Riding on the successful acquisition of Jem, which emerged as the largest transaction among S-REITs in year 2022, LREIT seized the opportunity to further strengthen its portfolio and enhance income diversification by acquiring a stake in Parkway Parade in June 2023. In addition, LREIT also made significant headway in its sustainability journey and became the first S-REIT to attain Net Zero Carbon.

This year, the theme "Moving Forward with Stability" graces the cover of the Annual Report, representing LREIT's adaptive mindset and agile posture to progress in tandem with evolving circumstances. Together, Mr Justin Marco Gabbani (Chairperson) and Mr Kelvin Chow (CEO) delve into the achievements of the year and the plans for the road ahead.

From left to right:

Mr Justin Marco Gabbani
Chairperson

Mr Kelvin Chow
Chief Executive Officer

4.8

Positive Retail Rental Reversion 4.8%

5.9

Positive Office Rental Escalation from Sky Complex 5.9%

Q LREIT reached a new milestone with the acquisition of a stake in Parkway Parade. How does this benefit Unitholders?

Justin

The Manager is always on the lookout for strategic opportunities to grow LREIT's portfolio, in line with its investment strategy. The move to acquire a stake in Parkway Parade gives the REIT future flexibility to enlarge its holdings in the asset through pre-emptive rights. This latest addition to LREIT's portfolio enhances its presence in a well-established location with strong access to major transport infrastructure, including the upcoming Marine Parade MRT Station.

In addition, the acquisition increases its exposure in the resilient suburban retail segment, resulting in greater income diversification, while creating value for its Unitholders.

Q Against the backdrop of geopolitical tensions and interest rate hikes, how did LREIT perform during the year?

Justin

We are pleased to report that LREIT delivered a good set of results and generated returns for its Unitholders. Our track record over the past four years in value creation and long-term focus stood us in good stead. We continued to achieve good progress in executing on our strategy and made advancements in our commitment to our stakeholders.

Over FY2023, the Manager worked hard to build on the successes of the previous year to deliver greater value and lay the foundation for future growth. We proactively engaged in asset management at our retail malls and secured healthy tenant retention, while ensuring the offerings at Jem and 313@somerset remain relevant to our shoppers' needs and preferences.

The reopening of international borders also benefitted the retail landscape. The online shopping trend that ballooned during COVID-19 reverted to pre-pandemic levels as consumers returned to physical stores – demonstrating the continued relevance of malls. Shopper traffic and tenant sales grew in tandem, with the latter making a quicker recovery given the increase in purposeful spending. Overall, spending has rebounded to pre-pandemic average levels, mainly on the back of in-store sales.

Kelvin

We recorded a distributable income of S$108.2 million, marking an increase of 51.3% year-on-year ("**YoY**"). Gross revenue and net property income ("**NPI**") more than doubled to S$204.9 million and S$153.9 million respectively. DPU was 4.70 cents, compared to 4.85 cents in the previous financial year, due to higher borrowing costs amidst the rising interest rate environment.

LREIT's overall portfolio also secured a high occupancy of 99.9% as at 30 June 2023 and a long weighted average lease expiry ("**WALE**") of 8.2 years by NLA and 5.5 years by gross rental income ("**GRI**"). On the retail front, we registered a positive rental reversion of 4.8% and a retention rate of 82.4%. In May 2023, Sky Complex generated a positive rental escalation of 5.9%. As at 30 June 2023, valuation for LREIT's overall portfolio increased 1.4% YoY to S$3.65 billion[1].

During the year, we obtained a €300 million unsecured 5-year sustainability-linked loan facility to refinance LREIT's Euro loan maturing in October 2023. Upon drawing down on the Euro loan, approximately 89% of LREIT's total committed borrowings will be sustainable financing, one of the largest percentage among S-REITs. The loans, pegged to sustainability performance, will bring interest savings to LREIT's unitholders if the targets are met.

As at end FY2023, there is no refinancing risks in our committed facilities until FY2025. By the close of the financial year, we have S$583.3 million[2] in undrawn debt facilities, providing the financial flexibility to support future growth opportunities.

[1] Comprises investment properties and investment property under development (including the recognition of right-of-use-asset).
[2] Post refinancing of the €285 million loan facility, the undrawn debt facilities will be S$162.6 million.

In Conversation with Chairperson and CEO

Q Given the Manager's proactive approach to managing assets, what was done to drive shopper engagement and experience?

Kelvin

In the past two years, leveraging approximately 1,300 sq ft of unutilised space at Jem, we infused the mall with new offerings catering to our shoppers' needs. During the year, we also welcomed Jem's new food court operator, Kopitiam. One of LREIT's top 10 tenants by GRI, Kopitiam occupies 18,000 sq ft on level 5, making it the largest outlet in their portfolio. Significantly, its opening marked a series of firsts for the chain and provides patrons with greater convenience and choice. While the outlet allows patrons to order and collect in-store, it is also the inaugural outlet to receive a liquor licence for eight of their mini restaurants and the first that connects to an outdoor playground.

Over at 313@somerset, we refreshed our offerings to delight our customers and enhance the vibrancy of the mall. Among the tenants who joined us during the year are Aape by a Bathing Ape, Puma's first flagship store in Southeast Asia, Singapore's largest arcade operator Cow Play Cow Moo and popular Chinese restaurant Tai Er.

Our efforts to enhance customer engagement also bore fruit. The year saw membership numbers increase by 15% YoY on the back of campaigns and events to promote Lendlease Plus.

Justin

With the easing of the pandemic, we are seeing progress in the development of the multifunctional event space adjacent to 313@somerset. After experiencing delays due to the construction slowdown amidst COVID-19, we are excited to push ahead on our vision for the venue, with work expected to commence in the later part of 2023. Together with 313@somerset, the space will fill the Orchard Road district with experiential events and live performances, supported by anchor tenant Live Nation and our collaboration with the Singapore Tourism Board ("**STB**").

Q LREIT made strong progress in its sustainability journey. What are the key achievements?

Justin

As a responsible listed company, we ingrained sustainability throughout our operations to embrace the environment and uplift the communities that surrounds our business. During the year, the Manager made a concerted push to advance our green footprint to meet our ambitious carbon reduction targets. This resulted in LREIT achieving several new milestones.

In FY2023, LREIT became the first S-REIT to attain Net Zero Carbon (Scope 1 and 2) – three years ahead of our target year of FY2025. This was achieved by employing energy-efficient equipment at our properties, optimising energy and water usage for cooling towers as well as the support from renewable energy certification. With this achievement under our belt, we have our eyes set on our target of Absolute Zero Carbon by FY2040 and eliminating greenhouse gas emissions from our business activities.

Our sustainability efforts also won international recognition. LREIT was awarded a GRESB 5-star rating and named Regional Sector Leader in the Asia Retail (Overall) and Asia Retail (Listed) for the third consecutive year since its listing in 2019. Over in Milan, Building 1 and 2 of Sky Complex gained LEED Gold certification in December 2022. With this, all three Grade A office buildings within the development are now LEED Gold certified.

Kelvin

We are not alone in our quest for a sustainable world. Joining hands with organisations within and outside our industry, we seek to do more to advance sustainability together. I represent LREIT on the REIT Association of Singapore ("**REITAS**") Sustainability Taskforce as its Co-Chair. Unveiled in April 2022, it unites key representatives from S-REITs, banks and consultancy firms to identify issues and devise solutions to tackle them.

During the financial year, we partnered government agencies to drive sustainability standards within Singapore's western region. With support from the Urban Redevelopment Authority ("**URA**") and Smart Nation & Digital Government Office, we issued a sector-wide challenge for solutions to optimise energy efficiency at Jem. The winning proposals will be trialled at Jem and later rolled out at other buildings in the Jurong Lake District. At the same time, we lent our support to various youth programmes organised by Jurong West's Community Link.

In raising awareness of sustainability issues among future generations, we conduct educational site visits at Jem for schools and tertiary institutions. During the year, we welcomed students from Ngee Ann Polytechnic and the Institute of Technical Education, who toured the mall's green features.

More information on our social initiatives can be found in our Sustainability Report.

Q LREIT received several accolades in FY2023. How do these reflect the strength of the Trust?

Justin

The Manager received recognition on multiple fronts during the year. Demonstrating LREIT's tradability, it was included on the GPR/APREA Investable 100 Index. LREIT was also awarded Best Retail REIT (Platinum) and Best CEO (Gold) at the Asia Pacific Best of Breeds REITs Awards 2023, which recognises Asia's most outstanding players in the REITs market.

Similarly, our adherence to stringent standards of corporate governance did not go unnoticed. LREIT was ranked 12th in the Singapore Governance and Transparency Index (SGTI) 2023. In addition, it received the ASEAN Asset Class Award for listed companies at the 2021 ASEAN Corporate Governance Scorecard (ACGS) and was among over 200 listed companies in ASEAN to be recognised for exemplary corporate governance.

Kelvin

Our S$860 million sustainability-linked loan to acquire Jem also drew attention, with LREIT garnering the Best Sustainability-linked Loan Award Singapore at the Asset Triple A Sustainable Capital Markets Awards 2022. We also won the SBR National Business Awards 2023 for our financing solution which included the loan.

Together, these awards are a testament to our fortitude and reaffirm our strong commitment towards sustainability.

Q What lies ahead for LREIT?

Justin

Anchored by a strong asset portfolio, we will maintain our focus on driving value in our properties through proactive asset management, including capitalising on potential AEI opportunities.

In the road ahead, we expect income resiliency driven by Jem. The mall has enlarged our exposure in the robust suburban retail segment with a high concentration in the essential services trade of 58% by GRI. In addition, 313@somerset will stand to benefit from continued post COVID-19 recovery and growth in the tourism sector. On the office front, our properties enjoy a long WALE of 12.1 years by NLA contributing a stable income stream for the Unitholders.

Besides driving organic growth, we will continue to explore suitable acquisition opportunities in line with LREIT's investment strategy. In view of the current macroeconomic uncertainties and high interest rate environment, each opportunity will be evaluated prudently whilst ensuring a disciplined capital management approach.

During the year, the Board of Directors' ("**Board**") guidance, experience and insights have been invaluable. We are also thankful for the continued faith that Unitholders have in us as well as the unwavering dedication of our employees. We look forward to your continuous support in the coming year.

Finally, on behalf of the Board, I would like to express our gratitude and appreciation to Hsueh Ling for her invaluable contributions during her tenure as the Chairperson of the Board.

Mr Justin Marco Gabbani
Chairperson

Mr Kelvin Chow
Chief Executive Officer

Board of Directors

MR JUSTIN MARCO GABBANI
Chairperson and
Non-Independent
Non-Executive Director

MS NG HSUEH LING
Ex-Chairperson and
Non-Independent
Non-Executive Director
(stepped down on
8 August 2023)

DR TSUI KAI CHONG
Lead Independent
Non-Executive Director

MRS LEE AI MING
Independent Non-Executive Director

MR SIMON JOHN PERROTT
Independent Non-Executive Director

Board of Directors

MR JUSTIN MARCO GABBANI
Chairperson and Non-Independent Non-Executive Director

Member of the Audit and Risk Committee

Age: 41
Date of appointment as a director:
26 October 2021
Date of last re-endorsement as a director:
25 October 2022
Date of appointment as Chairperson of the Board:
8 August 2023
Length of service as a director (as at 30 June 2023):
1 year 8 months

Academic & professional qualifications
Bachelor of Finance and Bachelor of Commerce, Bond University, Queensland
Chartered Accountant, Australia

Present Directorships in Other Listed Companies (as at 30 June 2023)
-

Present Principal Commitments (as at 30 June 2023)
Chief Executive Officer, Asia, Lendlease Group
Director, Lendlease Investment Management Pte. Ltd.
Director, Lendlease Asia Holdings Pte. Ltd.
Director, Lendlease Digital Asia Pte. Ltd.

Past directorships in Other Listed Companies held over the preceding three years (as at 30 June 2023)
-

Background and working experience
Chief Financial Officer, Asia, Lendlease Group (from 2016 to 2021)
Head of Investment & Capital Markets, Asia and Europe, Lendlease Group (2015 to 2016)
Head of Investment & Capital Markets, Asia, Lendlease Group (2011 to 2015)
Head of Product Development, Investment Management, Lendlease Group (2009 to 2011)

DR TSUI KAI CHONG
Lead Independent Non-Executive Director

Chairperson of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee

Age: 67
Date of first appointment as a director:
29 August 2019
Date of last re-endorsement as a director:
25 October 2021
Length of service as a director (as at 30 June 2023):
3 years and 10 months

Academic & professional qualifications
BA(Hons) Business Studies, first class honours, Polytechnic of Central London
MPhil and PhD (Finance), New York University
Chartered Financial Analyst, CFA Institute, USA

Present Directorships in Other Listed Companies (as at 30 June 2023)
Director, Digital Core REIT Management Pte Ltd (as manager of Digital Core REIT)

Present Principal Commitments (as at 30 June 2023)
-

Past Directorships in Other Listed Companies held over the preceding three years (as at 30 June 2023)
-

Background and working experience
Emeritus Professor, Singapore University of Social Sciences (from 2021 to present)
Provost, Singapore University of Social Sciences (from 2005 to 2021)

MRS LEE AI MING
Independent Non-Executive Director

Chairperson of the Nomination and Remuneration Committee
Member of the Audit and Risk Committee

Age: 68
Date of appointment as a director:
29 August 2019
Date of last re-endorsement as a director:
26 October 2020
Length of service as a director (as at 30 June 2023):
3 years and 10 months

Academic & professional qualifications
Bachelor of Laws (Honours), National University of Singapore

Present Directorships in Other Listed Companies (as at 30 June 2023)
-

Present Principal Commitments (as at 30 June 2023)
Director, Temasek Life Sciences Laboratory Limited
Senior Consultant, Dentons Rodyk & Davidson LLP

Past Directorships in Other Listed Companies held over the preceding three years (as at 30 June 2023)
-

Background and working experience
Deputy Managing Partner, Dentons Rodyk & Davidson LLP (1982 to 2014)

MR SIMON JOHN PERROTT
Independent Non-Executive Director

Member of the Nomination and Remuneration Committee
Member of the Audit and Risk Committee

Age: 65
Date of appointment as a director:
29 August 2019
Date of last re-endorsement as a director:
25 October 2022
Length of service as a director (as at 30 June 2023):
3 years and 10 months

Academic & professional qualifications
Bachelor of Science, University of Melbourne
Master of Business Administration, University of New South Wales

Present Directorships in Other Listed Companies (as at 30 June 2023)
-

Present Principal Commitments (as at 30 June 2023)
Chairperson and Non-Executive Director, The Wayside Chapel

Past Directorships in Other Listed Companies held over the preceding three years (as at 30 June 2023)
-

Background and working experience
Chairman, CIMB Bank Australia (from 2012 to 2014)
Chairman, RBS Australia (from 2009 to 2012)
Various roles and last held role was Co-Head of Banking, ABN AMRO Bank N.V. (from 2002 to 2009)

MS NG HSUEH LING
Ex-Chairperson and Non-Independent Non-Executive Director

Ex-Member of the Nomination and Remuneration Committee

Age: 56
Last day of appointment as a director:
8 August 2023
Date of last re-endorsement as a director:
25 October 2021
Length of service as a director (as at 30 June 2023):
4 years 5 months

Academic & professional qualifications
Bachelor of Science (Estate Management), National University of Singapore
Fellow, Singapore Institute of Surveyors and Valuers
Licensed appraiser for Lands and Buildings, Inland Revenue Authority of Singapore

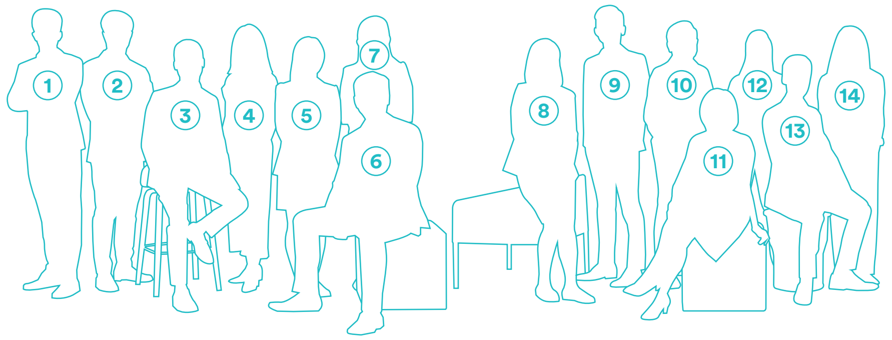
Present Directorships in Other Listed Companies (as at 30 June 2023)
-

Present Principal Commitments (as at 30 June 2023)
Managing Director & Country Head, Singapore, Lendlease Group
Director, Lendlease Investment Management Pte. Ltd.
Director, Lendlease Retail Pte. Ltd.
Director, Lendlease Singapore Pte. Ltd.
Chairperson of Property Committee, Singapore Hokkien Huay Kuan 44th Executive Council
Member, The Hokkien Foundation Management Committee
Member, Singapore Hokkien Huay Kuan Affiliated Schools Management Committee
Director, Singapore Hokkien Huay Kuan Cultural Academy
Director, Yunnan Realty Pte. Ltd.
Member, Executive Committee, ULI Singapore

Past Directorships in Other Listed Companies held over the preceding three years (as at 30 June 2023)
-

Background and working experience
Chief Executive Officer, Keppel REIT Management Limited (as manager of Keppel REIT) (from 2009 to 2017)
Chief Executive Officer, Korea & Japan and Senior Vice President of Fund Business Development and Real Estate Fund Management, Ascendas Pte. Ltd. (from 2005 to 2009)
Vice President, Real Estate Capital Management, CapitaLand Financial Ltd (from 2002 to 2005)
Vice President, Investment & Investment Sales with CapitaLand Commercial Ltd (from 2000 to 2001)

The Manager



1. **NIGEL LEE**
   Investor Relations Analyst
2. **SEAN HAN**
   ESG Analyst
3. **MARK YONG**
   Investment Manager
4. **LING BEE LIN**
   Head of Investor Relations and ESG
5. **DENG XIAOLIN**
   Asset Management Analyst
6. **KELVIN CHOW**
   Chief Executive Officer
7. **LOH KAR YEN**
   Head of Asset Management
8. **AMY CHIANG**
   Deputy Head of Legal
9. **DESMOND CHAN**
   Assistant Investment Manager
10. **VICTOR SHEN**
   Financial Controller
11. **TEO LAY TING**
   Executive General Manager, Finance
12. **SEAH JI-LYNN**
   Finance Analyst
13. **ZEN BIN**
   Senior Fund Analyst
14. **ALICIA LIM**
   Assistant Finance Manager

The Manager

MR KELVIN CHOW
Chief Executive Officer

Mr Chow was appointed CEO of Lendlease Global Commercial Trust Management Pte. Ltd. in 2019. He has over 30 years of experience in finance and accounting matters, tax and treasury and capital management, of which more than 20 years are in direct real estate investments and fund management. Prior to his appointment as the CEO, Mr Chow was the Managing Director of Investment Management in Asia from 2018 where he managed the overall performance of the Asia funds platform and asset management function. Before joining Lendlease, he was the Chief Financial Officer of various REITs where he played a vital role to oversee the company's financial activities.

Mr Chow holds a Master of Business Administration from Universitas 21 Global. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.

MS TEO LAY TING
Executive General Manager, Finance

Ms Teo has approximately 20 years of experience in investments and portfolio management, covering key aspects including investment assessment, fund raising, treasury, tax, finance and investor relations. Prior to this appointment, Ms Teo was the Investment Director of Investment and Capital Markets in Lendlease where she played a key role in driving growth of the Asia business.

Before joining Lendlease, she was with various real estate institutions including GIC Real Estate and AMP Capital, where she was responsible for portfolio management and driving strategic business initiatives.

Ms Teo holds a Bachelor of Accountancy (First Class Honours) from the Nanyang Technological University and is a member of both the Institute of Singapore Chartered Accountants and the CFA Institute.

MS AMY CHIANG
Deputy Head of Legal

Ms Chiang has over 10 years' post-qualification experience and is responsible for supporting the Manager on all legal, compliance and corporate secretarial matters.

Prior to this, Ms Chiang supported Lendlease's development, retail operations, investment and capital markets, and investment management businesses in the Asia region, and also oversaw the corporate secretarial matters in Singapore. She joined Lendlease from ARA Asset Management, where she rendered legal support to their private funds in Asia.

Ms Chiang is admitted as an Advocate and Solicitor in Singapore and holds an LL.B. (Hons) from the University of Manchester.

MS LING BEE LIN
Head of Investor Relations and ESG

Ms Ling has over 10 years of experience in investor relations and corporate communications. She leads the investor relations team responsible for cultivating relationships and facilitating clear, timely communications and engagements with Unitholders and stakeholders, including analysts and investors. Prior to joining the Manager, she was handling investor relations at a business trust listed on the SGX-ST and also held position in Group Corporate Communications for six years at a listed fund on the London Stock Exchange.

Ms Ling holds a Bachelor of Commerce Degree in Management and Hospitality & Tourism Management from Murdoch University.

MS LOH KAR YEN
Head of Asset Management

Ms Loh has more than 20 years of experience in real estate portfolio and asset management, valuation and lease management for private and public landlords, including close to 17 years in the Singapore REIT industry.

Before joining LREIT, she was in the portfolio and asset management role with various entities in the CapitaLand Group including CapitaLand Commercial Trust. Prior to CapitaLand, she also held positions in Keppel REIT and Ascendas REIT.

Ms Loh holds a Bachelor of Science Degree (Honours) in Estate Management from the National University of Singapore.

MR VICTOR SHEN
Financial Controller

Mr Shen has approximately 18 years of experience in accounting, finance, budgeting, tax, compliance, audit and reporting, of which more than six years are in real estate investment finance and over seven years are in SGX listed entities.

Prior to joining the Manager, he was a Finance Manager with Mapletree Logistics Trust Management Ltd responsible for its consolidation and reporting function.

Mr Shen holds a Bachelor of Business in Accountancy from the Singapore Institute of Management (RMIT University) and is a Certified Public Accountant with CPA Australia.

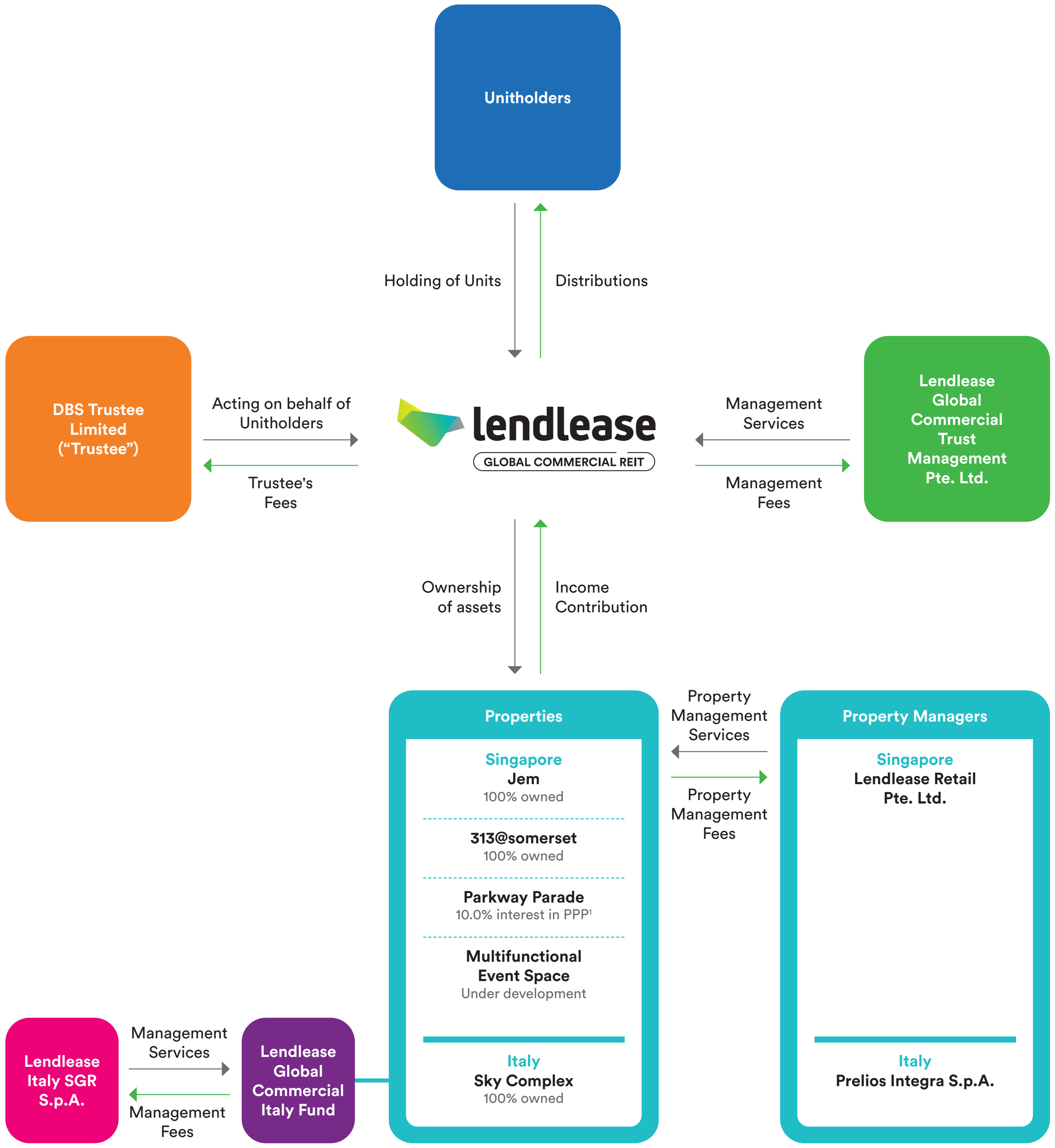
MR MARK YONG
Investment Manager

Mr Yong is responsible for formulating and executing LREIT's overall investment strategy globally. He leads the investment team to identify, evaluate and negotiate potential investment opportunities that are suitable and beneficial for the REIT. In addition, Mr Yong is involved in the capital market strategy of LREIT for each acquisition milestone. Prior to joining the Manager, Mr Yong was involved in managing private equity funds and investment mandates under Lendlease Investment Management in Asia.

Mr Yong holds a Bachelor of Science (Real Estate) with Honours (Highest Distinction) from the National University of Singapore.

LREIT HAS A DEDICATED AND PASSIONATE TEAM THAT DRIVES THE REIT'S LONG-TERM SUCCESS.

Trust Structure



[1] LREIT owns a 10.0% interest in Parkway Parade Partnership Pte. Ltd. ("**PPP**"), which holds an indirect 100% interest in 291 strata lots in Parkway Parade, representing 77.09% of the total share value of the strata lots in Parkway Parade ("**Parkway Parade Property**").

Corporate Information

STOCK EXCHANGE QUOTATION

SGX Stock Code: JYEU
Bloomberg Stock Code: LREIT SP Equity
ISIN Code: SGXC61949712

MANAGER

Lendlease Global Commercial Trust Management Pte. Ltd.
2 Tanjong Katong Road
#05-01 PLQ3
Paya Lebar Quarter
Singapore 437161
t +65 6671 7374
f +65 6671 7372
e enquiry@lendleaseglobalcommercialreit.com
w www.lendleaseglobalcommercialreit.com

TRUSTEE

DBS Trustee Limited
12 Marina Boulevard, Level 44
DBS Asia Central @ Marina Bay Financial Centre Tower 3
Singapore 018982

BOARD OF DIRECTORS

Mr Justin Marco Gabbani
Chairperson and Non-Independent Non-Executive Director

Dr Tsui Kai Chong
Lead Independent Non-Executive Director

Mrs Lee Ai Ming
Independent Non-Executive Director

Mr Simon John Perrott
Independent Non-Executive Director

AUDIT AND RISK COMMITTEE

Dr Tsui Kai Chong
Chairperson

Mrs Lee Ai Ming
Member

Mr Simon John Perrott
Member

Mr Justin Marco Gabbani
Member

NOMINATION AND REMUNERATION COMMITTEE

Mrs Lee Ai Ming
Chairperson

Dr Tsui Kai Chong
Member

Mr Simon John Perrott
Member

COMPANY SECRETARY

Ms Amy Chiang

AUDITORS

KPMG LLP
12 Marina View
#15-01 Asia Square Tower 2
Singapore 018961
t +65 6213 3388
f +65 6225 0984

Partner-In-Charge:
Mr Lee Chin Siang Barry
(Appointment date: 8 January 2020)

UNIT REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632
t +65 6536 5355
f +65 6536 1360

For updates or change of mailing address, please contact:

The Central Depository (Pte) Limited
11 North Buona Vista Drive
#01-19/20 The Metropolis Tower 2
Singapore 138589
t +65 6535 7511
e asksgx@sgx.com
w www.sgx.com/securities/retail-investor

STABILITY

Our stability brings success, and success brings stability. Now & beyond.

99.9

Portfolio Committed Occupancy 99.9%

4.8

Retail Rental Reversion 4.8%

3.65

Appraised Portfolio Value S$3.65 billion

5.9

Office Rental Escalation for Sky Complex 5.9%

8.2

WALE (by NLA) 8.2 years

Performance Overview

What's in this section :

Operations Review

THE TEAM'S EFFORTS IN PROACTIVELY MANAGING LREIT'S ASSETS HAVE DRIVEN IMPROVED OPERATIONAL PERFORMANCE ACROSS LREIT'S PORTFOLIO IN FY2023.

Strengthen LREIT's Presence in Strategic and Well-established Locations in Singapore

In June 2023, LREIT acquired a stake[1] in Parkway Parade for S$88.9 million[2]. Further details of the acquisition can be found in the announcement dated 5 June 2023 on the SGXNet portal or LREIT's corporate website.

The acquisition was based on agreed market value of S$1,380 million for the Parkway Parade Property, supported by two independent valuers appointed by the Manager and Trustee. Jones Lang LaSalle Property Consultants Pte. Ltd., appointed by the Manager, valued the Parkway Parade Property at S$1,380 million and Savills Valuation and Professional Services (S) Pte Ltd., appointed by the Trustee, valued the Parkway Parade Property at S$1,351 million. The valuation methods used by the independent valuers were the income capitalisation approach and discounted cash flow analysis.

The acquisition strengthened LREIT's foothold in strategic and well-established locations in Singapore. With the upcoming Marine Parade station, there will be direct MRT connection to Parkway Parade and more footfalls will be channelled to the mall, strengthening its position as a dominant suburban retail mall in the eastern part of Singapore.

The AEI for Parkway Parade has been planned to coincide with the completion of the new MRT station. Upon completion, the mall will be reinvigorated with new retail and Food & Beverages ("**F&B**") tenants.

Proactive Asset Management

The Manager aims to enhance shoppers' experience and deliver value to LREIT's tenants. During the year, a handful of apparel brands, PUMA and Aape by A Bathing Ape, broke ground to open their flagship stores in 313@somerset. This is a testament to the Manager's ability to optimise tenant mix and reinforce 313@somerset's position as a lifestyle destination in the Somerset precinct. In the near team, the Manager will remain focused to unlock approximately 10,200 sq ft of untapped gross floor area ("**GFA**") to maximise the full potential of 313@somerset and continue to bring value to LREIT's Unitholders.

Jem's excellent location and strong domestic catchment allow the Manager to create unique and distinctive experiences for its shoppers. During the year, Jem welcomed a slew of new store openings and expansions including Tai Er, POCHA! Korean Dining Street and prettyFIT. A notable example is the Food Hall at level 5, which was revamped in September 2022 and occupied by Kopitiam as the largest outlet in its Singapore portfolio.

During the year, the Manager continued to roll out a robust marketing calendar of promotions and events to encourage repeat visits and increase customer spending. New in-app offerings were also launched through Lendlease Plus to offer lifestyle rewards and enhance shopping experiences. The campaigns and in-app offerings were well-received by shoppers as well as LREIT's tenants, resulting in a 15% YoY increase in Lendlease Plus memberships in FY2023.

10

Acquired 10.0% interest in PPP to strengthen its presence in strategic and well-established location in Singapore

Note: Any discrepancies in summation under this section are due to rounding. All charts are as at 30 June 2023 unless otherwise stated.

1 LREIT acquired 10.0% interest in PPP, which holds an indirect 100% interest in 291 strata lots in Parkway Parade, representing 77.09% of the total share value of the strata lots in the Parkway Parade Property.

2 Subject to post-completion adjustments.

Strong Portfolio Occupancy

LREIT continued to maintain a strong portfolio occupancy of 99.9% as at 30 June 2023. Approximately 96% of the retail committed leases (by NLA) has rental step-ups embedded in their leases which provide avenues for income growth. For FY2023, rental reversion rate was 4.8% and tenant retention rate remained healthy at 82.4%.

Occupancy for its retail portfolio stood at 99.7%, while the office portfolio in Singapore and Milan is wholly leased to the Singapore's Ministry of National Development ("**MND**") until 2044 and Sky Italia until 2032[3], respectively. These leases will continue to provide long-term cash flow stability for Unitholders.

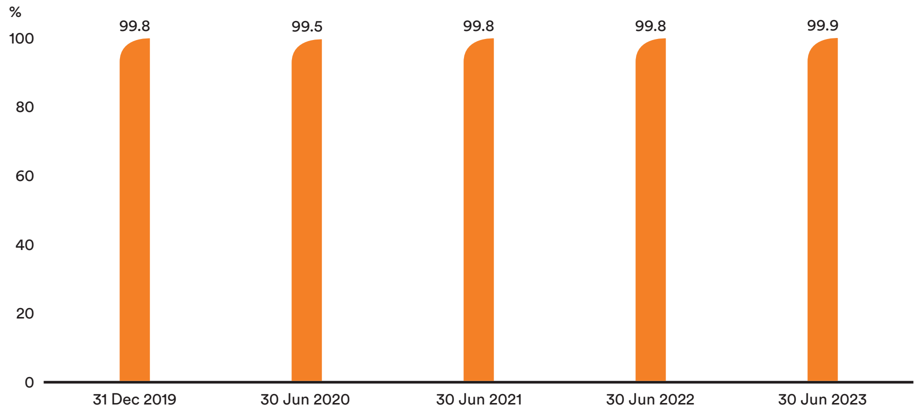
Well-spread Lease Expiry Profile

As at 30 June 2023, the lease expiry profile for LREIT remained well-spread with a long portfolio WALE of 8.2 years by NLA and 5.5 years by GRI. Approximately 10.6% and 20.3% of LREIT's retail leases by GRI will expire in FY2024 and FY2025 respectively.

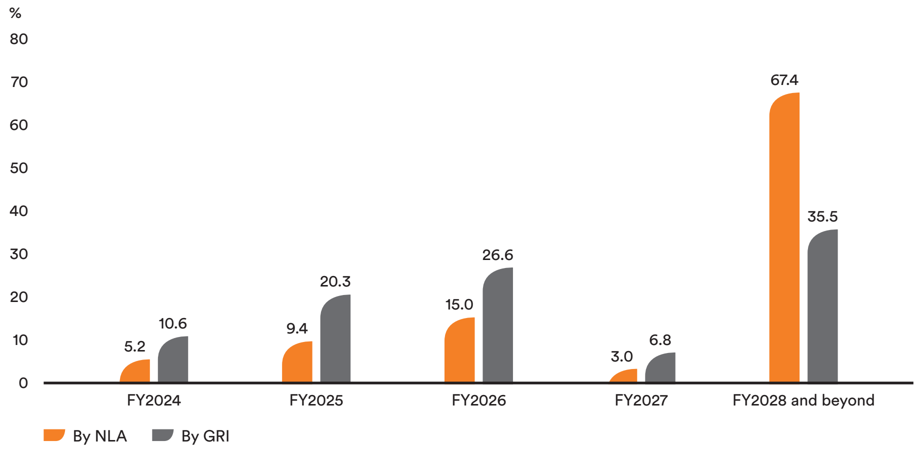
Backed by the long lease terms with Sky Italia and MND, WALE for LREIT's office portfolio stood at 12.1 years by NLA and 14.6 years by GRI.

For new leases entered into during the year, the WALE by GRI is approximately 3.5 years based on the date of commencement of the leases. Based on GRI for June 2023, these leases account for approximately 32% of the GRI.

Portfolio Occupancy



Lease Expiry Profile



99.9

Portfolio Occupancy 99.9%

3 Assumes that Sky Italia does not exercise its break option in 2026.

Operations Review

LREIT'S PORTFOLIO COMPRISES HIGH QUALITY AND WELL-DIVERSIFIED TENANT BASE THAT GENERATES STABLE REVENUE STREAMS.

Well-diversified Tenant Mix

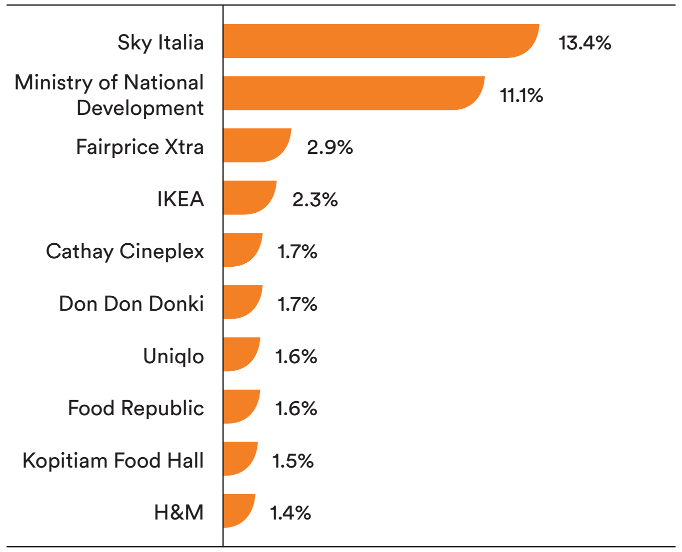
As at the end of FY2023, LREIT had 410 tenants across 21 trade sectors in its portfolio with a high concentration in the essential services trades, which accounted for approximately 58% of retail GRI. Top 10 tenants contributed approximately 39% of the total GRI for the month of June 2023.

LREIT's portfolio comprises high quality and well-diversified tenant base that generates steady revenue streams across different trade sectors. Its top 3 trade sectors, namely F&B, Broadcasting and Fashion & Accessories accounted for 27.7%, 13.4% and 11.7% respectively, of the GRI for the month of June 2023.

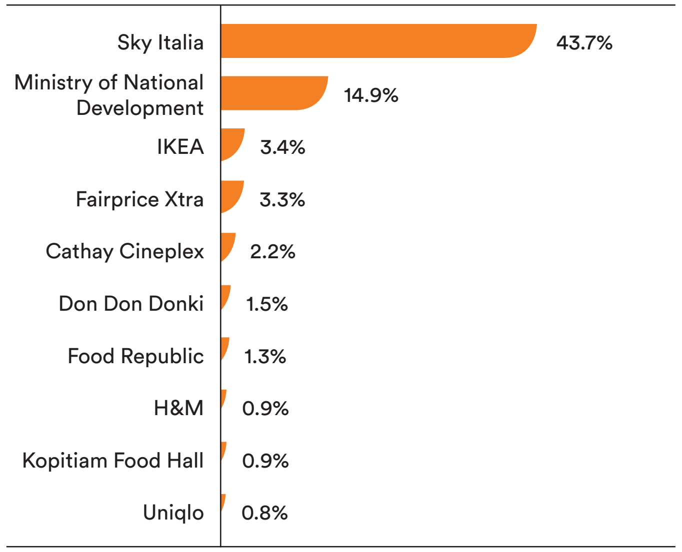
410

Tenants across 21 trade sectors

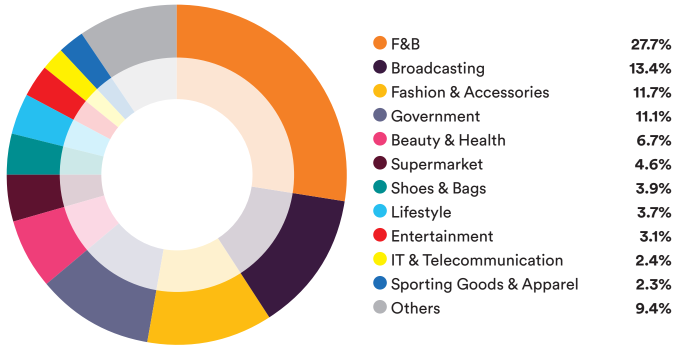
Top 10 Tenants by GRI



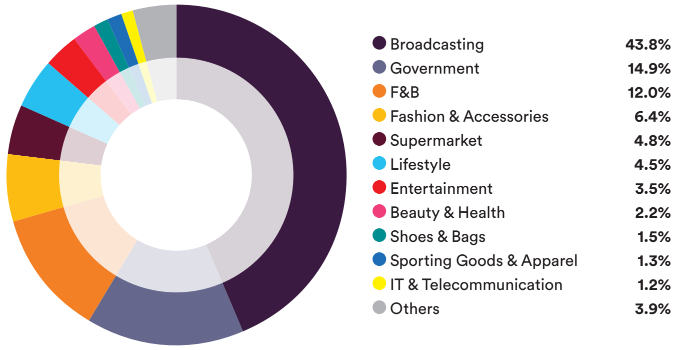
Top 10 Tenants by NLA



Trade Sector Breakdown by GRI



Trade Sector Breakdown by NLA

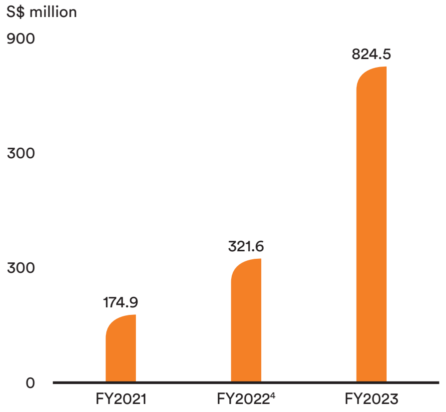


Tenant Sales and Shopper Traffic

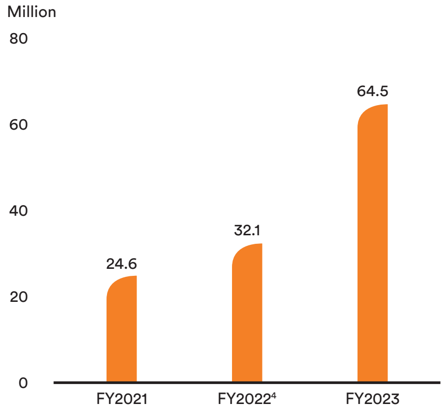
Tenant sales and shopper traffic continued to improve in FY2023. Tenant sales rose 2.5 times YoY to S$824.5 million and shopper traffic grew 2.0 times YoY to 64.5 million. The increase was mainly due to the full-year contribution from Jem.

Gross turnover rent, pegged to tenant sales, accounted for less than 5% of LREIT's gross revenue.

Tenant Sales



Shopper Traffic



Portfolio Valuation

Independent valuation of LREIT's portfolio was conducted in June 2023 and the methodologies applied include the income capitalisation approach and discounted cash flow method.

Overall value of the portfolio recorded a gain of 1.4% YoY largely due to an uplift in market rents and improved market sentiments in Singapore.

3.65

Appraised portfolio value increased 1.4% YoY to S$3.65 billion[5]

	FY2023	FY2022	Variance (%)	Cap rate FY2023 (%)	Cap rate FY2022 (%)
Jem	S$2,188.0 million	S$2,134.0 million	+2.5	Retail: 4.50 Office: 3.50	Retail: 4.50 Office: 3.50
313@somerset	S$1,033.2 million[5]	S$993.1 million[5]	+4.0	4.25[6]	4.25[6]
Sky Complex[7]	€290.5 million (S$428.8 million)	€324.5 million (S$472.3 million)	-10.5(€) -9.2(S$)	5.75[8]	5.00[8]
Total	**S$3,650.0 million**	**S$3,599.4 million**	**+1.4**	**N.A.**	**N.A.**

[4] Tenant sales and shopper traffic include contribution from Jem with effect from its acquisition in April 2022.

[5] Includes the development of the multifunctional event space, adjacent to 313@somerset, which will be connected seamlessly to the Discovery Walk that links to 313@somerset. Value reflected is the total of the market value and right-of-use-asset.

[6] Refers to operating asset only.

[7] Conversion of € to S$ for FY2023 and FY2022 were based on the FX rate of 1.476 and 1.456 as at 30 June 2023 and 30 June 2022 respectively.

[8] Refers to terminal cap rate.

Operations Review

ROBUST MARKETING CALENDAR OF PROMOTIONS AND EVENTS TO ENCOURAGE REPEAT VISITS AND INCREASE CUSTOMER SPENDING.

824.5

Tenant sales increased 2.5 times to S$824.5 million

Holly, jolly Christmas at 313@somerset with Santa Claus and carolling sessions

313@somerset welcomed the Lunar New Year with awe-inspiring lion dance performances

DIY lunch bag workshop to encourage a plastic-less environment

SG Breaking Champs, one of the most anticipated breaking competitions in Singapore, brought the competition stage to 313@somerset

Jem celebrated its 10th anniversary to thank and give back to the community for their support in the last decade

Terrarium workshop with the shoppers at Jem to discover the miniature world of nature

A glowing wall of 216 lanterns inside 313@somerset to celebrate mid-autumn festival, a reunion time with the loved ones

64.5

Shopper traffic increased 2.0 times to 64.5 million

15

Lendlease Plus membership increased 15% YoY

Property Summary

Jem

Singapore

BCA UD MARK

ENJOYING A PROMINENT SPOT IN SINGAPORE'S EXPANDING WESTERN DISTRICT, JEM IS THE REGION'S FIRST LIFESTYLE HUB AND A TOP RETAIL AND COMMERCIAL DEVELOPMENT.

KEY STATISTICS
(as at 30 June 2023)

Location:
50 and 52 Jurong Gateway Road, Singapore 608549 and 608550

Title/Tenure:
Leasehold 99 years from 2010

Ownership:
100%

Number of tenants:
256

Car park lots:
674

Purchase price:
S$2,079.0 million

Valuation:
S$2,188.0 million

Net lettable area:
893,044 sq ft

Gross revenue for FY2023:
S$124.9 million

Net property income for FY2023:
S$93.4 million

Committed occupancy:
100.0%

Jem, Singapore

Well-located within one of Singapore's regional and commercial hubs, Jem remains an exciting destination that draws shoppers and tenants. The integrated retail and commercial development houses around 582,000 sq ft and 311,000 sq ft of retail and office NLA respectively. Its 12-storey office tower continues to be wholly leased by the MND.

In September 2022, Kopitiam joined Jem's collection of well-known anchor tenants, including IKEA, FairPrice Xtra, Cathay Cineplex and Don Don Donki. Kopitiam, occupying approximately 18,000 sq ft on level 5 of the retail mall, is the largest outlet in its portfolio featuring more than 20 thoughtfully curated food options amidst a cosy, contemporary setting.

Conveniently situated near transport nodes and public amenities, including Jurong East MRT Station and Bus Interchange, Ng Teng Fong General Hospital and Jurong Regional Library, Jem is set to capture increased footfall from the future Jurong Regional Line Station and the Jurong Integrated Transport Hub. It will also benefit from the government's decentralisation efforts to develop Jurong Lake District ("**JLD**") into Singapore's largest business district outside of the city centre.

As Singapore's first office and retail property to receive the BCA Green Mark Platinum version 4 and Universal Design Mark Gold Plus Design Award, Jem continued to build on its legacy, maintaining Green Mark Platinum status in 2022.

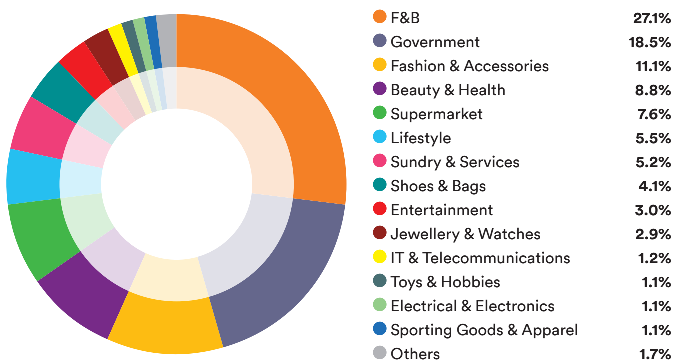
Lease Expiry Profile

As at 30 June 2023, Jem enjoys a high WALE of 9.3 years based on NLA and 6.0 years by GRI. In FY2024 and FY2025, 9.8% and 23.9% of leases by GRI are due for renewal respectively.

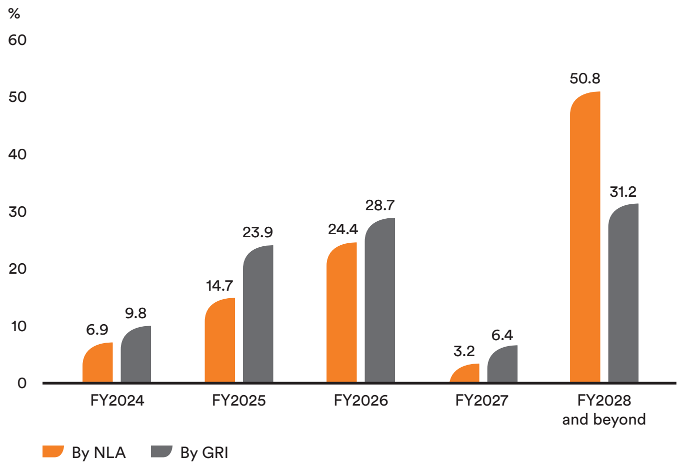
Trade Sector Analysis

As at 30 June 2023, Jem supports a tenancy mix of 256 tenants from 16 trade sectors. Essential services accounted for approximately 60% of Jem's retail GRI. Its office component accounted for approximately 19% of the GRI.

Trade Sector Breakdown by GRI



Lease Expiry Profile by NLA and GRI



Note: All charts under this section are as at 30 June 2023 unless otherwise stated.

Property Summary

313@somerset

Singapore

313@SOMERSET IS STRATEGICALLY POSITIONED TO LEVERAGE SOMERSET'S EMERGENCE AS A FUTURE YOUTH PRECINCT.

One of Singapore's foremost lifestyle malls and occupying a prime spot along the renowned Orchard Road shopping belt, 313@somerset presents an exciting shopping experience featuring over 150 quality retailers spread across 8 levels. In ensuring its continued vibrancy and relevance in line with evolving consumer trends, the Manager reviewed and refreshed its tenant mix, while maintaining a healthy tenant retention ratio of 73.3%. With 10,200 sq ft untapped GFA, the mall has the potential for further value creation in the road ahead.

Beyond its prominent street frontage along Orchard Road and Somerset Road, 313@somerset enjoys strong connectivity to transport infrastructure, including a direct link to Somerset MRT Station. A popular entrance to the mall is Discovery Walk. Located at the ground level and flanked by restaurants, cafes and bars, the walkway allows easy access to the mall from one of Orchard Road's busiest pedestrian traffic intersections.

Targeting youth and young working adults, 313@somerset is expected to benefit from Somerset's designation as a youth hub in the government's plans to rejuvenate Orchard Road.

Lease Expiry

As at 30 June 2023, 313@somerset maintains a WALE of 2.5 years based on NLA and GRI. FY2024 and FY2025 will see 17.3% and 22.3% of leases by GRI up for renewal respectively.

Trade Sector Analysis

As at 30 June 2023, 313@somerset's tenancy mix comprised 153 tenants from 13 trade sectors. F&B and Fashion & Accessories continued to be the top two contributors to GRI at approximately 43% and 19% respectively.

313@somerset, Singapore

KEY STATISTICS
(as at 30 June 2023)

Location:
313 Orchard Road, Singapore 238895

Title/Tenure:
Leasehold 99 years from 2006

Ownership:
100%

Number of tenants:
153

Car park lots:
220

Purchase price:
S$1,003.0 million

Valuation:
S$1,026.0 million

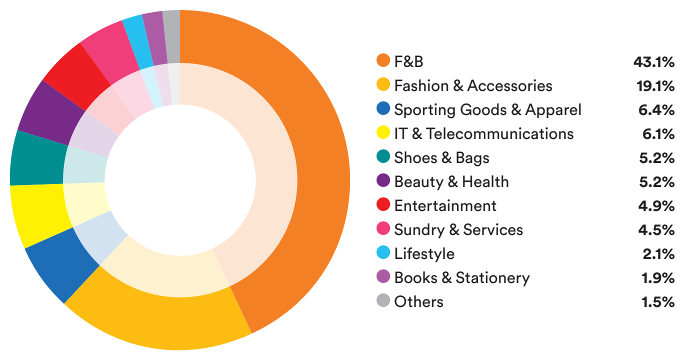
Net lettable area:
288,979 sq ft

Gross revenue for FY2023:
S$54.9 million

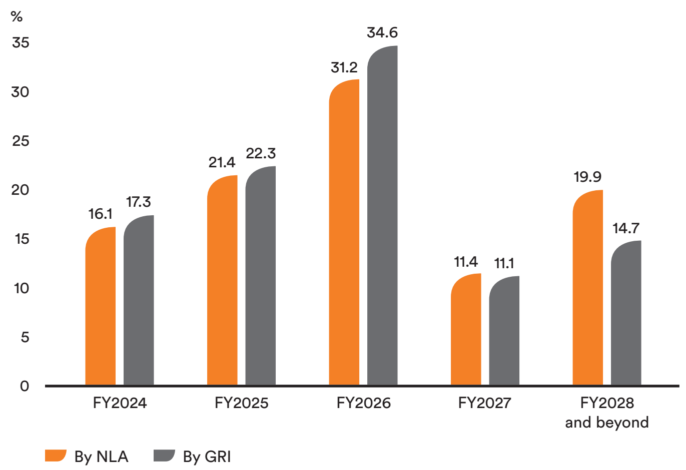
Net property income for FY2023:
S$38.1 million

Committed occupancy:
99.0%

Trade Sector Breakdown by GRI



Lease Expiry Profile by NLA and GRI



Property Summary

Sky Complex

Milan, Italy

Sky Complex, Milan

KEY STATISTICS
(as at 30 June 2023)

Location:
Via Luigi Russolo 4 (Building 1 & 2)
Via Luigi Russolo 9 (Building 3),
20138 Milan, Italy

Title/Tenure:
Freehold

Ownership:
100%

Car park lots:
501

Purchase price:
€262.5 million

Valuation:
€290.5 million

Total gross area:
Approximately 129,000 sq m

Gross revenue for FY2023:
S$25.1 million

Net property income for FY2023:
S$22.4 million

Committed occupancy:
100%

SKY COMPLEX IS FULLY LEASED TO SKY ITALIA, A SUBSIDIARY OF COMCAST CORPORATION, ONE OF THE WORLD'S LARGEST BROADCASTING AND CABLE TELEVISION COMPANIES.

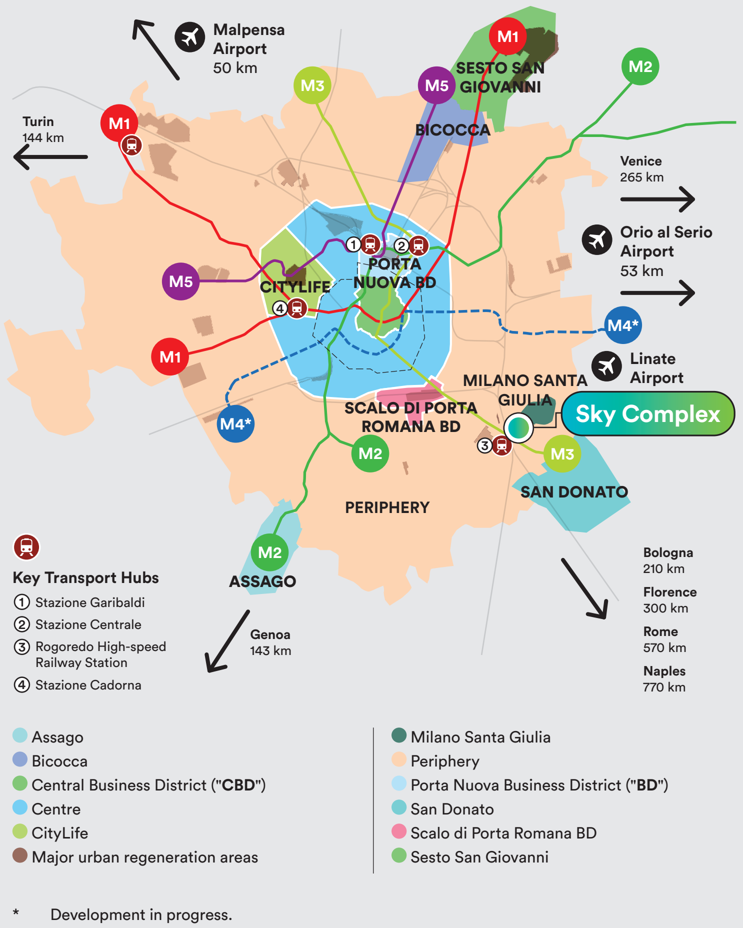
Situated within Milano Santa Giulia, a business district in Milan, Sky Complex features three Grade A office buildings with a total gross area of approximately 129,000 square meters ("**sq m**"). Offering convenience and connectivity, Sky Complex is adjacent to the Rogoredo high-speed rail station and only 7.5 kilometres ("**km**") from the Milano Linate Airport. It is also close to the new metro line, which partially opened in November 2022. Upon completion of the new metro line in 2024, travelling time from Milan city centre to Linate Airport will take only 12 minutes.

The lease to Sky Italia, expiring in May 2032, includes a break option in 2026 and an annual rental escalation pegged to 75% of The Italian National Institute of Statistics ("**ISTAT**") consumer price index ("**CPI**") variation. This allows for rental increase in tandem with CPI appreciation. On the other hand, operating expenses of Sky Complex are borne by the tenant, minimising LREIT's exposure to expense inflation. Projected cashflow contributions from the investment are hedged to mitigate exposure to foreign currency fluctuations.

All three buildings have large floor plates and attained LEED Gold Certification. In addition, Lendlease's Spark Business district, which includes Sky Complex Building 3, achieved the prestigious LEED Neighbourhood Development Gold certification – the first precinct in Italy to clinch this achievement. Given this accolade, the business district is expected to benefit from growing interest among companies in enhancing brand identity through association with Grade A or green buildings in prime locations with strong connectivity.

Building 3 of Sky Complex

LOCATION MAP | SKY COMPLEX



Property Summary

Parkway Parade

10.0%[1] interest in PPP

PROMINENTLY SITUATED ALONG MARINE PARADE ROAD, PARKWAY PARADE SERVES SINGAPORE AS ONE OF THE NATION'S INITIAL MAJOR AND LARGEST SUBURBAN MALLS IN THE EASTERN REGION.

Featuring over 250 stores spread across 7 levels, Parkway Parade presents a wide range of options as a one-stop destination meeting consumer needs in the East Coast precinct. Today, the mall houses a vibrant mix of lifestyle amenities and services as well as retail and F&B offerings from well-loved brands including Food Republic, FairPrice Xtra, Harvey Norman, Marks & Spencer and Uniqlo.

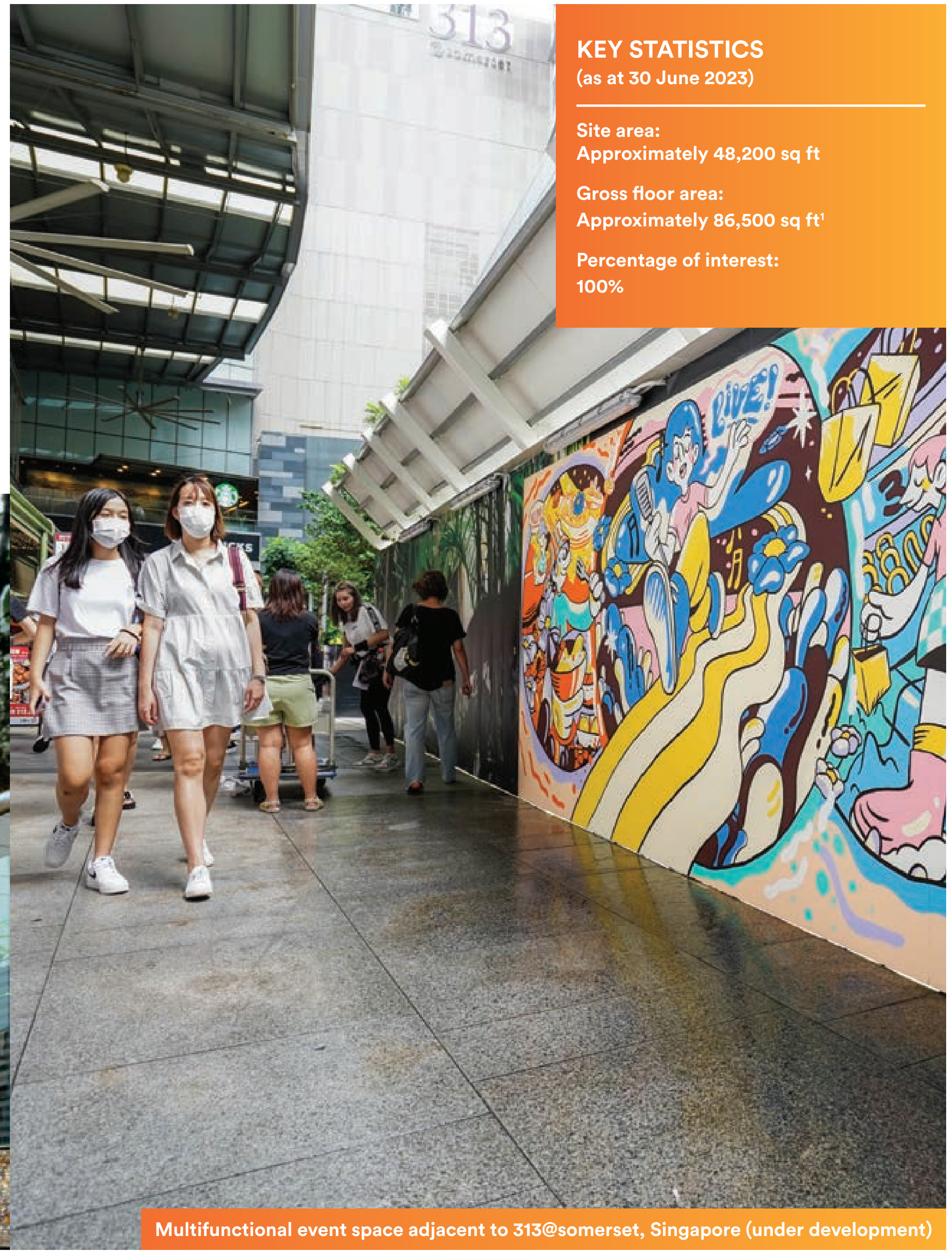
Located just 8 km away from the CBD and adjacent to Marine Parade Central, Parkway Parade enjoys good connectivity to public transportation and major expressways, and will link directly to the upcoming Marine Parade MRT Station. Once complete in 2024, this will enhance its accessibility and status as a dominant suburban retail mall in the eastern part of Singapore. In tandem with this development, AEI are in the pipeline to further boost connectivity and shopper traffic. These include an MRT linkway at the mall's basement as well as plans to excite shoppers with new retail and F&B experiences.

Parkway Parade, Singapore

[1] LREIT owns a 10.0% interest in PPP, which holds an indirect 100% interest in 291 strata lots in Parkway Parade, representing 77.09% of the total share value of the strata lots in the Parkway Parade Property.

Multifunctional Event Space

Adjacent to 313@somerset



Multifunctional event space adjacent to 313@somerset, Singapore (under development)

KEY STATISTICS
(as at 30 June 2023)

Site area:
Approximately 48,200 sq ft

Gross floor area:
Approximately 86,500 sq ft[1]

Percentage of interest:
100%

ONCE COMPLETE, THE EVENT SPACE WILL INJECT VIBRANCY TO ORCHARD ROAD WITH CURATED EVENTS AND EXPERIENCES.

The upcoming event space adjacent to 313@somerset is set to bring unique lifestyle and entertainment experiences to Orchard Road, from live performances to carefully curated events. Construction is expected to commence in the later part of 2023 and conclude in 12 to 18 months. Once complete, the arena, together with 313@somerset, will have a footprint of about 330,000 sq ft of NLA and house multiple event venues.

Live Nation, a leading global live entertainment company, has taken up a significant portion of the venue as its anchor tenant. In a tie up with the STB, the future event space will host experiential events each year, with the resulting crowds expected to drive tenant sales at 313@somerset.

The project is created with the youth and community in mind with the intention of catering for different forms of entertainment with varying scale ranging from a 3,000 people capacity live entertainment hall to smaller performances. Curated food shops will also extend the current offerings on Discovery Walk and cater to the demands of the youth and those looking for differentiated offers.

The site is designed to be inviting and open, maximising public space through the development. The community will be able to enjoy the lush and green sky terrace that can also be used as event space.

[1] Based on Written Permission approval from the URA in April 2023. Floor area and scheme are subject to final design and approval by the authorities.

Financial Review

FY2023 saw the full year financial contribution from Jem which was acquired in April 2022. Riding on post COVID-19 recovery, the Manager's focus on proactive asset management has driven improved asset performance. In addition, LREIT strategically acquired a 10.0% interest in PPP for S$88.9 million[1] in June 2023, further bolstering its footprint in the resilient suburban retail segment and income diversification.

In view of the above, FY2023 financial results presented significant growth from FY2022 as outlined below.

Operating Performance

Gross revenue more than doubled in FY2023 to S$204.9 million, whilst property expenses at S$50.9 million is 94.8% higher as compared to FY2022. Consequently, LREIT's NPI grew in tandem by approximately 2.0 times YoY to S$153.9 million.

Total operating expenses expressed as a percentage of net assets was higher in FY2023 mainly due to the full year financial contribution from Jem which was acquired in April 2022.

Management Fees

The Manager's base fee and performance fee increased 72.9% YoY and 95.1% YoY, respectively. The annual growth was a result of the increase in LREIT's deposited property and higher NPI.

Finance Expenses and Other Trust Expenses

Finance expenses increased to S$51.4 million mainly due to the full year financial impact from the acquisition of Jem and higher borrowing costs on the back of rising interest rates. On the other hand, other trust expenses of S$3.8 million decreased 13.3% YoY from S$4.3 million in FY2022.

FY2023 FINANCIAL PERFORMANCE TOOK INTO ACCOUNT THE FULL YEAR FINANCIAL CONTRIBUTION FROM THE ACQUISITION OF JEM.

Gross Revenue	FY2023 (S$ million)	FY2022 (S$ million)	Variance (%)
Jem[2]	124.9	22.3	>100
313@somerset	54.9	54.0	1.6
Sky Complex	25.1	25.4	(1.2)
Total	**204.9**	**101.7**	**>100**

Net Property Income	FY2023 (S$ million)	FY2022 (S$ million)	Variance (%)
Jem[2]	93.4	16.1	>100
313@somerset	38.1	36.6	4.1
Sky Complex	22.4	22.8	(1.8)
Total	**153.9**	**75.5**	**>100**

Total Operating Expenses	FY2023 (S$ million)	FY2022 (S$ million)
Total operating expenses[3], including all fees, charges and reimbursable costs paid to the Manager and interested parties	74.0	42.0
Net Assets as at 30 June	2,230.8	2,178.7
Total operating expenses as percentage of Net Assets	**3.3%**	**1.9%**

204.9

Gross Revenue S$204.9 million

Distribution

Distribution for FY2023 was S$108.2 million, an increase of S$36.7 million or 51.3% compared to FY2022. This translated to a distribution of 4.70 cents per unit as compared to 4.85 cents per unit in FY2022. The lower distribution per unit was primarily due to higher borrowing costs on the back of rising interest rates.

Assets and Liabilities

As at 30 June 2023, LREIT's total assets amounted to approximately S$3.8 billion compared with S$3.7 billion as at 30 June 2022. The increase was largely due to the gain from valuation of LREIT's properties and the acquisition of a stake in Parkway Parade. As at 30 June 2023, the fair value of the investment in PPP represents approximately 2.2% of the total assets.

Total liabilities increased by 4.7% to S$1.6 billion as at 30 June 2023 as compared to S$1.5 billion as at 30 June 2022 mainly due to the draw down of loan facilities to fund the acquisition of a stake in Parkway Parade.

Correspondingly, net assets increased by 2.4% to S$2,230.8 million as compared to the previous financial year ended 30 June 2022.

The breakdown of Unitholders' DPU in Singapore cents for FY2023 as compared to FY2022 is as follows:

Period	1 July to 31 December	1 January to 30 June	
FY2023	2.45	2.25	
	1 July to 31 December	**1 January to 30 March**	**31 March to 30 June**
FY2022	2.40	1.14	1.31

S$'000 unless otherwise stated	As at 30 June 2023	As at 30 June 2022
Total Assets	3,826,351	3,701,964
Total Liabilities	(1,595,586)	(1,523,271)
Net Assets	**2,230,765**	**2,178,693**
Represented by:		
Unitholders' Funds	1,829,344	1,775,412
Non-controlling Interests	1,989	3,839
Perpetual Securities Holders	399,432	399,442
	2,230,765	**2,178,693**
Number of Units in Issue	2,323,661,727	2,277,125,819
NAV per Unit (S$)[4]	**0.79**	**0.78**

3.8

Total Assets S$3.8 billion

Note: Any discrepancies on figures in this section are due to rounding.
[1] Subject to post-completion adjustments.
[2] Jem was acquired on 22 April 2022.
[3] Includes property operating expenses, Manager's fee, other management fee, Trustee's fee and other trust expenses.
[4] Excludes non-controlling interests and perpetual securities holders.

Financial Review

Capital Management

The Manager continues to proactively manage LREIT's capital structure and takes a disciplined approach in addressing funding requirements and managing refinancing and interest rate risks. Before the end of FY2023, LREIT met the target set for its sustainability-linked loans ("**SLL**") and achieved interest savings for its Unitholders.

During the financial year, LREIT obtained a €300 million unsecured 5-year SLL facility for the refinancing of its Euro loan prior to its maturity in October 2023. Upon the refinancing, approximately 89% of LREIT's total committed borrowings will be SLL pegged to sustainability performance targets. There is no other committed debt facility due for refinancing in FY2024.

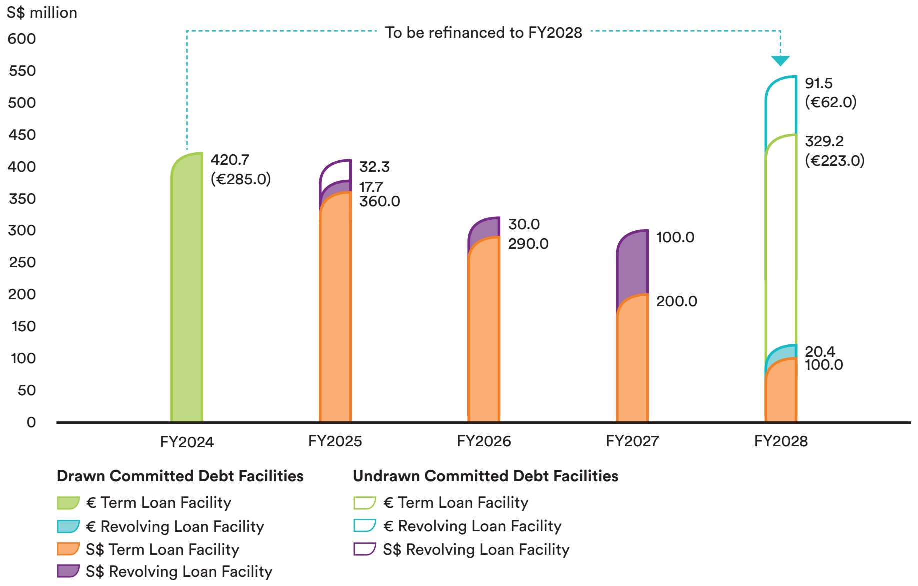
As at 30 June 2023, LREIT's total gross borrowings of S$1,552.8 million remained fully unsecured with a gearing ratio of 40.6%[5]. Based on the regulatory limit of 45%, LREIT has a debt headroom of S$169.0 million. Overall, LREIT has maintained a well-distributed debt maturity profile with a weighted average debt maturity of 2.1 years[6] and a weighted average running cost of debt of 2.69% per annum[7].

The Group manages its interest rate risk by putting in place interest rate derivatives to hedge borrowing costs. As at 30 June 2023, LREIT's ICR was 4.2 times[8] and approximately 61% of the borrowings have their interest expenses hedged to fixed rates. In terms of exposures to foreign currency risks, LREIT's Euro-denominated investment in Sky Complex benefits from a natural hedge via its Euro term loan facility. In addition, foreign exchange derivatives are put in place to mitigate risks of currency fluctuations on projected Euro-denominated distributable income.

As at 30 June 2023, net derivative financial assets of S$13.7 million represented 0.6% of the net assets of LREIT. The net change in fair value of the derivative financial instruments was S$1.3 million. Further details can be found in the Financial Statements.

In FY2023, the Manager implemented the Distribution Reinvestment Plan ("**DRP**") where Unitholders have the option to receive their distribution in Units instead of cash or a combination of Units and cash. As at 30 June 2023, a total of 25.7 million new Units were issued pursuant to the implementation of the DRP. The DRP provides Unitholders with the opportunity to receive Units in LREIT without incurring additional costs, while enhancing LREIT's working capital reserves.

Committed Debt Maturity Profile



Capital Management	As at 30 June 2023	As at 30 June 2022
Gross borrowings	S$1,552.8 million	S$1,480.1 million
Gearing ratio	40.6%[5]	40.0%
Weighted average debt maturity	2.1 years[6]	2.8 years
Weighted average running cost of debt[7]	2.69% p.a.	1.69% p.a.
Interest coverage ratio	4.2 times[8]	9.2 times

5 The Manager is of the view that the higher gearing ratio as at 30 June 2023 will not have a material impact on the risk profile of LREIT as the increase of 0.6% is not substantial and the Manager will remain prudent and disciplined in managing the overall leverage profile of LREIT.

6 Weighted average debt maturity will be 3.4 years post the refinancing of the €285m loan facility that has been put in place.

7 Excludes amortisation of debt-related transaction costs.

8 The ICR of 4.2 times is in accordance with requirements in its debt agreements; 2.7 times (2.0 times for adjusted ICR) in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.

Cash Flow and Liquidity

As at 30 June 2023, approximately S$583.3 million[9] of undrawn debt facilities were available for working capital or future financial obligations.

Net cash generated from operating activities for FY2023 was S$174.0 million, mainly attributed to NPI and changes in working capital requirements. Net investing cashflows of S$85.8 million and net financing cashflows of S$83.1 million during FY2023 were largely due to the acquisition of an interest in PPP.

Food street at basement one of Jem, Singapore

9 Post refinancing of the €285 million loan facility, the undrawn debt facilities will be S$162.6 million.

Independent Market Review

By CBRE

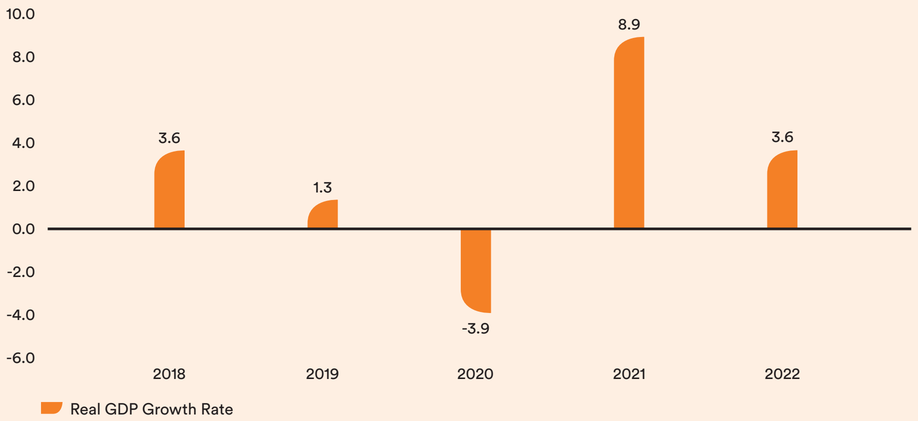
Singapore

SINGAPORE'S RECOVERY HELD UP IN 2022 ALONGSIDE THE GLOBAL ECONOMIC RECOVERY FROM THE PANDEMIC. THIS WAS AMID VARIOUS GLOBAL FACTORS INCLUDING THE ELEVATED INFLATION AND RISE IN INTEREST RATES.

ECONOMIC GROWTH

Singapore's recovery held up in 2022 alongside the global economic recovery from the pandemic. This was amid various global factors including the elevated inflation and rise in interest rates. According to the Ministry of Trade and Industry ("**MTI**"), Singapore's gross domestic product ("**GDP**") expanded by 3.6% to S$522.0 billion in 2022, moderating from the 8.9% rise in 2021. This growth was mainly supported by the Real Estate and F&B Services sectors, which grew YoY by 18.2% and 14.1% respectively.

Singapore's Real GDP[1] Growth Rate



Source: MTI

MTI reported that Singapore's economy expanded by 0.5% on a YoY basis in 2Q 2023, extending the 0.4% growth in 1Q 2023. On a quarter-on-quarter ("**QoQ**") basis, the economy expanded by 0.1%, a reversal from the 0.4% contraction experienced in the previous quarter.

The ongoing Russia-Ukraine conflict has disrupted the global supply of energy, food and commodities, while turmoil in the banking and technology sectors, as well as the elevated inflation levels and interest rates continue to challenge and contribute to the slowdown in the global economy.

To combat the ongoing inflationary pressures, the Federal Reserve in the United States of America has so far raised interest rates in four hikes this year, by 0.25 percentage points ("**p.p.**") in February, March, May and July 2023. Domestically, the Monetary Authority of Singapore ("**MAS**") maintained the prevailing rate of appreciation of the nominal effective exchange rate (S$NEER) policy band, that was last set in October 2022. This is a shift in focus, from ramping up the fight against inflation to defending the economy that is at risk of a deeper domestic economic slowdown.

In terms of sectoral growth, the services producing industries expanded by 2.6% YoY in 2Q 2023, extending the 1.9% YoY growth in 1Q 2023. Growth was supported by expansions across all service sectors except the Finance & Insurance sector. The Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services sector experienced the largest expansion of 6.1% YoY in 2Q 2023, extending the 6.9% YoY growth from 1Q 2023. In particular, the Accommodation sector experienced robust growth as a result of the strong recovery in international visitor arrivals.

[1] In chained (2015 dollars), By industry (SSIC 2020)

Possible Recovery in the Tourism Sector Towards Pre-pandemic Levels

In 2022, Singapore's tourism sector displayed continued recovery as borders in other economies gradually opened. Although still below pre-pandemic levels, Singapore's visitor arrivals increased to 6.3 million in 2022, up 18.2 times from the low base in 2021. The continuous increase in cross-border mobility seen in 1H 2023 signals a possible recovery towards visitor arrivals reaching pre-pandemic levels.

Singapore removed all COVID-19 safe management measures, including measures for Meetings, Incentives, Conventions and Exhibitions ("**MICE**") in October 2022. This has given a boost to large-scale events in 1H 2023. Notable events include the Chatuchak Night Market Singapore, which attracted over 100,000 visitors, while international events such as Art SG, the largest art fair in Asia since the pandemic, drew nearly 43,000 local and international visitors. In addition, upcoming events such as the Formula 1 Singapore Grand Prix 2023 and Food&HotelAsia are expected to continue to attract overseas visitors to Singapore. In the entertainment scene, there is also a slew of concerts lined up, with international artistes such as Twice, Lauv, Charlie Puth and Sam Smith performing in Singapore in 2023, among others.

To leverage on these opportunities, LREIT has partnered with Live Nation to develop the site of the former Grange Road open-air carpark. Listed on the New York Stock Exchange, Live Nation is a live entertainment company that brings in international showcases such as Taylor Swift and Coldplay to the local scene. With Live Nation's expertise, the collaboration aims to create a calendar of concerts, film and events to keep the site active year-round. Set to be completed in 2024 or early 2025, the new development will elevate the overall experience on Orchard Road and strengthen the Somerset area's position as a youthful and energetic sub-precinct.

The additional placemaking elements, coupled with innovative lifestyle concepts and pipeline of events, could contribute to more footfall to the vicinity, specifically targeting the younger audiences. In addition, the Government's Somerset Belt Masterplan will contribute to further enhancing the programmes and infrastructure in the sub-precinct, to support its vision for the sub-precinct to be youthful and vibrant.

Jem is positioned to capture the increased footfall from the future developments in JLD as Singapore's second CBD

With the growing popularity of Environmental, Social and Governance ("**ESG**") factors among travellers, the STB has launched the Tourism Sustainability Programme providing guidelines and standards for the hospitality and MICE sectors to promote Singapore as a sustainable destination, while also assisting tourism businesses in their sustainability endeavours.

Independent Market Review

SINGAPORE RETAIL MARKET

Retail activity benefited from the recovering travel sector, while domestic demand continued to be supported by healthy employment levels. As such, the retail market continued its path of gradual recovery in 2022 with the pickup in retail activities and shopper traffic, as well as the return of tourist spending. However, the potential growth in the retail sector may face headwinds due to the uncertainties surrounding the global economy, as well as the extended nature of the recovery of tourism from key markets such as China on the back of the COVID-19 pandemic.

The total retail sales index[2] (excluding motor vehicles) for June 2023 contracted by 2.6% YoY. The drop was mainly driven by sectors such as Department Stores (-13.7%), Furniture & Household Equipment (-12.0%) and Recreational Goods (-7.1%) on a YoY basis. However, sectors such as Food & Alcohol (14.8%), Computer & Telecommunications Equipment (10.7%), Wearing Apparel & Footwear (4.5%) and Watches & Jewellery (4.1%) posted YoY growth over the same period. The F&B Services Index[3] expanded by 1.6% YoY in June 2023.

The proportion of online sales has stabilised at around 14.3%[4] as at June 2023. This is 12.0 p.p. below the peak of 26.3% in May 2020 during the "Circuit Breaker" but remains well above pre-COVID levels of between 5.7% and 8.7%[5]. However, while the proportion of online sales has elevated, the brick-and-mortar space continues to remain a key source for consumers post-pandemic.

Moving forward, amid global economic uncertainty, retail sales should still be held up by further recovery in visitor arrivals as well as large-scale events.

Retail Supply

Total Islandwide retail stock rose by 1.2% YoY to 67.6 million sq ft in 2Q 2023, mainly contributed by the completion of Grantral Mall @ Macpherson, The Woodleigh Mall and renovation works in Shaw Plaza Balestier in the Fringe Area submarket, Sengkang Grand Mall in the Suburban submarket, as well as asset enhancement works at Wilkie Edge in the Rest of Central Region ("**RCR**") submarket. Meanwhile, total private retail stock grew by 1.3% YoY to 50.4 million sq ft.

By submarkets, the Fringe and Suburban submarkets take up the largest share of private retail stock, accounting for 26.2% and 25.7% of total private retail stock respectively. The remaining is split among the RCR, Downtown Core and Orchard Road submarkets, representing 18.9%, 14.7% and 14.6% of total private retail stock respectively. A number of the projects that were completed in the past 12 months were previously delayed due to manpower shortages and supply chain bottlenecks.

Between 3Q 2023 and 2026, an estimated 1.5 million sq ft of retail space will enter the market. For the full year of 2023 to 2026, the annual average retail space per annum is approximately 0.5 million sq ft, slightly higher than the historical 4-year average annual completion (2019-2022) of about 0.4 million sq ft. By submarkets, the Suburban and Fringe submarkets will account for 43.3% and 23.9% of future supply between 3Q 2023 and 2026 respectively, while the RCR and Downtown Core submarkets will account for the remaining 21.4% and 11.4% respectively. There is no known retail supply in the Orchard Road submarket from 3Q 2023 to 2026, as at 2Q 2023.

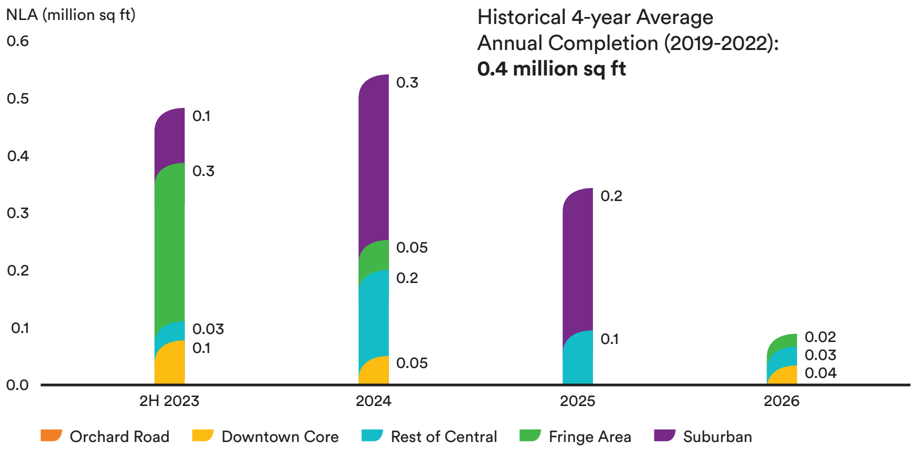
Existing Private Retail Stock 2Q 2023[6]

Total Private Retail Stock:
50.4 million sq ft

Fringe Area	26.2%
Suburban	25.7%
Rest of Central	18.9%
Downtown Core	14.7%
Orchard Road	14.6%

Source: URA, CBRE

Future Retail Supply



Historical 4-year Average Annual Completion (2019-2022):
0.4 million sq ft

Source: URA, CBRE

Retail Demand and Occupancy

Amid the resumption of economic activities and the reopening of international borders, retailers are optimistic about consumer discretionary spending and an eventual return of tourist spending. The pandemic has significantly raised consumers' expectations in terms of retail experience. As such, landlords have continued to seek ways to inject freshness and strong placemaking to attract footfall such as activity-based tenants, pop-up stores, supermarkets with niche concepts and omnichannel-enabled fashion retailers.

F&B operators have been a strong source of demand in the past 12 months, with many openings from new-to-market (Cinnabon, Le Matin Patisserie and C Australia's Coffee Club) and existing concepts (Shake Shack, Tiong Bahru Bakery and Café Usagi) alike.

In particular, café operators also sought to capitalise on the return of the office crowd. Fitness gyms (Anytime Fitness and Boulder Planet) and athleisure brands (Kydra, Nike and Puma) continued to expand their presence with Singapore's focus on wellness. Expansions were also seen in the Fashion sector (& Other Stories, Uniqlo, Acne Studios and Massimo Dutti), Beauty sector (Maison Margiela Fragrances, Chanel and Amaffi) and Supermarkets (NTUC FairPrice and Don Don Donki). Other than F&B, a number of other new-to-market brands also entered the Singapore market. These include WOAW Gallery and Kave Home, who made their first foray into Singapore as a key gateway to Southeast Asia. In 1H 2023, leasing activity was also accentuated by new mall openings such as Sengkang Grand Mall, Shaw Plaza Balestier and The Woodleigh Mall.

However, there were also some notable closures over the last 12 months. These include businesses in the Fitness sector (X Fitness, Kyklos Studio, UFC Gym and Haus Athletics), F&B sector (La Strada, Ramen Dining Keisuke Tokyo, Mad for Garlic, Liho), Entertainment sector (Holey Moley Golf Club), Fashion sector (H&M) and Furniture sector (Crate & Barrel).

Pop-up concept stores, which serve as a testbed for retailers to experiment with new concepts and products, was one of the key retail trends in 2022, and continued to be popular in 1H 2023. In particular, Orchard Road has been home to a number of these pop-up stores in the past 12 months, in sectors such as Beauty, Fashion and F&B. Examples include Estee Lauder's Supercharged ANRcade Station, which combines beauty and entertainment, Maison Margiela Replica Fragrance, YSL Beauty Libre, Jo Malone London, Bottega Veneta, Kurun, Veuve Clicquot 'The Icons' and SoGoodK.

Discovery Walk at 313@somerset offers an enviable clustering of restaurants and lounges

[2] Retail Sales Index, (2017 = 100), In chained volume terms, Monthly, Seasonally adjusted.
[3] F&B Services Index, (2017 = 100), In chained volume terms, (SSIC 2015 Version 2018), Monthly, Seasonally adjusted.
[4] Excluding Motor Vehicles.
[5] Online Retail Sales Proportion (Out of the Respective Industry's Total Sales, Monthly)
[6] Percentages may not add up to 100% due to rounding.

Independent Market Review

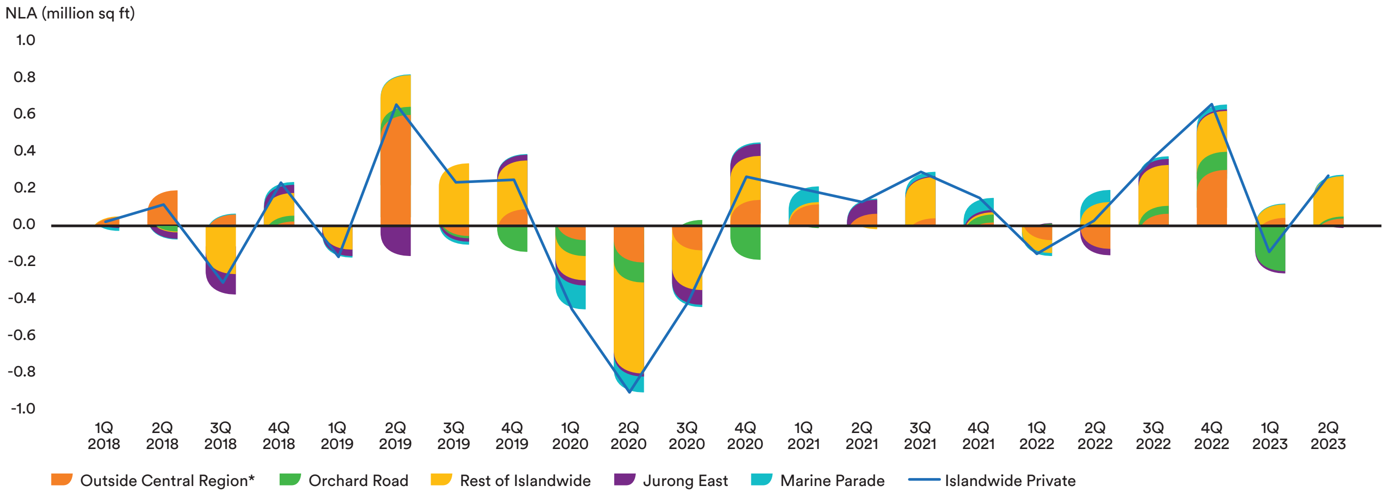
Retail concepts that have opened in Orchard Road in 1H 2023 were mainly in the Fashion and F&B sectors. For instance, at 313@somerset, openings include fashion retailers Aape by A Bathing Ape, Sift & Pick and Tai Er Chinese Sauerkraut Fish.

With the return of tourists and pick-up in the hotel industry, retail spaces near and within hotels are becoming popular, especially amongst F&B operators as they sought to capitalise on increased footfall from tourists. Some establishments that opened in the past 12 months include Sol & Ora at The Outpost Hotel, Las Palmas at Courtyard by Marriott Singapore Novena, Café Natsu at Clemenceau Citadines Connect Hotel and Eden Restaurant at Pullman Singapore Orchard.

As at 2Q 2023, the islandwide private retail market recorded a positive net absorption of 1.2 million sq ft over the past 12 months, against a net supply of 0.7 million sq ft. As such, vacancy rate for islandwide private retail fell by 1.1 p.p. YoY to 8.3%.

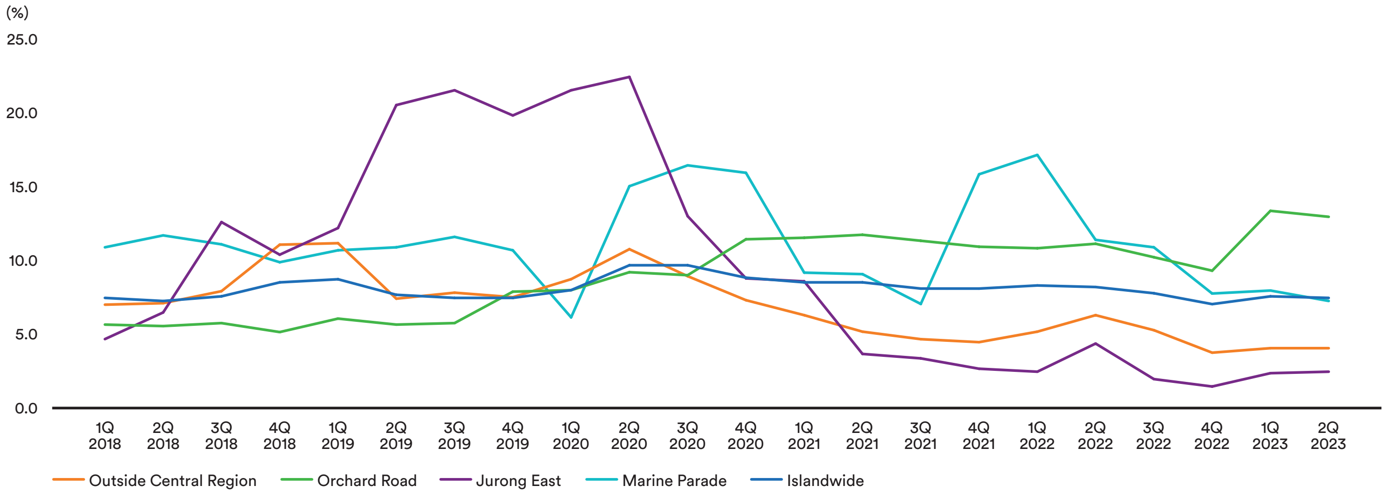
In contrast, Orchard Road registered a negative net absorption of 0.1 million sq ft against a net new supply of 43,060 sq ft for the past 12 months in 2Q 2023. Correspondingly, vacancy increased by 1.8 p.p. YoY to 12.9% in 2Q 2023.

Retail Net Absorption



Source: URA, CBRE
* Outside Central Region, excluding Jurong East Planning Area

Retail Vacancy Rate



Source: URA, CBRE

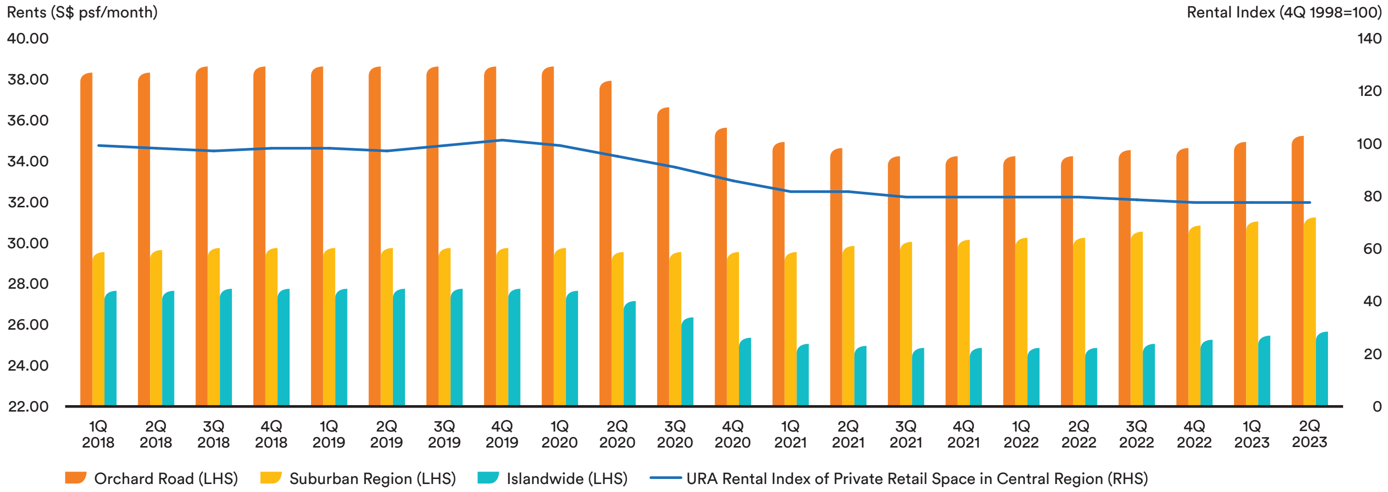
Retail Rents

Despite ongoing global economic uncertainties, retailers are optimistic as more people have returned to office areas and international travel has resumed on the back of the gradual global recovery from the pandemic. This is particularly crucial for malls with office catchments, like the CBD and in tourist shopping districts, like Orchard Road. While prime retail rents in Orchard Road, City Hall and City Fringe have continued to recover in 2Q 2023, retailers are also faced with headwinds from the high inflation, labour and utility costs as well as a slowdown in global economic growth.

Islandwide prime retail rents increased by 0.8% QoQ and 3.2% YoY to S$25.55 per sq ft ("**psf**") per month in 2Q 2023. In parallel, Orchard Road rents grew by 1.0% QoQ and 2.9% YoY to S$35.20 psf per month. In the Suburban area, continued interests from retailers coupled with extremely limited availability saw rents rise for the eighth consecutive quarter, by 0.5% QoQ and 3.1% YoY, to S$31.15 psf per month.

Since the onset of the pandemic, prime rents in Orchard Road and Suburban areas were converging. The Orchard Road submarket saw rents fall because of a drastic decrease of tourists as a result of border restrictions, while hybrid work arrangements supported footfall and rents at Suburban malls. However, with steadily recovering tourist arrivals, there has been a reversal of the trend as the rental gap between Orchard Road and Suburban markets started to widen for the first time in 1Q 2023 and has extended to 2Q 2023.

Retail Rents and Rental Index



Source: URA, CBRE

No Future Retail Supply (Until 2026) is Expected to Enter the Jurong East Micro-market

There is approximately 1.6 million sq ft of private retail space in Jurong East in 2Q 2023, with no new completions in the past four quarters. Between 3Q 2023 and 2026, no future retail supply is expected to enter the Jurong East micro-market.

Vacancy rate in Jurong East increased by 0.1 p.p. QoQ to 2.5% in 2Q 2023, though it decreased by 1.9 p.p. YoY. While there were no significant closures during the quarter, there have been some notable openings in the micro-market over the past 12 months. For example, Avone Beauty Secrets Aesthetics and Wellness, Hand in Hand Peking Duck Restaurant, POCHA! Korean Dining Street and Kopitiam Food Hall (Kopitiam's largest outlet in Singapore opened in Jem). Other entrants in Jurong East include Schönemama, Marks & Spencer, Pop Mart, which had expanded, and new-to-market entrant Chaffic.

Strategically located within the Jurong Gateway precinct in the JLD, Jurong East is well-positioned for future growth as a strategic commercial location. As part of the URA's decentralisation strategy, JLD will be progressively developed into Singapore's largest business district outside the city centre and the Government has planned for about 15.1 million sq ft of office spaces in the longer term. In June 2023, a 6.5 ha site in the JLD was also put up for sale under the Government Land Sales ("**GLS**") Programme. The site has a potential to yield almost 1.6 million sq ft of office space, about 1,700 dwelling units and about 0.8 million sq ft of GFA for complementary uses such as shops, restaurants, entertainment, hotel, community uses or more offices. In addition, the residential catchment is set to grow with more than 1,600 private and public units expected to complete in the next five years.

Independent Market Review

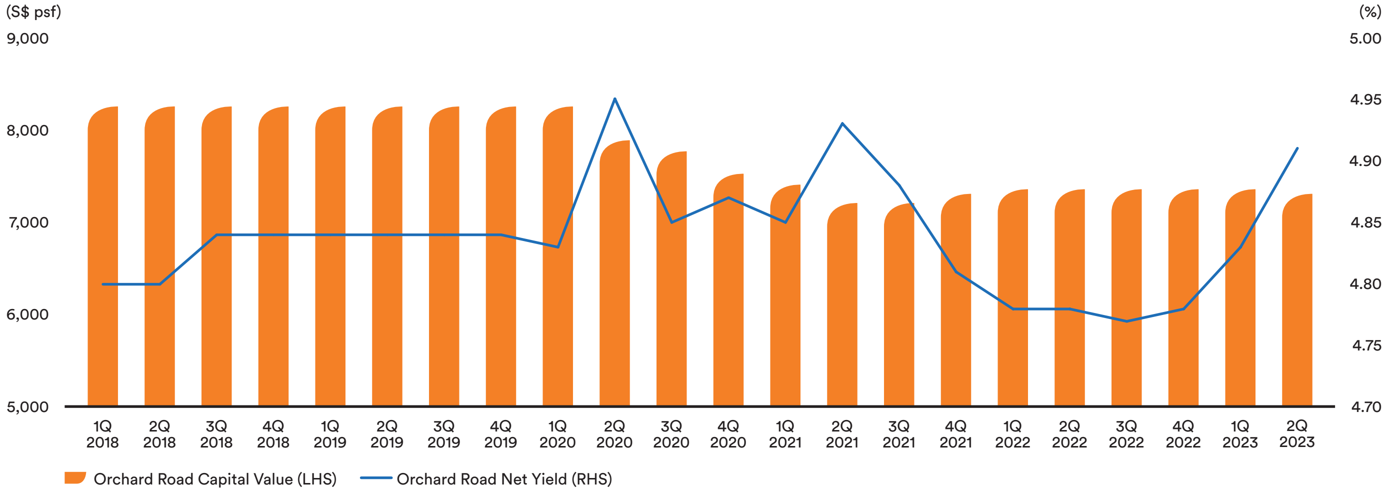
The development of the Jurong East Integrated Transport Hub and Jurong Region MRT Line, which will also be connected to the existing Jurong East MRT Interchange[7]. The development of the Jurong Innovation District's ("**JID**") advanced manufacturing hub and upcoming Tengah new town will further enhance the retail catchment in Jurong East in the coming years.

Amid market uncertainty, the micro-market has shown its resilience through its vacancy rates, which are consistently below pre-COVID-19 levels (19.8% in 4Q 2019). With hybrid work arrangements likely to stay, consumer spending will continue to gravitate towards suburban malls located in proximity to their homes. In addition, the recent completion of the 1.0 million sq ft Perennial Business City, a business park development directly connected to Jem, has increased the working catchment in the area as well. On top of healthy occupancies, there is a lack of foreseeable retail supply in the next three years and a likely reduction in retail stock, given the redevelopment of Jcube shopping mall into J'Den, a mixed-use residential development. Together with the well-established residential catchment across Jurong East, Jurong West and Clementi, supported by the Government's strategic plans, the Jurong East micro-market will likely continue to see consistent demand from prospective tenants for retail spaces while rents remain resilient.

Retail Capital Values and Net Yields

In view of the uncertainties in the global economy and rise in interest rates, investor sentiment turned cautious from 2H 2022. As such, Orchard Road prime yields continued to decompress by 8 basis points ("**bps**") QoQ to 4.91% in 2Q 2023. Amid concerns on the challenging interest rate environment, Orchard Road capital values have decreased slightly YoY to S$7,300 psf in 2Q 2023, from S$7,350 in 2Q 2022. However, the expected return of tourism spending, as well as Singapore's reputation as a safe haven and the quality of assets, will lend support to the sector.

Orchard Road Capital Values and Net Yield



Source: CBRE

Retail Investment Transactions

With the easing of border restrictions and return of international travel, confidence returned to the retail sector as it recorded an investment volume of S$5.7 billion between 3Q 2022 and 2Q 2023. The increase was characterised by several large deals, namely the transfer of SPH REIT's portfolio to Cuscaden Peak and the three shopping mall divestments by Mercatus.

SPH REIT (now known as PARAGON REIT) sold its 61.7% stake of Paragon (S$1.6 billion or S$3,719 psf), The Clementi Mall (S$368.5 million or S$3,060 psf) and The Rail Mall (S$38.4 million or S$1,250 psf) to Cuscaden Peak in 3Q 2022. In 1Q 2023, Mercatus sold Jurong Point (S$2.0 billion or S$2,762 psf) and a 56% stake in Swing By @ Thomson (S$172.5 million or S$1,568 psf) to Link REIT. Mercatus also divested 50% of its indirect stake in Nex for S$1.0 billion or S$3,274 psf to Frasers Centrepoint Trust and Frasers Property.

Other transactions included a 10% stake in Waterway Point, which was acquired by Sapphire Star Trust from Frasers Centrepoint Trust at S$132.3 million or S$3,398 psf in 3Q 2022, as well as a stake in Parkway Parade which was acquired by LREIT for S$88.9 million[8] or S$2,468 psf in 2Q 2023.

7 Jurong East MRT Interchange will be an interchange connecting the East West, North South and Jurong Island Line in 2028, and the Jurong East bus interchange in 2027.

8 Subject to post-completion adjustments.

Retail Industry and Business Trends

The pandemic has accelerated digital transformation and the adoption of technology. In the retail sector, while brick-and-mortar stores saw a pickup in shopper traffic following the relaxation of safe management measures, e-commerce continues to be an indispensable element of retail and a complement to offline channels, providing consumers with a seamless shopping experience. In addition, digital wallets, bank transfers and "Buy Now, Pay Later" ("**BNPL**") payment methods have been expanding rapidly in Singapore, with their growth expected to continue through 2025. To create an integrated and vibrant e-commerce ecosystem, many e-commerce platforms have started introducing their own digital wallets and are growing their partnerships with BNPL providers like Atome, Pace and PayLater by Grab.

Consumers' expectations of the retail experience have also risen throughout the course of the pandemic. In response, many landlords have introduced placemaking events and programmes to attract shoppers. For example, Jem, 313@somerset, Parkway Parade and Paya Lebar Quarter hosted the Singapore Street Festival 2023, an annual event for youths focusing on the performing and visual arts. Additionally, the popularity of pop-up concept stores is expected to continue as they serve as a testbed for retailers to experiment with new concepts, and are beneficial for those who are hesitant to commit to large investments.

It is becoming essential for sustainability to be adapted into both landlords' and retailers' business strategies, as increasing consumer interest in sustainability is shaping shoppers' consumption behaviour and their purchase decisions. With greater awareness of their sustainability footprint, more consumers are choosing to support local businesses by buying locally produced products or shopping at independent retailers. New sustainability initiatives are also growing in popularity. These concepts include "Naked Shopping", where shoppers bring their own containers to reduce the use of disposable packaging, and "Fashion Rental Revolution", where shoppers rent instead of buy to reduce fashion waste. Additionally, tenants and landlords are increasingly working together to fulfil their respective commitments towards the reduction of energy, water and waste through the adoption of green leases.

Parkway Parade, Singapore

At 313@somerset, sustainable building features and green initiatives include rainwater harvesting, NEWater utilisation, rooftop solar panels, the Green Lease Scheme and e-wastes disposals initiatives. LREIT has also installed food waste digestors in Jem and 313@somerset, as well as introduced water saving initiatives, such as the condensate recovery system on cooling towers and rainwater harvesting system. In its most recent effort to promote sustainability, LREIT has collaborated with the government in its bid to drive urban sustainability in the JLD. An energy-saving solution that predicts thermal comfort and makes necessary adjustments automatically will be piloted at a small scale at Jem. If assessed to be effective, it could be scaled up to the rest of the development and modified to suit other Lendlease buildings as well.

Retail Market Outlook

The retail sector has continued to show signs of improvement in 2022 amid retailers' willingness to pay to secure prime spaces on the back of improved shopper traffic and retail sales. However, in the near term, retailers may continue to face challenges such as manpower shortages, higher operating costs, an economic slowdown and another GST hike. Furthermore, persistent inflation and high interest rates would also continue to weigh on market sentiment. Nonetheless, retailers remain optimistic about consumer discretionary spending and the return of tourist arrivals.

Looking ahead, the recovery of tourism spending and return of office crowds will likely continue to support the retail sector. Increasing flight connectivity and capacity, coupled with the reopening of China's borders are expected to boost retail sales in tourist-dependent submarkets like Orchard Road and would potentially contribute to higher rental increases. Likewise, malls with office catchments such as those in the Downtown Core area will continue to benefit from the increase in footfall as the office crowds returned.

Meanwhile, the robust suburban market is likely to register more modest rental increases in comparison to other submarkets. In particular, the Jurong East micro-market, with its tight vacancy and supply pipeline in the next three years, will likely continue to see rents remaining resilient in 2H 2023. Overall, CBRE expects retail rents to remain on the path of recovery in 2023, on the back of improved mobility, tourism recovery and a below-historical average new retail supply over the next few years.

Independent Market Review

SINGAPORE OFFICE MARKET

Office Supply

As at 2Q 2023, islandwide office stock increased by 2.0% YoY to 62.3 million sq ft. By submarkets, the Core CBD accounted for the majority of the islandwide office stock at 31.7 million sq ft (50.8%), with 14.7 million sq ft being Grade A Core CBD office spaces. The Decentralised submarket, where Jem is located in, accounted for 23.7% of the total office stock at 14.7 million sq ft, while the Fringe CBD represented 25.5% of the total office stock at 15.9 million sq ft.

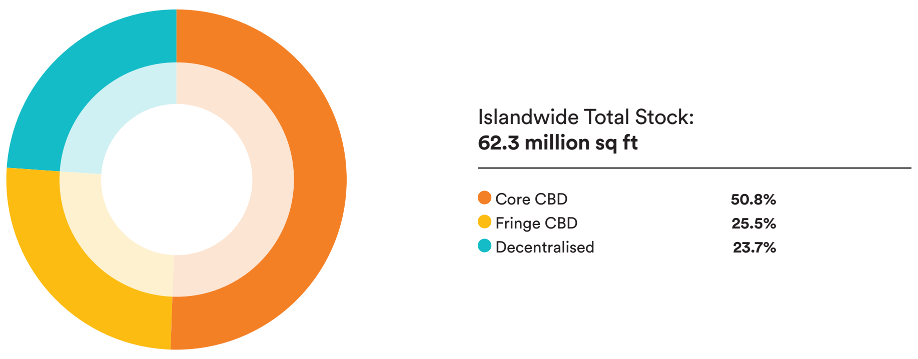
In 3Q 2022, the redevelopment of Hub Synergy Point was completed (0.1 million sq ft), while the office component of Guoco Midtown (0.7 million sq ft) obtained its Temporary Occupation Permit ("**TOP**") in 4Q 2022. Collectively, both projects added approximately 0.8 million sq ft office spaces into the Fringe CBD submarket, with the latter being Grade A office spaces. Following the completions, office stock in the Fringe CBD witnessed a 0.8% QoQ increase in 3Q 2022 and 4.7% QoQ increase in 4Q 2022. Meanwhile, PIL building (0.07 million sq ft), which will be undergoing redevelopment, was removed from the Core CBD office stock in 2Q 2023.

Between 3Q 2023 and 2026, the total islandwide office stock is expected to increase by 3.6 million sq ft, with the Core CBD, Fringe CBD and Decentralised markets representing 40.0%, 30.0% and 30.0% of the new supply respectively. The average annual completion between full year 2023 and 2026[9] is approximately 1.0 million sq ft, which is similar to the historical four-year average annual completion of 1.0 million sq ft between 2019 and 2022, but below the ten-year average annual completion of 1.4 million sq ft.

The shift in occupier preferences and government incentive schemes such as CBD Incentive ("**CBDI**") Scheme and Strategic Development Incentive ("**SDI**") Scheme will encourage developers to redevelop and rejuvenate older buildings, especially in the CBD. Consequently, the office pipeline supply within the CBD will be limited in the near future as more developments undergo addition & alteration or redevelopment works. For instance, Maxwell House is in the process of undergoing redevelopment under the CBDI scheme, while Central Square and Faber House are among the properties slated for redevelopment under the SDI scheme. Projects that have begun the redevelopment process under these two schemes include AXA tower, Fuji Xerox Towers and Central Mall.

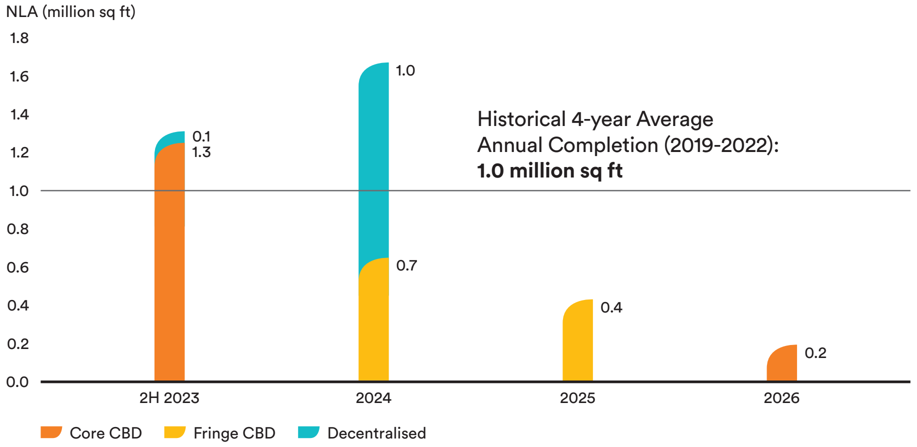
To note, a major white site with a significant office component in JLD was released via the GLS Programme in June 2023. This site has potential to accommodate some 1.6 million sq ft of office spaces. The proposed integrated development will be progressively completed over the next 10 to 15 years.

Office Islandwide Supply 2Q 2023



Source: CBRE

Office Supply



Source: URA, CBRE

Office Demand and Occupancy

Islandwide net absorption for the past 12 months in 2Q 2023 was 1.2 million sq ft, primarily a result of the absorption in the Fringe CBD region. Amidst the tougher economic climate, some firms from the tech sector and financial institutions have downsized, leading to the emergence of shadow space. However, while there are also some firms consolidating their office footprint, overall leasing activity remained healthy due to lease renewals and flight-to-quality relocations. Likewise, the Decentralised submarket registered a positive net absorption of 0.3 million sq ft over the same period.

Private wealth and asset management companies, law firms, professional services and government agencies, alongside flexible workspace operators, are the leading drivers of demand for high-quality office spaces in 2Q 2023. Coupled with the tight supply pipeline and low vacancy rate, the Grade A office market is well-positioned for growth.

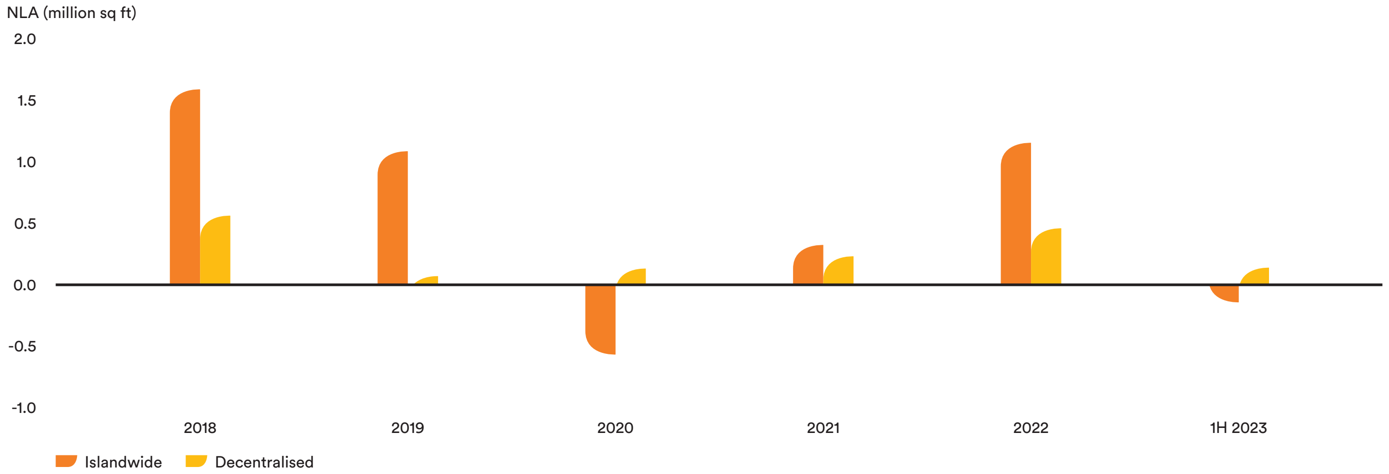
In view of high capex costs and rising interest rates, more occupiers are opting for renewals instead of relocating. On the other hand, firms looking to relocate will seize the chance to consolidate more efficiently in terms of their space planning, while looking out for fitted options to save cost. Some occupiers have also taken the opportunity to explore fitted options among the abundance of shadow space within the Grade A Core CBD market.

With limited supply of Grade A Core CBD spaces and a low vacancy rate, some occupiers seeking quality office spaces have looked towards the Decentralised submarket. With a lack of quality Grade A office spaces and limited future supply within the submarket, occupancy levels have remained strong, accompanied by consecutive rent increases for seven quarters since 3Q 2021. The shift towards hybrid work arrangements and digitalisation in the workplace has resulted in a higher demand for decentralised spaces that are more accessible to residential areas. Therefore, decentralised business nodes such as Jurong East and Paya Lebar are expected to benefit from this transition.

Against an islandwide office net supply of 0.6 million sq ft over the past 12 months, islandwide office vacancy decreased by 0.2 p.p. QoQ and 1.1 p.p. YoY to 4.9% in 2Q 2023.

Within the Decentralised market, as net new supply remained limited at 0.1 million sq ft over the past 12 months, vacancy rates decreased by 0.2 p.p. QoQ and 1.5 p.p. YoY to 2.8% in 2Q 2023.

Office Net Absorption



Source: URA, CBRE

Office Vacancy Rate

Source: URA, CBRE

[9] The NLA and TOP dates are preliminary estimates and are subject to change.

Independent Market Review

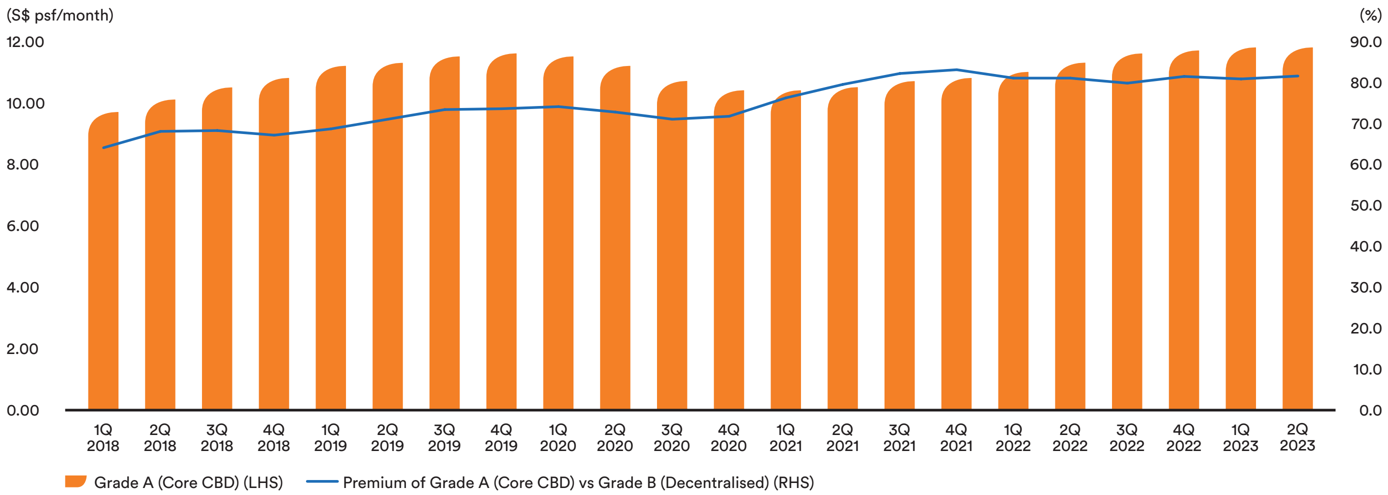
Office Rents

Islandwide office rents have continued to exhibit growth in 2Q 2023 as a result of tight office supply. Supported by the continuous demand for high-quality offices, Grade A Core CBD rents increased for the ninth consecutive quarter since 2Q 2021, recording a 0.4% QoQ or 4.4% YoY growth to S$11.80 psf per month.

As demand from the Core CBD spills over into other submarkets, the Grade A Decentralised market continue to exhibit rental growth alongside the Grade A Core CBD market. Driven by limited supply, low vacancy rates and strong renewals, Grade A Decentralised rents increased, ranging between S$8.20 and S$8.70 psf per month in 2Q 2023.

As occupiers prioritise better quality spaces, the Grade A markets will continue to command a rental premium. Considering the tight stock and lack of future supply in the Grade A CBD market, Grade A Decentralised markets are set to benefit from the spillover effects as occupiers search for alternative options. With a further tightening of the supply within the Core CBD area, where more developments will undertake redevelopment works due to the CBDI scheme, Grade A Decentralised rents are set to see an uptick due to an increase in demand.

Office Rents



Source: CBRE

Demand for Suburban Office Space is Expected to Remain as More Firms Adopt Hybrid Workplace Model

With more firms adopting the hybrid workplace model and workspace strategies as a result of the pandemic, demand for suburban office space remains. Alongside URA's long-term plans, three key economic centres have been highlighted to complement the CBD's economic activities by bringing jobs and amenities closer to home, namely JLD, one-north and Paya Lebar Central.

In the Western suburban micro-market[10], total office stock stood at approximately 1.5 million sq ft as at 2Q 2023, with the completion of the office component of Surbana Jurong Campus (198,000 sq ft) in the previous quarter. Vacancy rates in the micro-market increased by 0.5 p.p. QoQ but decreased by 0.2 p.p. YoY to 7.2% in 2Q 2023. Rents in the submarket increased by 9.3% YoY in 2Q 2023.

To enhance Jurong's position as the primary business hub outside of the city centre, there are plans to further develop existing precincts such as JLD, JID and Tuas Port. These developments aim to introduce a comprehensive integration of "Live, Work, and Play" elements to the region.

Office Investment Transactions

In 2022, the office investment market totalled S$7.4 billion in transactions, a 55.3% YoY increase. This was primarily driven by acquisitions by international buyers who are anticipating rental growth and healthy leasing demand on the back of tight supply pipeline, coupled with low vacancy rates.

From 3Q 2022 to 2Q 2023, total investment volume was S$2.7 billion. In 3Q 2022, Singtel and Lendlease entered into a joint venture for the redevelopment of Comcentre, where Lendlease will subscribe to 49% of the shares of the joint venture company for S$798.7 million. In 4Q 2022, ESR's ARA Asset Management divested half stake in Lazada One to SMFL MIRAI Partners, a fund backed by Sumitomo Mitsui, for S$364.0 million (S$2,804 psf).

Notable transactions in 1Q 2023 included the sale of 39 Robinson Road by Viva Land to China-based Yangzijiang Shipbuilding for S$399.0 million (S$2,970 psf) and Coliwoo's acquisition of the strata-titled GSM building for S$80.0 million (S$1,587 psf). As at 2Q 2023, Solitare on Cecil sold all 15 floors for a median price of S$4,200 psf, with half of the project being acquired by foreigners consisting of Chinese and Indonesians.

Office Market Outlook

In view of the high relocation costs for fit-out, companies are scaling back on expansions and opting to configure their existing office footprint while adopting hybrid working. Alongside the incorporation of technology specifications and agile space solutions, these firms are likely to consolidate their office footprint, potentially impacting the demand for office spaces. Nonetheless, demand is expected to continue to be driven by headcount growths in certain sectors such as professional services, non-banking financial institutions and family offices.

Moving forward, despite cautiousness from occupiers tempering leasing activities within the office market, vacancy rates remain low amidst the shrinking pool of quality offices within the CBD. With a lack of commercial GLS sites with allowable office use in the CBD, coupled with the scheduled redevelopment of existing buildings, Grade A Core CBD rents are primed for long-term growth. However, this growth is likely to be moderated in the near future amid the weakening economy and elevated shadow space. Vacancy rates will also likely increase upon the completion of IOI Central Boulevard in 2H 2023.

With a strong trend of flight to quality, tenants looking to relocate will seek out high-quality office spaces that encompass flexible space solutions and wellness amenities. With the already tight occupancy rates in the Grade A Core CBD market, Grade A Decentralised office spaces will likely benefit from the spillover demand.

With an increased emphasis on the growth of Decentralised nodes by the Government and improving quality of office spaces in the decentralised locations, coupled with the widening rental gap of Grade A office spaces between the Core CBD and Decentralised locations, the key growth areas will potentially drive future demand away from the Core CBD. Areas such as Paya Lebar and JLD, where new quality supply are expected, will continue to be choice locations for companies seeking alternative locations for their offices in the future.

313@somerset, Singapore

[10] CBRE's Western suburban micro-market comprises the Jurong East and Jurong West planning area.

Independent Market Review

Italy

REAL GDP IN ITALY GREW BY 3.7%[11] YOY IN 2022, SURPASSING THE PRE-PANDEMIC LEVEL OF 2019 ON THE BACK OF THE STRONG RECOVERY REGISTERED IN 2021

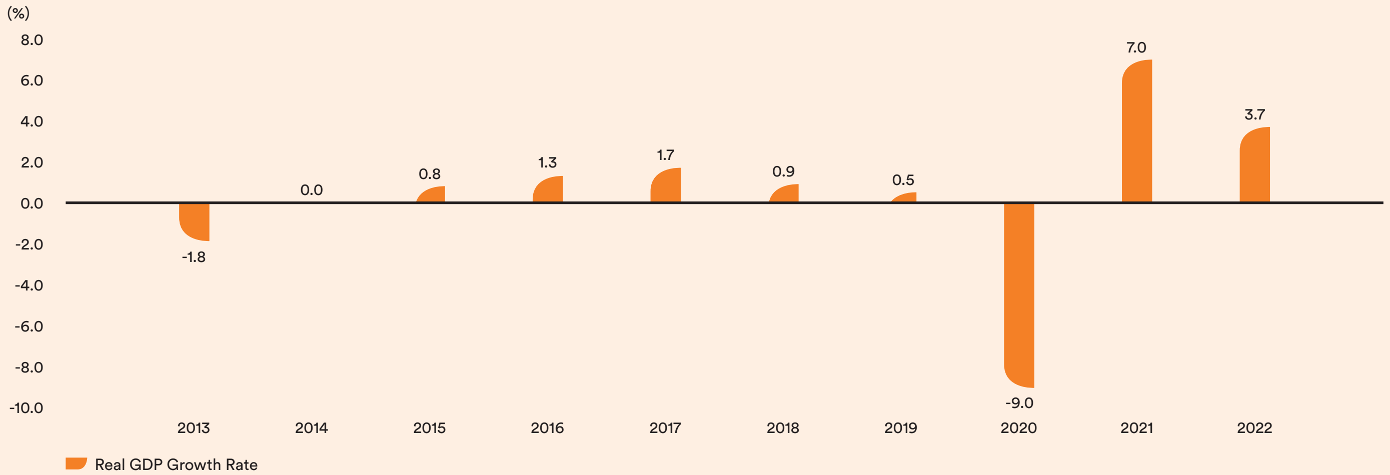
ECONOMIC GROWTH

In 2022, real GDP in Italy grew by 3.7%[11] YoY, surpassing the pre-pandemic level of 2019 on the back of the strong recovery registered in 2021 (+7.0% YoY). The economic performance in 2022 was led by the recovery in the service sector (+4.8% YoY) and by the spending capacity of households, with private consumption increasing by 4.6% YoY. Personal consumption expenditures were boosted by the strong accumulation of savings during the COVID period and by government income support policies. The pace of growth for industrial production, on the other hand, slowed down during 2022 compared to 2021, recording only a YoY increase of 0.5% in terms of the industrial production index, consistent with a deteriorating international macroeconomic environment. In terms of sectors, growth in manufacturing activity remained flat in 2022 (+0.3% YoY), while YoY construction sector growth remained robust (+10.2%).

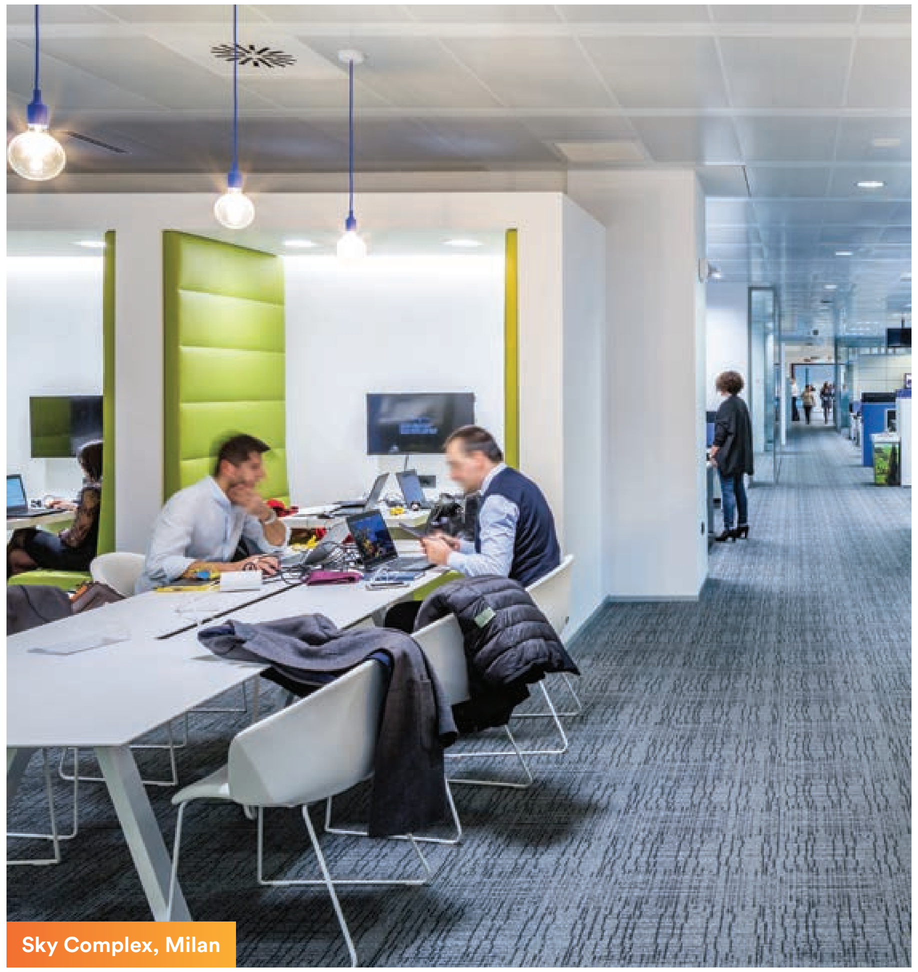
Economic activity improved slightly in 1Q 2023, with GDP increasing by 0.6% and 1.9% on a QoQ and YoY basis respectively. The increase was due to a combination of positive contributions from domestic demand (+2.7 p.p. YoY) and net trade balance (+0.7 p.p. YoY). Services, supported by a robust contribution from tourism activities, grew by 2.1% on a QoQ basis. The GDP growth was also bolstered by strong construction activities (+2.1% YoY) in 1Q 2023.

Based on preliminary estimates, GDP in Italy in 2Q 2023 showed an increase of 0.6% YoY and a decrease of 0.3% compared to the previous quarter. The QoQ decline was linked to a fall in value added in agriculture and industry, albeit a small increase recorded in services. The carry-over annual GDP growth for 2023 is 0.8%. In 2022, the GDP of metropolitan city of Milan stood at €186 billion, accounting for 11% of national GDP, up 4.4% from 2021 and 5.4% from 2019[12], signalling a complete recovery from the pandemic. GDP per capita stands at €57,300 per year, 94% above the national average and up 5.9% from pre-COVID levels of 2019[12].

Real GDP Growth Rate, 2013 – 2022



Source: ISTAT



Sky Complex, Milan

MILAN OFFICE MARKET

The Milan office market has historically been categorised into multiple sub-markets, forming concentric rings originating from the city's core: the CBD, the Center, the Periphery (all within the city itself) and the Hinterland. Within these subdivisions, specific office districts stand out due to their distinctive attributes. These include Porta Nuova BD, CityLife, Porta Romana BD and Bicocca, situated between the Center and the Periphery, as well as Sesto San Giovanni, Milanofiori and San Donato Milanese within the Hinterland's borders.

The Periphery submarket spans the area between Milan's Center and its Hinterland, encompassing office clusters like Maciachini, Lorenteggio, Forlanini and Rogoredo. Originally occupied by prominent Manufacturing & Energy companies, the Periphery submarket has increasingly garnered the attention of national and international investors and occupiers, to the development of new decentralised small office hubs.

The Sky Complex, situated in close proximity to Rogoredo Station in the south-eastern area of the Periphery submarket, near San Donato Milanese and Porta Romana BD, is a notable example.

Inflation

Inflation began to accelerate significantly from 2021, initially driven by supply-side bottlenecks as global demand recovered from the effects of the lockdown and thereafter by the spike in natural gas and oil prices caused by the Russia-Ukraine conflict. In the last quarter of 2022, on average, the Harmonised Index of Consumer Price (“**HICP**”) inflation in Italy was 12.5% on an annual basis, reaching its highest level since the early 1990s. In 2022, the consumer price index[13] (“**NIC**”) grew by 8.1% YoY.

In the early months of 2023, there was a slowdown in headline inflation, driven by declines in commodity prices that impacted at different stages of the price formation process. In June 2023, the rate of change of the NIC was null on a monthly basis and grew 6.4% on an annual basis, down from 7.6% in May. Likewise, core inflation has continued to decrease during the same period month-on-month to 5.6%, down from 6.0% in May, partly due to the gradual effect of earlier energy price increases.

The trend in Italy's inflation as measured by the HICP index remained higher than that of the eurozone, although the differential to the overall index is narrowing: negative 1.2 p.p. in June, compared with a contraction of 2.1 in January for the overall index.

Office Supply

As at June 2023, the office space inventory in Milan amounts to approximately 12.7 million sq m. A majority of this office stock is situated in the Center, Periphery and Hinterland submarkets, collectively constituting 60% of Milan's total office floor area.

The rising demand for modern offices that meet rigorous ESG standards has started a process of rejuvenation and transformation for outdated office buildings. Over the past six years, nearly 1.0 million sq m of office space have been developed or extensively renovated, with approximately 70% of these projects initially undertaken on a speculative[14] basis.

[11] All economic data (including GDP and Labour Market Statistics) is sourced from The Italian National Institute of Statistics (“**ISTAT**”).
[12] Source: Oxford Economics
[13] Measured as Italian consumer price index for the whole nation.
[14] Property developments whose construction begins before they are fully marketed.

Independent Market Review

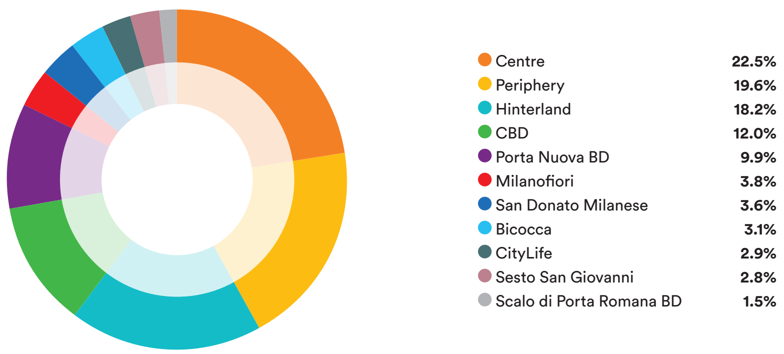
Noteworthy recent completions include the CityLife – Fiera submarket, a remarkable addition to Milan's skyline, consisting of Generali tower (42,400 sq m), Libeskind tower (33,500 sq m) and Monterosa 91 (42,000 sq m). Other notable projects encompass Spark 1 and Spark 2 (46,000 sq m) in the Rogoredo Area, Gioia 22 (30,400 sq m) in the Porta Nuova BD and Building U1 (31,500 sq m) in Milanofiori.

Within the Periphery submarket, a total of 273,200 sq m across 25 projects have been completed between 2018 and the second quarter of 2023, equivalent to 10% of the Periphery's overall office stock (2.5 million sq m). Recent developments have primarily concentrated in the Porta Romana BD submarket, including the Symbiosis Buildings A, B and D. Furthermore, construction works on the extensive urban-scale redevelopment project for Porta Romana's decommissioned railway yard started in 2022, with completion expected by the 2026 Winter Olympics.

Currently, there are approximately 661,000 sq m of office space either under construction or undergoing significant renovation projected to enter the market between the third quarter of 2023 and 2025. Out of the total newly built office floor area of 661,000 sq m (of which 65% originated as speculative projects), 53% (350,000 sq m) was already absorbed by the market as pre-let or owner occupier. About 159,400 sq m, constituting 24% of the entire office pipeline, are located within the Periphery submarket, with 56% of these projects initially starting as speculative.

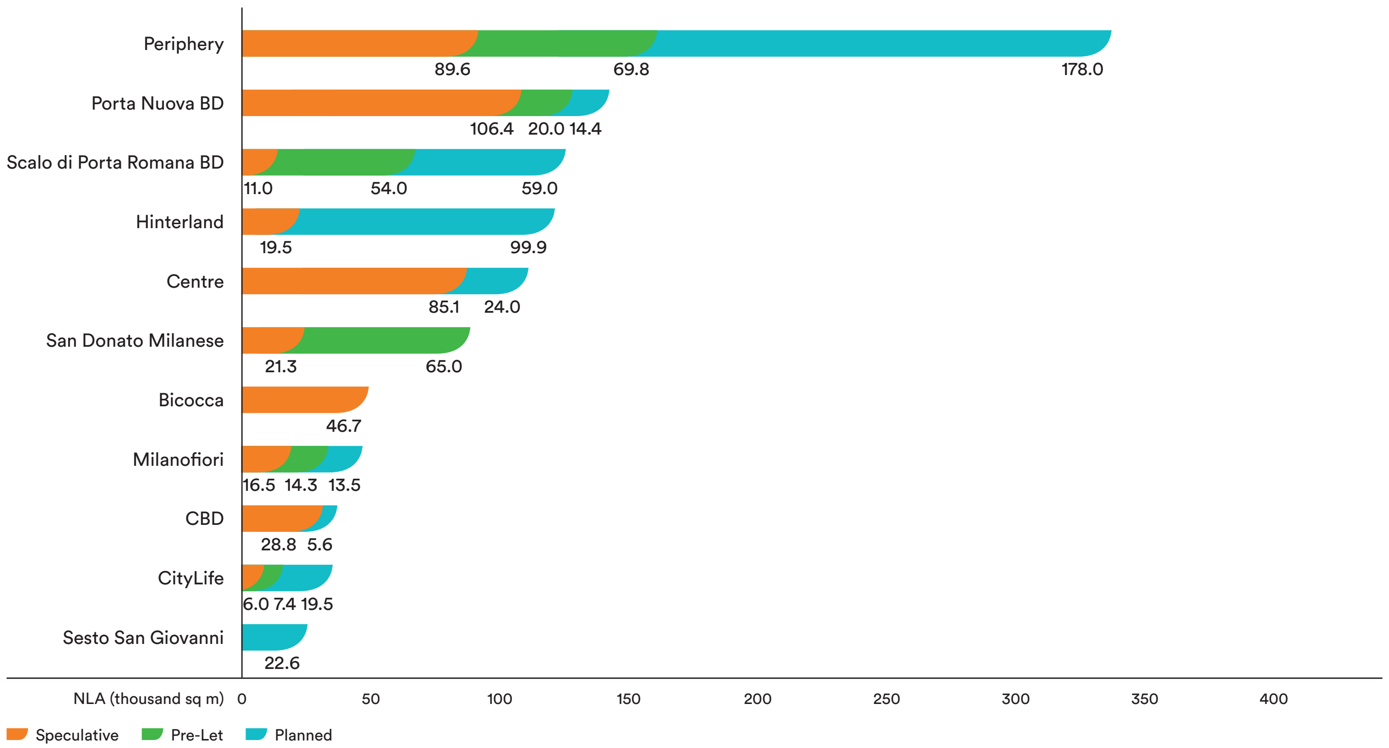
The most notable development site, in terms of size, is the forthcoming ENI headquarters, spanning 65,000 sq m, located in San Donato Milanese. Additionally, there are plans for another 436,400 sq m of office space, currently in the planning phase, with construction expected to begin within the next two years. Out of the total planned office space, 178,000 sq m are anticipated to be added to the Periphery submarket.

Existing Supply as Percentage of Total Stock, by Submarkets[6]



Source: CBRE

Future Office Supply by Area (3Q 2023 - 2025)



Source: CBRE

Office Demand and Occupancy

After a slowdown of leasing activity during 2020, the take-up in Milan recorded a robust recovery throughout 2021, returning to the average annual take-up volumes of the previous five years, at 356,000 sq m (+29% YoY). Take-up growth then continued in 2022, when the highest absorption volume ever by Milan's market was recorded, at 492,400 sq m (+38% YoY).

In 2022, the Manufacturing & Energy sector and the Business Services sector accounted for 28% and 25% of the overall take-up respectively. The demand for high-quality office spaces resulted in a strong absorption of buildings that were recently completed (45% of total take-up occurred in buildings delivered after 2017) or still under construction, with 75% of total take-up in Grade A buildings. Tenants looking for offices in well-established business districts with excellent accessibility continued to drive demand in the main office submarkets.

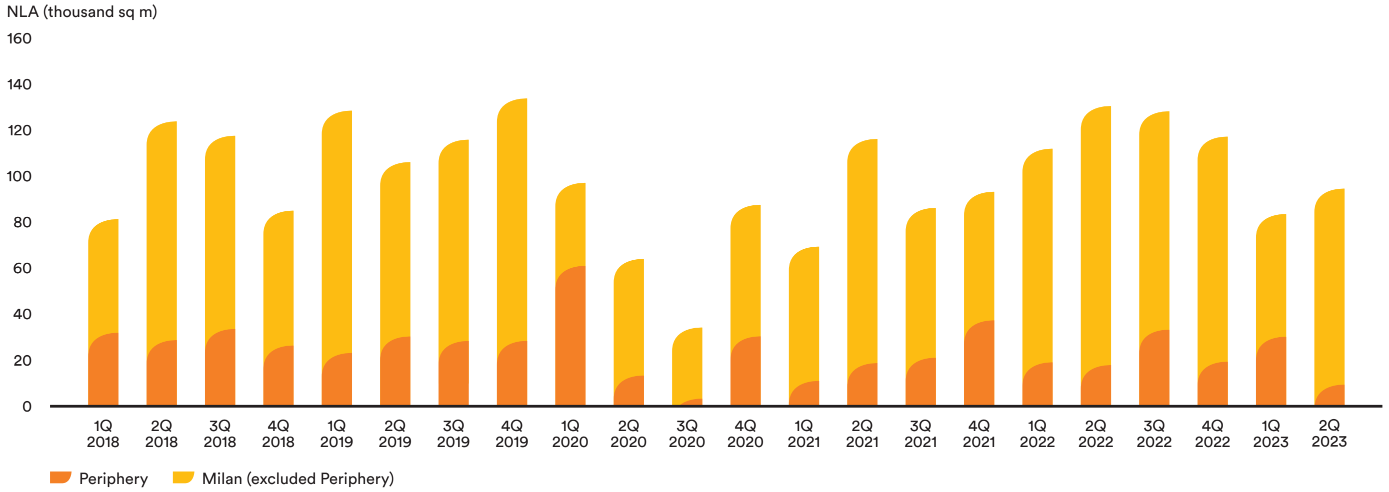
However, due to the significant size of the submarket, the Periphery drove majority of take-up in 2022 with a total of 88,400 sq m (18% of total Milan's take-up) and 69 transactions. The leasing volume is mainly a result of demand from occupiers in the Manufacturing & Energy sector, such as Italgas and Telecom Italia, and from firms looking for larger Grade A offices with LEED and BREEAM ESG certifications and more affordable rents. Over the past five years, in Porta Romana BD and the Periphery, Business Services and Manufacturing & Energy were the main drivers, with a total absorption of 116,200 sq m and 262,300 sq m respectively between 2018 and 2Q 2023.

Total take-up volume in 2Q 2023 was about 94,200 sq m (-28% YoY and +13% QoQ), bringing the total take-up volume in 1H 2023 to 177,000 sq m. Grade A office space accounted for 80% of the total absorption volumes in 2Q 2023, confirming strong demand for high-quality workplaces. The Porta Nuova BD and CityLife submarkets accounted for 55% of total transactions in the last quarter.

Total vacant office space in Milan witnessed a 1% increase in 2Q 2023 compared to the previous quarter, amounting to 1.3 million sq m. This translates to a vacancy rate of 9.8% during the same period. In 2Q 2023, the available office space in the Periphery amounts to 367,600 sq m, reflecting a vacancy rate of 14.7%. Overall, in 1H 2023, the take-up volume in the Periphery submarket amounted to 38,400 sq m (+7.4% on 1H 2022 and -25.4% on 2H 2022). The submarket witnessed a take-up of 8,800 sq m in 2Q 2023, marking a 70% decrease from 1Q 2023 and a 49% drop from 1Q 2022. Among the total take-up in the submarket in 1H 2023, 62% comprised Grade A spaces (23,710 sq m), while 54% of the total take-up were LEED and BREEAM ESG certified or pre-certified. Leading the take-up figures in the Periphery in the second quarter of 2023 was the Business Services sector, accounting for 20% of the total take-up.

The vacancy rate in the Periphery is significantly influenced by a substantial number of Grade B and C office spaces, which are becoming increasingly challenging to lease. Grade A spaces constitute only 23% of the total available office space in the Periphery, relatively lower than the 48% of Grade A space in the CBD.

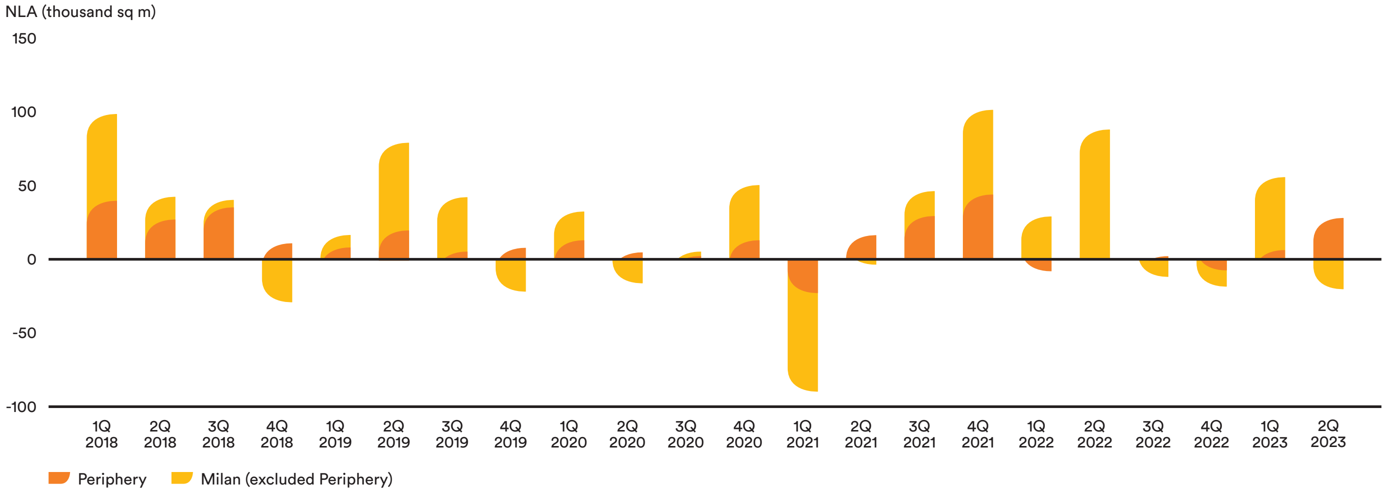
Milan and Periphery Submarket Office Take-up



Source: CBRE

Independent Market Review

Milan and Periphery Submarket Office Net Absorption

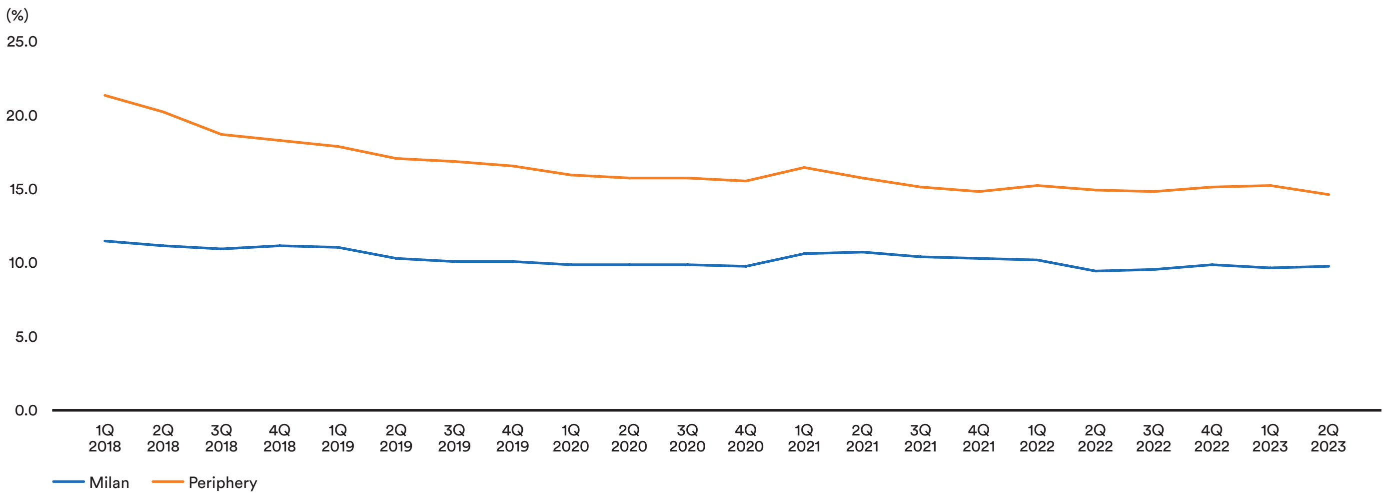


Source: CBRE

Despite a slowdown in office demand in 2020, the vacant space remained relatively stable as no new spaces were delivered during the year. Due to the pandemic, around 56% of planned completions in Milan were delayed from 2020 to 2021. As a result, 2021 saw a temporary spike in vacancy due the delivery of a large number of new buildings (total 289,000 sq m) and persisting long time-to-market as occupiers remained uncertain about their future demand for office space. However, with the recovery in take-up observed in 2022, for both second-hand and new spaces, Milan's vacancy rate declined to 9.9% at the end of 2022 and 9.8% in 2Q 2023.

Historically, the Periphery submarket has had a higher vacancy rate compared to other central submarkets such as CBD, Center and Porta Nuova BD. In the Periphery submarket, the average vacancy rate from 1Q 2018 to 2Q 2023 was 16.5%, whereas it was 5.7% in the CBD. This disparity is primarily due to the significant availability of Grade B and C spaces in the Periphery, which are facing challenges in finding potential tenants.

Milan and Periphery Submarket Office Vacancy Rate



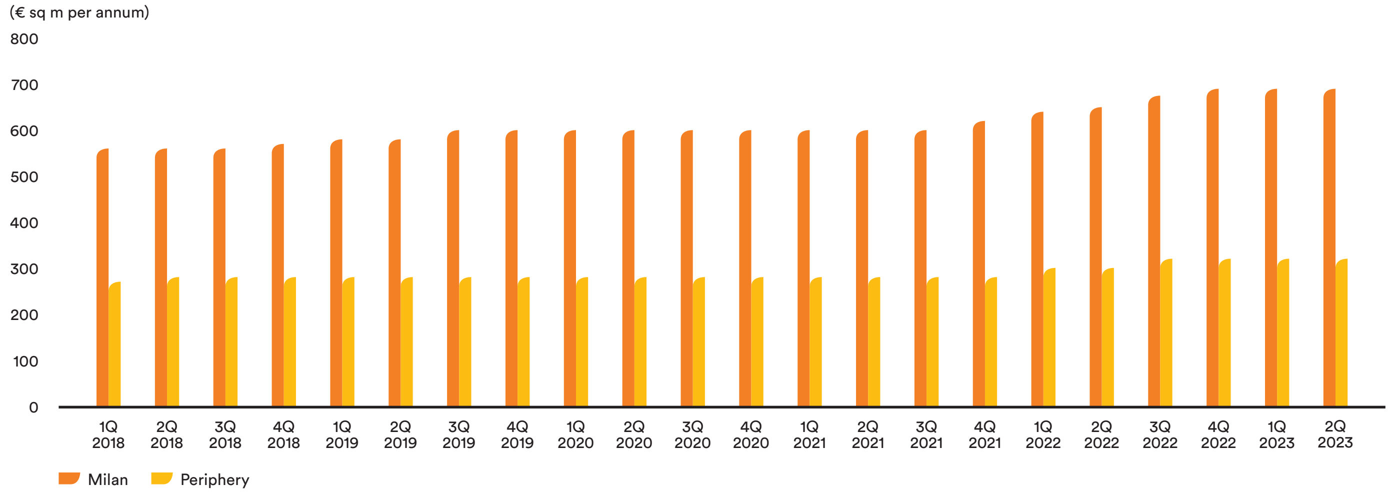
Source: CBRE

Office Rents

In 2Q 2023, prime rents in Milan remained unchanged at €690 per sq m per year, consistent with the previous quarter, and now higher than both pre-pandemic levels and 2Q 2022 (+6%). A similar trend was observed in the Periphery submarket, where prime rents increased by 7% YoY, from €300 per sq m per year in 2Q 2022 to €320 per sq m per year in 2Q 2023. However, the trend was different for average rents in the CBD and Periphery submarkets. CBD rents increased by 10% YoY to €539 per sq m per year in 2Q 2023, while the average rent in the Periphery decreased by approximately 4% YoY, reaching €230 per sq m per year in 2Q 2023, as the limited number of transactions that took place during the quarter involved assets at the lower end of the spectrum in terms of quality and location.

In recent years, there has been significant demand for Grade A offices across all submarkets, with the limited availability of high-quality properties being the main driver behind the rental growth trend between 2018 and 2019. The growing demand for high-quality office spaces has widened the rental gap between Grade A and Grade B buildings. As of 2022, tenant incentives for Grade A offices remained stable, typically including a free rent period of 12 months in primary submarkets. Conversely, landlords of secondary properties in less desirable locations are now adopting even higher incentives. In the Periphery submarket, tenant incentives are generally higher compared to primary markets, with an average free rent period of 15 to 18 months.

Milan and Periphery Submarket Office Prime Rents



Source: CBRE

Office Investment Transactions

Office investments during the past two years were adversely affected by the delays on operations caused by COVID-19 restriction measures and a cautious investors' attitude toward this sector. The sentiment was fuelled by concerns over the future demand of office spaces due to the growth of smart working and remote working during the pandemic.

Starting from 1H 2021, as the restrictions to contain the virus were gradually eased, occupiers' office space demand recovered rapidly, supporting a strong investment activity for new opportunistic and value-added operations resulting in a significant recovery of investment activity and new yield compressions for acquisitions of prime Grade A office buildings in central areas. However, starting from the second half of 2022, rising ECB interest rates fuelled by strong inflationary pressures, resulted in higher cost of capital, causing a severe slowdown in investment activity and significant repricing. In 1H 2023, Milan office investment volumes were down 82% compared to 1H 2022, with a total of €263 million.

In recent years, the Milan office market has witnessed the emergence of new office submarkets beyond the CBD, particularly in the vicinity of urban regeneration areas and major transit hubs, such as CityLife, Porta Nuova BD and more recently, Porta Romana. These submarkets, along with the Centre and CBD, have become the primary focus for investors and occupiers. Conversely, there has been a decline in demand for properties located in peripheral areas, with limited connectivity and located outside the major office districts. This trend is reflected in the decreased investment volumes recorded in the Periphery submarket over the past years.

Nevertheless, the Milano Santa Giulia business district is located next to the Rogoredo M3 metro station and high-speed railway station, providing good connections to the city centre and major transportation hubs. It takes 15 minutes by public transport to reach Piazza del Duomo square and 25 minutes to reach Linate airport, ensuring excellent long-distance and international travel options. The district is also easily accessible by car, as it is located along Milan's Inner-East motorway. Furthermore, the ongoing extension of Strada Statale Paullese will also improve commuting from the south-eastern side of Milan's metropolitan area.

Investment volumes for a 12-month period ending in 2Q 2023 were 39% and 47% lower than the corresponding periods ending in 2Q 2022 and 2Q 2021, respectively. In comparison, office investments in the overall Milan market have recovered, experiencing a 6% YoY increase for the 12-month period ending 2Q 2023 and a 67% increase compared to the same period ending 2Q 2021.

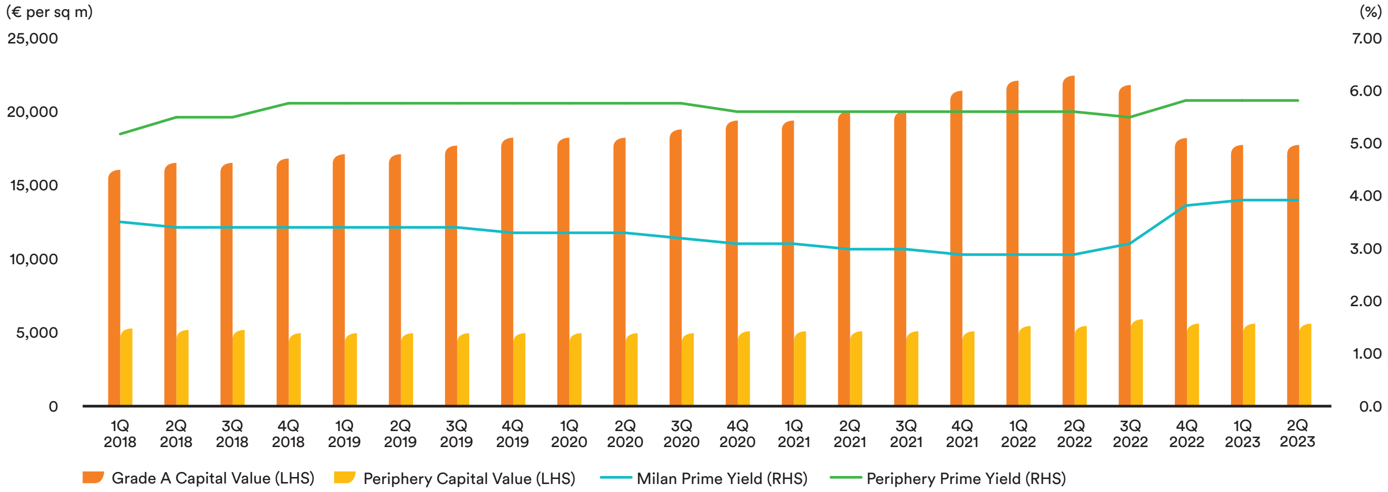
Independent Market Review

Office Yields

Starting from 3Q 2022, Milan's market benchmark prime yield experienced a gradual decompression, stemming from rising ECB interest rates' policy to counter high inflation in the Eurozone resulting in higher cost of capital. In 2Q 2023, Milan's prime yield remained unchanged at 3.9%, consistent with the previous quarter, reaching its highest level since September 2016, increasing by 100 bps compared to the same period of the previous year. Despite this significant repricing, investors are still undergoing a journey of price discovery: uncertainty on inflationary pressures and on the subsequent ECB monetary policies are causing an increasingly difficult financing environment. As the cost of debt rose, availability of financing declined, resulting in fewer bankable projects and lower loan-to-value ratios due to the downward trend of property values.

Over the past years, record-low prime yield was the result of a strong competitive environment for the purchase of high-quality assets in central Milan. This trend was further intensified during the pandemic due to a generalised flight-to-quality approach on the part of long-term investors, resulting in a 40 bps compression between 1Q 2020 and 4Q 2021. The lack of available investment opportunities in the most sought-after locations, high liquidity and strong long-term fundamentals of the Milan office market also contributed to yield compressions in other major submarkets. The Periphery submarket also experienced a minor yield compression between 3Q and 4Q 2020 (-15 bps), reaching 5.6%. Before the change in interest rates, the overall yield spread between the primary and secondary markets was increasing due to investor being increasingly selective. However, this trend partially reversed over the past 12 months, as lower yielding markets were most affected by repricing, as the spread between the current cost of debt and risk-free benchmarks such as long-term government bond yields narrowed. As at 2Q 2023, the Periphery market prime yield stands at 5.8%, up 30 bps from 3Q 2022.

Milan and Periphery Submarket Office Capital Values and Prime Yields



Source: CBRE

Italian Economy Outlook

Economic growth in Italy is expected to grow moderately over the period from 2023 to 2025, curbed by the effects of worsening financing conditions. GDP is projected to increase by an annual average of 1.3% in 2023, 1.0% in 2024 and 1.1% in 2025. In terms of demand components, the increase in GDP would be supported mainly by public investment, as a result of interventions under the National Recovery and Resilience Plan.

Household consumption is projected to expand at a similar pace to GDP, while gross fixed capital formation is expected to decelerate in 2024 and 2025, in comparison with 2023, held back by the rise in funding costs and tighter credit access conditions. Exports are projected to expand at low rates over the three years, in line with the performance of foreign demand, while imports will grow to a lesser extent.

Over the three-year forecast horizon, employment, measured in terms of hours worked, will show growth in line with that of GDP (+1.4% in 2023 and +0.3% in both 2024 and 2025). The improvement in employment will be accompanied by a decline in the unemployment rate to 7.9% in 2023 and 7.8% for the following two years.

Price dynamics are expected to partially decelerate in the current year, with inflation slowing down especially for the most volatile components, such as energy. In 2023, the consumer price inflation is expected to be 6.1% on average and is projected to decrease to 2.3% and 2.0% in 2024 and 2025 respectively. A gradual pass-through of lower energy costs into the process of pricing of other goods and services will project core inflation to remain high throughout 2023 at 4.6% before declining over the next two years.

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Heightened Market Volatility

CBRE draws Unitholders' attention to a combination of global inflationary pressures (leading to higher interest rates) and recent failures/stress in banking systems which have significantly increased the potential for constrained credit markets, negative capital value movements and enhanced volatility in property markets over the short-to-medium term.

Experience has shown that consumer and investor behavior can quickly change during periods of such heightened volatility. Investment decisions should reflect this heightened level of volatility and the potential for deteriorating market conditions.

It is important to note that the conclusions set out in this report are valid as at the valuation date only. Where appropriate, CBRE recommends that the valuation is closely monitored, as it continues to track how markets respond to evolving events.

Investor Relations

The Manager remains dedicated to upholding high standards of corporate governance and transparency throughout its operations. The Investor Relations team proactively engages all stakeholders, from analysts to investors and industry partners, to bolster their understanding of LREIT's performance and growth strategies, and foster top-of-mind recall among the investment community. Recognising stakeholders' growing focus on environmental, social and governance ("**ESG**") issues, the Manager also adjusted its approach to cover these areas in its communication with them. Underpinning the Manager's engagement efforts are a well-defined set of principles outlined in the Investor Relations Policy, which is reviewed annually to ensure continued relevance.

Underscoring the importance the Manager places on sustainability, LREIT sought to raise awareness and advance efforts in this regard within its industry and community during the year. In FY2023, the Manager joined SGListco – an association for Singapore listed companies to explore new ESG initiatives and assess the relevance of current sustainability requirements – and was the first publicly traded company to partner SGX to launch an educational research report entitled "Sustainability 5-in-5".

The CEO of the Manager currently co-chairs the REITAS Sustainability Taskforce, which identifies relevant areas in sustainability for the S-REITs to target together. The Manager was also invited to be on the panel discussion at two sustainability seminars organised by REITAS-Colliers and SGX in early-2023.

DBS Private Banking-REITAS luncheon was one of the many conferences which Mr Kelvin Chow, CEO of the Manager, attended during FY2023 as a panel speaker

Reflecting LREIT's commitment to nurture the next generation, the Manager joined hands with REITAS to host a sustainability tour at Jem in May 2023 for students from Ngee Ann Polytechnic's School of Design & Environment.

The Manager values the support from LREIT's retail investors. As part of its continuous outreach efforts to retail investors, it participated in a hybrid of virtual and in-person conferences organised by SGX, Securities Investors Association (Singapore) ("**SIAS**") and Phillip Capital. On top of this, the Manager conducted property tours for institutional investors given the strong preference for more interactive forms of engagement.

On 25 October 2022, LREIT successfully held its third Annual General Meeting digitally and featured a live question and answer session, which addressed Unitholders' queries. The meeting was well-attended by Unitholders and all resolutions were approved. In the Manager's ongoing quest for greater transparency, it uploads general information on LREIT as well as corporate and financial announcements onto the SGXNet and LREIT's website in a timely manner. Investors can also sign up for email alerts to keep abreast of the latest developments at LREIT.

As at 30 June 2023, LREIT was actively covered by nine research analysts.

Research Coverage

9 research houses:

- Bank of America
- CGS-CIMB
- Citi Research
- Daiwa Capital Markets
- DBS Bank Ltd
- Macquarie Research
- Maybank Research
- Philip Capital
- UOB Kay Hian

Constituent of Key Indices

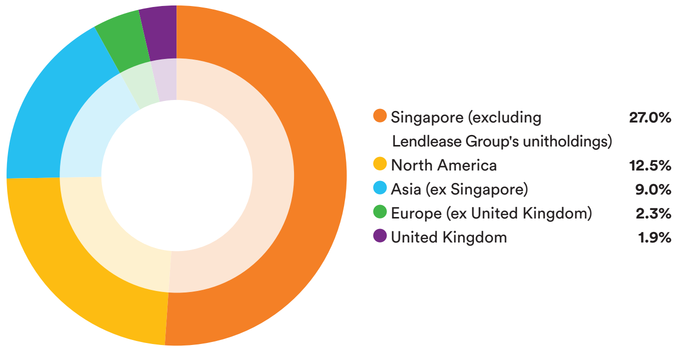
- FTSE EPRA Nareit Global Developed Index
- FTSE ST Small Cap Index
- GPR/APREA Investable REIT 100 Index
- GPR/APREA Investable 100 Index
- GPR 250 REIT Index
- iEdge-OCBC Singapore Low Carbon Select 50 Capped Index
- iEdge SG ESG Leader Index
- iEdge SG ESG Transparency Index
- iEdge S-REIT Leader Index
- MSCI Singapore Small Cap Index

Unitholders' Enquiries

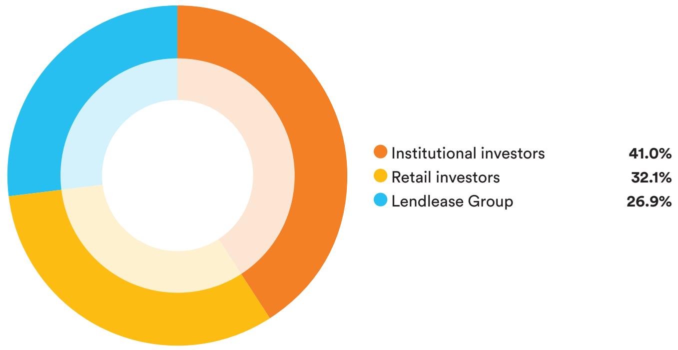
If you have any enquiries or would like to find out more about LREIT, please contact Ms Ling Bee Lin at:

t +65 6671 7374 e enquiry@lendleaseglobalcommercialreit.com w www.lendleaseglobalcommercialreit.com

Unitholdings by Geography

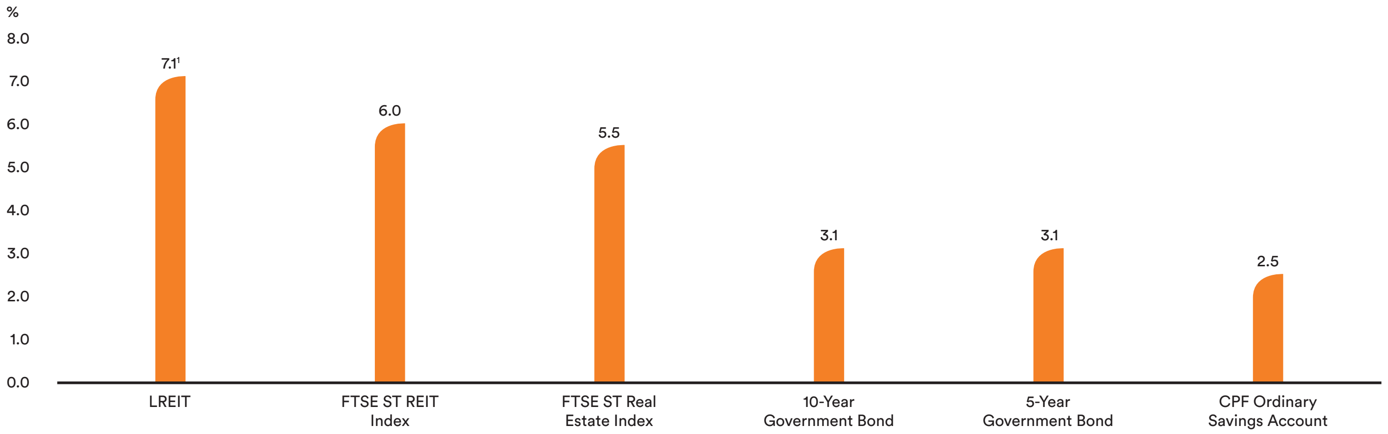


Unitholdings by Investor Type



Note: Information on unitholdings statistics was as at 30 June 2023.

Yields Compared to Other Investments (as at 30 June 2023)



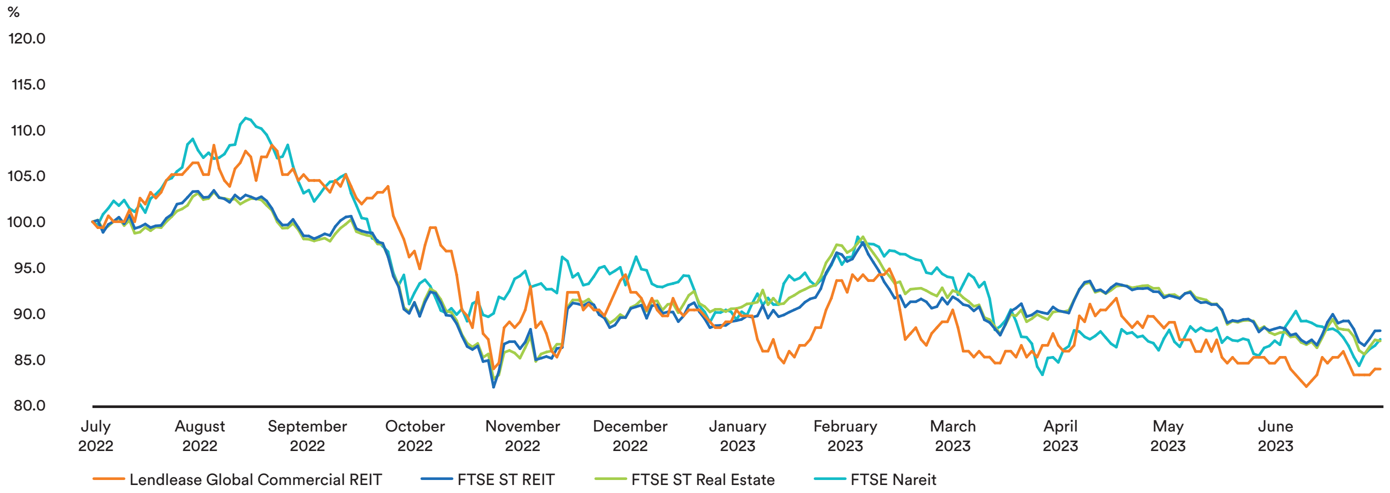
Sources: Bloomberg, MAS and Central Provident Fund ("**CPF**")

Unit Price and Trading Volume	FY2023
Opening price on the first trading day of the year (S$ per unit)	0.795
Closing price on last trading day of the year (S$ per unit)	0.660
Highest closing price (S$ per unit)	0.850
Lowest closing price (S$ per unit)	0.645
Average closing price (S$ per unit)	0.725
Total trading volume (million units)	1,909.70
Market capitalisation as at 30 June 2023 (S$ million)	1,533.60

[1] Based on LREIT's DPU of 4.70 cents for FY2023 and the market closing price per unit of S$0.660 as at 30 June 2023.

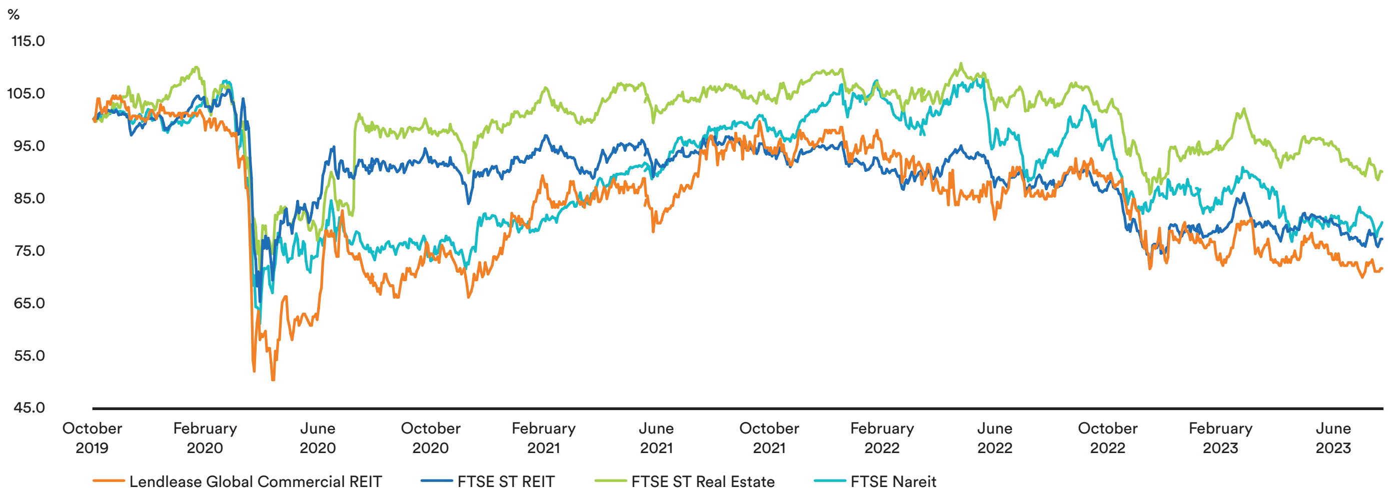
Investor Relations

Trading Price Performance for the Period 1 July 2022 to 30 June 2023



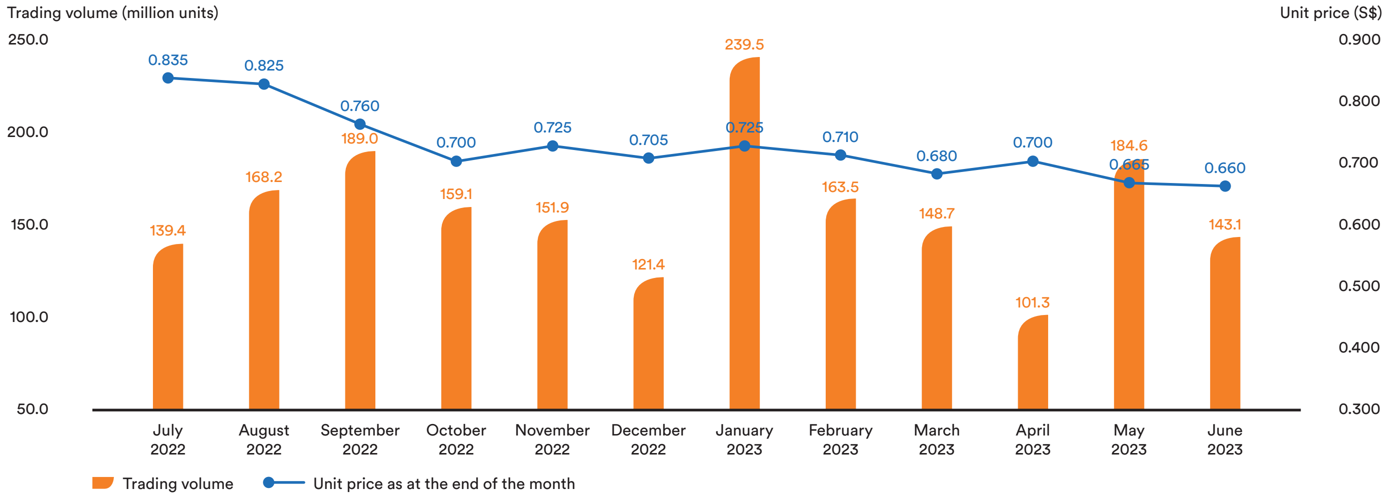
Sources: Bloomberg

Trading Price Performance since Listing on 2 October 2019 to 30 June 2023



Sources: Bloomberg

Monthly Trading Performance



IR Events and Milestones

2022

AUG

- Full Year FY2022 Results: Announcement
- Full Year FY2022 Results: Analyst Briefing
- Full Year FY2022 Results: Investor Conference Call
- Corporate Connect with SIAS
- Bank of America 2022 ASEAN Conference
- 13th Macquarie ASEAN Conference 2022
- Citi-SGX-REITAS REITS/Sponsors Forum
- Property Tour for SGX-NH Securities

SEP

- Bank of America Securities 2022 Global Real Estate Conference in New York
- 20 Years Of S-REIT: E-Commerce - Opportunities and Challenges for S-REITs

OCT

- Mingtiandi Singapore Forum 2022 – Competing on the Global Stage
- Annual General Meeting FY2022

NOV

- 1Q FY2023 Business Update: Announcement
- 1Q FY2023 Business Update: Analyst Briefing
- 1Q FY2023 Business Update: Investor Conference Call
- DBS-SGX-REITAS Conference in Bangkok
- UBS Australia Corporate Day
- CIMB Non-deal Roadshow in Kuala Lumpur

2023

JAN

- DBS Vickers Pulse of Asia Conference 2023
- Bank of America Securities 2023 ASEAN Conference

FEB

- 1H FY2023 Results: Announcement
- 1H FY2023 Results: Analyst Briefing
- 1H FY2023 Results: Investor Conference Call
- REITAS-Colliers Seminar: Sustainability in the Built Environment

MAR

- Citi's 2023 Global Property CEO Conference
- SGX Singapore Trading Festival: Green Investing Panel
- Property Tour for DBS Vickers

MAY

- 3Q FY2023 Business Update: Announcement
- 3Q FY2023 Business Update: Analyst Briefing
- 3Q FY2022 Business Update: Investor Conference Call
- DBS Private Banking-REITAS Luncheon: Capturing Opportunities in a New World Order
- Corporate Connect with SIAS
- Bank of America 2023 APAC Financial, Real Estate Equity and Credit Conference
- Property Tour for Ngee Ann Polytechnic

JUN

- Citi Asia-Pacific Property Conference 2023

RESPONSIBILITY

Our actions determine who we are. All the time.

Sustainability

What's in this section :

18
Energy Use Intensity Reduction 18%

14
Water Use Intensity Reduction 14%

20
Waste Recycling Rate 20%

0
Net Zero Carbon
(Scope 1 and 2 GHG Emissions)

40
Board Diversity (Female) 40%

60
Female Senior Management 60%

Sustainability Report

SUSTAINABILITY-LINKED FINANCING ACCOUNTED FOR APPROXIMATELY 70% OF LREIT'S TOTAL COMMITTED DEBT FACILITIES IN FY2023, ONE OF THE HIGHEST AMONG THE S-REIT INDUSTRY.

BOARD STATEMENT

The Board of Directors (the "**Board**") is pleased to present Lendlease Global Commercial REIT's ("**LREIT**") fourth Sustainability Report ("**SR**") in FY2023 to reinforce LREIT's commitment towards environmental sustainability and contributions to the community. This report showcases initiatives the Manager and Property Manager implemented within LREIT's portfolio and the progress towards its sustainability targets. The Manager aligns its values and LREIT's targets with Lendlease and its subsidiaries (the "**Group**") to build resilience in LREIT's business operations and ensure long-term success. The Board, supported by the CEO and Sustainability Working Committee ("**SWC**"), is responsible for LREIT's sustainability strategy, performance and reporting.

In FY2023, facilitated by a third party, the Manager conducted a materiality reassessment to determine the key economic, environmental, social and governance issues important to LREIT's stakeholders. The material factors were reviewed and approved by the Board, to reflect developments in the real estate sustainability space. For further details, see the Materiality Assessment section on page 74. In addition, to further support LREIT's ambition, the Manager has implemented target setting best practices by resetting its baseline year to FY2022 and set 5-year environmental targets.

LREIT commits to actions outlined in the Group's Responsible Property Investment ("**RPI**") Policy statement, including the Group's Mission Zero targets of Net Zero Carbon (Scope 1 and 2) in operation by FY2025 and Absolute Zero Carbon (Scope 1, 2 and 3) by FY2040 through collaboration with tenants. In FY2023, LREIT achieved Net Zero Carbon (Scope 1 and 2) ahead of the FY2025 target.

As a testament to LREIT's efforts in sustainability, it has retained the top position for a third consecutive year as the GRESB Regional Sector Leader in both Asia Retail (Overall) and Asia Retail (Listed). LREIT has attained the highest GRESB rating of 5 stars for its Environmental, Social and Governance ("**ESG**") performance for the past three years since its listing on the Singapore Stock Exchange in 2019. In addition, it was ranked 12th on the Singapore Governance and Transparency Index (SGTI) 2023.

As at 30 June 2023, sustainability-linked financing accounted for approximately 70% of LREIT's total committed debt facilities, one of the highest among the S-REIT industry. The Manager's financing solution of using a sustainability-linked loan ("**SLL**") to acquire Jem had won multiple awards, including the 2023 SBR National Business Awards (Commercial Real Estate Trust category), Best Sustainable Treasury Solution in the Adam Smith Award Asia 2022 and Best Sustainability-Linked Loan at The Asset Triple A Sustainable Capital Markets Awards 2022. The Board is pleased to share that LREIT has achieved interest rate savings as it has met the sustainability performance target before the end of the financial year.

The Manager has continued to strengthen resilience through its sustainability strategy by considering recent developments around sustainability, including nature and biodiversity as well as diversity and inclusion. To keep up with updated regulations, LREIT conducts an annual review of its sustainability strategy, in line with the Group's Sustainability Framework. These reviews include comprehensive engagements with customers, investors, employees and other stakeholders to identify areas that need updating to ensure ongoing relevance. LREIT's latest targets include a 10% reduction in landlord energy consumption in FY2027 from baseline year FY2022.

With the growing importance, scope and rigour of ESG and climate-related disclosures, the Board seeks to continue collaborating with the Manager and all stakeholders in LREIT's sustainability journey to continue to deliver stable and long-term value for their investments.

100

Green Mark Platinum achieved for 100% of Singapore portfolio

1

Ranked 1st in GRESB 2022 (Asia Retail (Overall) and Asia Retail (Listed))

ABOUT THE REPORT

Reporting Scope

This report, prepared in accordance with SGX-ST Listing Rules 711A and 711B requirements and the Global Reporting Initiative ("**GRI**") Sustainability Reporting Standards 2021, covers the sustainability performance of LREIT for FY2023 and includes prior years' data for comparison where applicable. Unless otherwise stated, all information disclosed in this SR relates to LREIT's business and stakeholders during FY2023. LREIT has also disclosed information consistent with the Task Force on Climate-Related Financial Disclosures ("**TCFD**") framework and the Guidelines on Environmental Risk Management ("**EnRM**") issued by the Monetary Authority of Singapore ("**MAS**").

This SR should be read with the financial performance and governance information detailed in the Annual Report ("**AR**") for a comprehensive understanding of LREIT's business and performance.

The scope of the report covers the following entities and properties in Singapore:

- LREIT;
- Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**");
- Lendlease Retail Pte. Ltd. (the "**Property Manager**"); and
- LREIT's properties: Jem and 313@somerset (the "**Properties**"), over which the Manager has operational control[1].

Apart from the Properties covered in this report, LREIT's portfolio comprises a freehold interest in three Grade A office buildings in Milan and other investments in Singapore including a stake in Parkway Parade and a multifunctional event space.

Notes:

1. Energy, water, waste and greenhouse gas ("**GHG**") emissions performance data disclosed cover Jem and 313@somerset. With the inclusion of data for Jem this year, there has been a notable year-on-year ("**YoY**") increase in absolute GHG emissions, energy and water usage, and waste generated in FY2023.
2. Sustainability initiatives disclosed cover the Properties.
3. Employee-related performance data disclosed covers the employees of the Manager and the relevant employees of the Property Manager.
4. Net Zero Carbon refers to Scope 1 and 2 GHG emissions.
5. Absolute Zero Carbon refers to Scope 1, 2 and 3 GHG emissions.
6. LREIT adopts a market-based approach for emissions accounting of its Net Zero Carbon and Absolute Zero Carbon, the Manager also keeps track of location-based emissions.
7. Any discrepancies on figures in this section are due to rounding.
8. FY2023 refers to the period from 1 July 2022 to 30 June 2023.

External Assurance

No external assurance for the SR has been sought. The Group received limited assurance over its total GHG emissions, energy, water and waste performance data for FY2023, with basis of conclusion in accordance with ASAE 3000 and 3410. LREIT's portfolio formed part of the data over which the Group received limited assurance for FY2023. The Manager's sustainability reporting process has undergone internal review by an independent Internal Auditor in FY2023 to assess the design adequacy and effectiveness of internal controls and procedures in the report.

Feedback

The Manager welcomes feedback as it continuously improves LREIT's sustainability performance and reporting. Feedback on this report and any issues covered can be directed to enquiry@lendleaseglobalcommercialreit.com.

[1] Based on GHG Protocol's control approach.

Jem is Singapore's first mixed use development to be awarded BCA Green Mark Platinum V4.0

Sustainability Report

OUR APPROACH

The Manager's approach towards sustainability is embedded in the Group's Sustainability Framework and Targets, which covers environmental and social topics. Together with the implementation of leading sustainability practices, LREIT believes it will be able to improve its competitiveness and performance, enhance tenant relations and minimise operations costs, to deliver long-term value for LREIT's investors, the environment and stakeholders. LREIT is also aligned with the Group's commitment as a signatory to the United Nations Global Compact ("**UNGC**") and the United Nations Principles for Responsible Investment ("**UNPRI**").

SUSTAINABILITY GOALS

SUSTAINABLE ECONOMIC GROWTH

We support sustainable economic growth that recognises the finite nature of the planet and resources, and provides pathways for economic prosperity for all

VIBRANT AND RESILIENT COMMUNITIES AND CITIES

We create vibrant and resilient communities and cities that are adaptive to change, socially inclusive and valued by the people who live, work and play there

HEALTHY PLANET AND PEOPLE

We actively advocate for a healthy people and a healthy planet, connecting to and respecting nature, and facilitating well-being

ENVIRONMENTAL FOCUS

Resources & Materials

Conserve natural resources and source sustainable materials

Climate Action

Adapt to and do our part to mitigate climate change

Nature & Pollution

Protect and restore the natural environment

SOCIAL FOCUS

Economic Prosperity

Generate prosperity for the communities we impact

Community Inclusion

Create thriving communities resilient to climate change and rich with culture and context with a place for all

Well-being

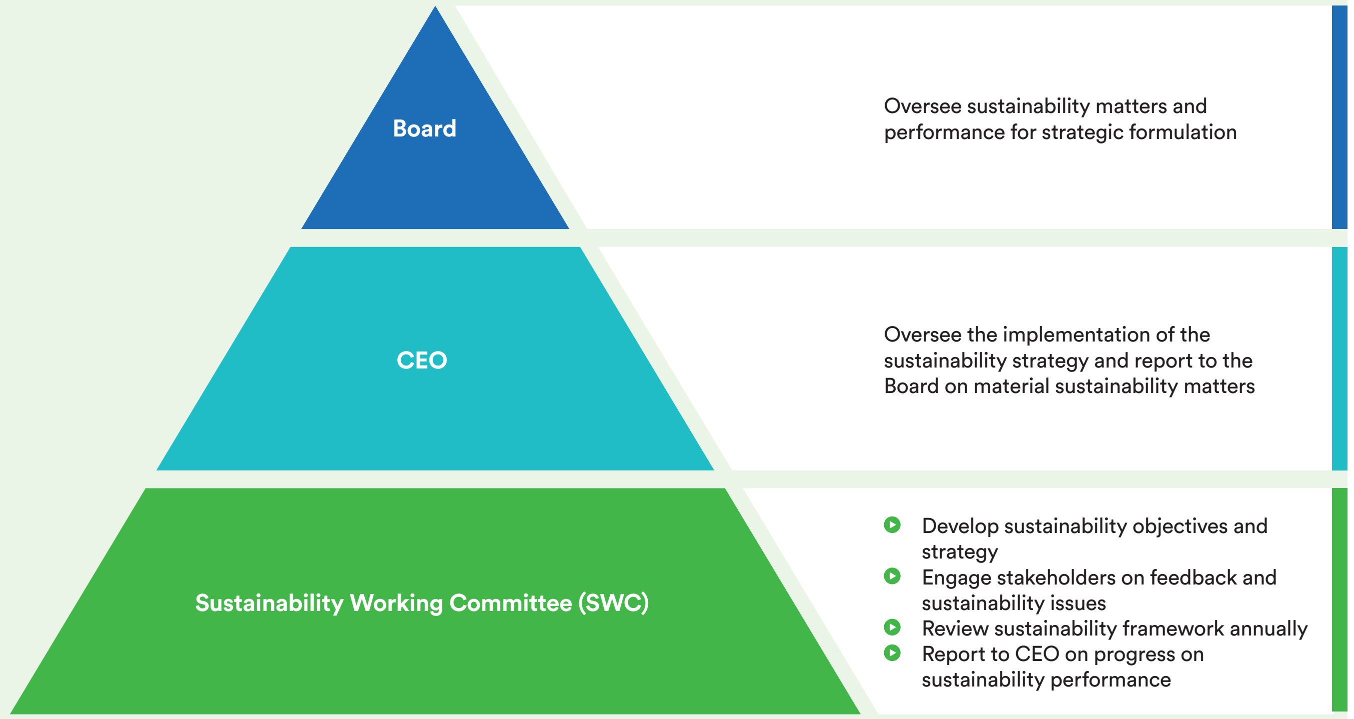
Support and enhance people's physical and mental well-being

GOVERNANCE

The Board considers sustainability issues in LREIT's business and strategy, determines the material ESG factors and oversees the management and monitoring of the material ESG factors, focusing on value creation and innovation. The CEO drives the implementation of the sustainability strategy and reports to the Board on material matters.

The SWC comprises the working team in LREIT, the Property Manager, the Group's regional sustainability and people & culture teams. The committee supports the CEO by developing sustainability objectives and targets as well as managing LREIT's sustainability performance. In this process, they engage stakeholders regularly to obtain insights and feedback on sustainability issues and LREIT's sustainability strategy. The committee regularly reports to the CEO on LREIT's sustainability performance and updates the Board at the end of the financial year.

Sustainability Governance Structure



Sustainability Report

STAKEHOLDER ENGAGEMENT

The Manager is dedicated to protecting LREIT's stakeholders' interests, improving its assets' ESG performance and understanding its stakeholders' decision-making processes from an ESG perspective. To achieve this, the Manager and Property Manager maintain two-way open communication channels with stakeholders, ensuring their concerns are heard. During FY2023, in-person and virtual engagements were conducted to foster stakeholder interactions.

Key Stakeholders	Key Areas of Interest	Mode of Engagement	Frequency	Remarks
Tenants	• Quality of facilities and services • Health and safety • Shopper traffic • Energy, water and waste management	• Tenant engagement events • Green leases • Safety inspections • Tenant satisfaction survey	Regularly Regularly Half-yearly Annually	• Maintain LREIT's economic resilience through sustainable and long-term cash flow stability. • Tenants influence a significant portion of the Properties' environmental performance.
Retail shoppers	• Range and quality of retail offerings, amenities and services • Health and safety • Access to public transport • Data privacy and cybersecurity • Energy, water and waste management	• Online communication platforms, including social media • Customer service • Marketing and promotional events • In-house customer satisfaction survey • Customer satisfaction survey by a third-party consultant	Regularly Regularly Regularly Regularly Annually	• Generate sales for the tenants and maintain the vibrancy of the Properties. • Cybersecurity measures are implemented to protect data privacy of LREIT's customer database in the Lendlease's Customer Loyalty Program App. • Shoppers visitation contribute to the usage of energy, water and generation of waste at the Properties.
Investment community (institutional and retail investors, banks, analysts and media)	• Business performance and strategies • Good corporate governance • Timely and transparent reporting • Climate action	• Teleconferences and in-person meetings • Site tours at the Properties • Partner with REIT Association of Singapore ("**REITAS**"), Securities Investors Association (Singapore) ("**SIAS**") and SGX to conduct corporate presentations to retail investors • SGXNet announcements • Post-results meetings with analysts and investors • AR • Survey by a third-party consultant	Regularly Regularly Regularly Regularly Quarterly Annually Annually	• Being investable will enhance LREIT's trading liquidity and visibility. It reflects investors' perception of its ability to generate long-term value for its stakeholders. • Partner with the investment research community to reach out to investors worldwide. Investors will be able to obtain LREIT's operational and financial updates through the reports issued by the analysts.
Employees	• Career development • Health, safety and well-being • Diversity and inclusion • Cybersecurity	• Team meetings • Conversations on performance, career development and well-being • Training and development opportunities • Health and well-being activities • Team bonding activities • Health screening	Weekly Regularly Regularly Regularly Quarterly Annually	• Support LREIT's growth ambitions through the Group's people strategy to attract, retain and invest in its people to have the right capabilities to succeed. • With the increasing malicious attacks and cyber threats, the Group institutionalised cybersecurity awareness to educate employees about the cybersecurity landscape. This will help to reduce the risks associated with cyber attacks and embed a culture of security ownership and compliance.

Weekly | Regularly | Quarterly | Annually | Half-yearly

Key Stakeholders	Key Areas of Interest	Mode of Engagement	Frequency	Remarks
Business partners (suppliers, service providers, banks)	• Fair and reasonable business practices • Corporate governance • Health and safety • Climate action • Data privacy and cybersecurity	• On-boarding risk assessment for contractors • Supplier Code of Conduct • AR	Regularly Regularly Annually	• Health and safety remain a top priority at LREIT. The Manager and the Property Manager emphasise safe working conditions for its suppliers and ensure that their production processes are socially responsible and environmentally friendly. • Components of the Supplier Code of Conduct include o Labour practices and standards to safeguard against child labour, modern slavery, non-discrimination, health and safety, working conditions, working hours, compensation, right to association, freely chosen employment and managing partner relationships. o Environmental policy on the use of products and materials. o Compliance with anti-corruption laws and fair business practices. • Vendor risk assessment and management of LREIT's suppliers and service providers are conducted to ensure the resilience of its supply chain.
Regulators and industry associations	• Regulatory compliance • Corporate governance • Local retail industry performance • Climate action • Diversity and inclusion	• Meetings, briefings and consultations with regulators and key industry associations, including Urban Redevelopment Authority ("**URA**"), Building and Construction Authority ("**BCA**"), Singapore Tourism Board, Orchard Road Business Association, REITAS, Singapore Business Federation, SGX and Monetary Authority of Singapore	Regularly	• LREIT is committed to creating better places for the community. • Close engagement with industry regulators enables the Manager and the Property Manager to protect community interest and be responsible for ensuring good corporate governance. • The Manager and the Property Manager ensure compliance with legal and regulatory requirements.
Local community	• Community investments • Impact of business on the environment and society	• Sustainability initiatives • Shared Value Partnerships • Community Day and volunteering activities	Regularly Annually Annually	• Being a socially responsible entity helps build LREIT's corporate reputation and positively impacts the community. • Form long-term partnerships with selected non-governmental organisations and social enterprises. • Participate in the Group's annual Community Day programme to contribute to and support the community. • Social responsibility empowers employees to leverage the corporate resources at their disposal to do good. It could also boost employee morale and lead to greater productivity in the workforce.

Weekly | Regularly | Quarterly | Annually | Half-yearly

Sustainability Report

Materiality Assessment

The Manager has a fiduciary duty to LREIT's stakeholders and a stewardship role in managing LREIT's portfolio with integrated sustainability considerations as part of its processes. In line with the GRI Standards' Principle of Materiality, the SWC conducted a materiality assessment to determine the material ESG factors that are material to both LREIT's business and stakeholders in FY2023. These factors were identified through consultations with internal stakeholders, facilitated by external consultants. Material factors are approved by the Board for inclusion in the SR.

During the recent materiality assessment, there were marginal changes in the relative rankings of the factors, with topics such as climate action, data privacy and anti-corruption rising in importance to reflect LREIT's stakeholders' changing priorities.

Materiality Assessment Process

1 Identify Material ESG Factors
Conduct background research on global trends, peers' disclosures and LREIT's internal risk assessment.

2 Prioritise Material ESG Factors
Identify and prioritise ESG factors for the business and stakeholders through materiality workshop attended by the SWC.

3 Validate Material ESG Factors
Seek approval from the Board on the prioritised material ESG factors.

4 Results
Report material ESG factors in LREIT's SR.

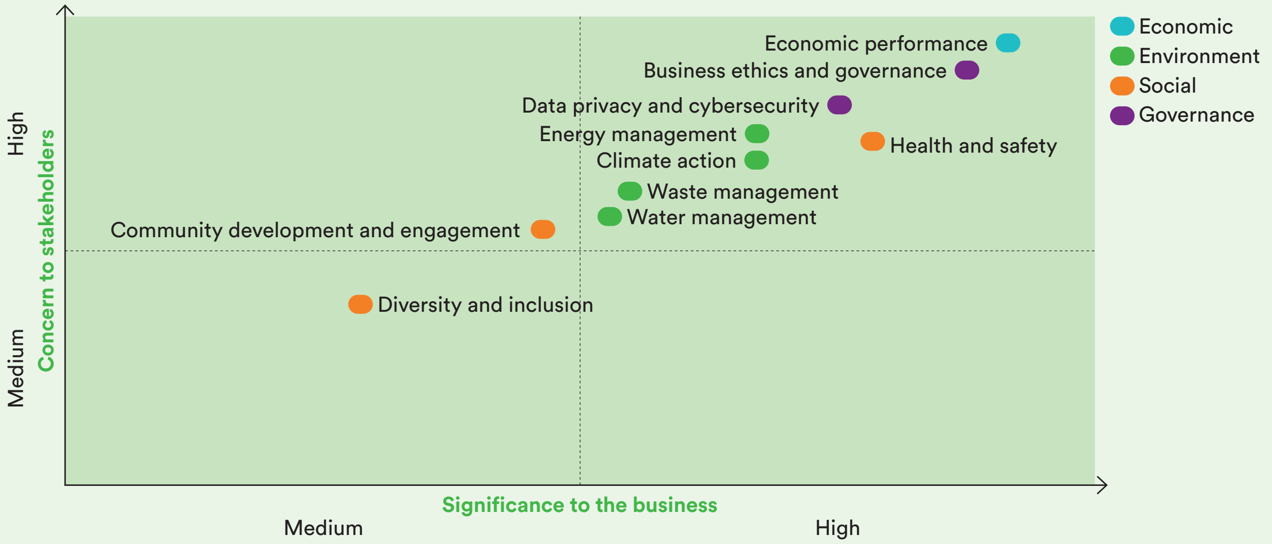
ECONOMIC
- Economic performance

ENVIRONMENTAL
- Energy management
- Waste management
- Water management
- Climate action

SOCIAL
- Health and safety (customer and occupational health and safety)
- Diversity and inclusion
- Community development and engagement

GOVERNANCE
- Business ethics and governance
- Data privacy and cybersecurity

Impact Materiality Matrix



Targets

In FY2023, the Manager reset the baseline reference year for environmental data from FY2016 to FY2022. This was driven by the reasons stated below, which is crucial in aligning its sustainability efforts with the evolving context.

1 The Manager has reset the baseline reference year to ensure that LREIT's energy, water and waste targets remain ambitious, taking reference from international benchmarking and industry best practices.

2 The acquisition of Jem marked a significant expansion in LREIT's portfolio, necessitating its integration into the scope of LREIT's target.

The Manager is currently reviewing the time horizons of targets to ensure alignment with strategic planning and reporting, which will be disclosed in FY2024.

Material Topic	Target	Status	Target Year
ECONOMIC			
Economic Performance	• Maintain or improve the ratings for tenant and shopper satisfaction against previous year's results	• Achieved. Shoppers satisfaction survey scored 84% in FY2023 (81% in FY2022) and tenants satisfaction survey scored 82% in FY2023 (64% in FY2022)	FY2023
	• Maintain or improve on the current year's results by achieving higher ratings for tenant and shopper satisfaction	• In progress	FY2024
ENVIRONMENT			
Energy Management (7 AFFORDABLE AND CLEAN ENERGY)	• Maintain BCA Green Mark Platinum status for the Properties	• Achieved. The Green Mark recertification is conducted once every three years to ensure that building performance is maintained at Green Mark Platinum. The last recertification was completed in year 2022.	FY2023
	• Deliver sustainability training to stakeholders including tenants	• The Property Manager has been conducting tenant education to switch off non-essential power after working (trading) hours as well as the adoption of energy efficient equipment. • The Manager is in the process of establishing a training framework to provide ESG training for the Directors and its employees.	FY2024
	• Maintain BCA Green Mark Platinum status for the Properties	• In progress	FY2026
	• Achieve 10% reduction in landlord consumption in year FY2027 from baseline year FY2022	• In progress	FY2027
Climate Action (13 CLIMATE ACTION)	• Achieve Net Zero Carbon emissions by FY2025	• Achieved	FY2023
	• Achieve Absolute Zero Carbon emissions by FY2040 (inclusive of tenants' energy consumption)	• In progress	FY2040

Sustainability Report

Material Topic	Target	Status	Target Year
ENVIRONMENT			
Waste Management	• Complete installation of food waste digestor at 313@somerset	• Achieved. Food waste digestor installed at 313@somerset. Overall waste recycling rate improved to 20% from 6% in FY2022.	FY2023
	• Encourage recycling through various initiatives and campaigns	• Achieved. Launched the campaigns You Won't Believe It's Trash 2.0 ("**Y.W.B.I.T 2.0**"), Trash to Couture Fashion Design Contest and Trashemon bins.	FY2023
	• Achieve 28% recycling rate annually	• In progress	FY2024
Water Management	• Maintain water efficiency index[2] at the top 25th percentile in the local market	• Achieved in FY2023 and in progress for FY2024	FY2027
	• Achieve 2% reduction in landlord consumption of water in year FY2027 from baseline year FY2022	• In progress	FY2027
SOCIAL			
Health and Safety	• Zero work-related injuries and ill health	• Achieved	FY2023
	• Zero incidents of non-compliance with regulations and voluntary codes	• Achieved	FY2023
	• Maintain zero work-related injuries and ill health	• In progress	FY2024
	• Maintain zero incidents of non-compliance with regulations and voluntary codes	• In progress	FY2024
Diversity and Inclusion	• Commit to having a diverse and inclusive workforce and provide fair opportunities based on merit	• Achieved. Refer to pages 100 to 104 for more information.	FY2023
	• Create inclusive environments that embrace diversity	• In progress. Refer to pages 100 to 104 for more information.	FY2024
	• Promote fair and equitable employment as well as addressing human rights	• In progress. Refer to pages 100 to 104 for more information.	FY2024
	• Embrace inclusive procurement policies	• In progress. Refer to pages 100 to 104 for more information.	FY2024
Community Development and Engagement	• Continue to partner with a beneficiary for corporate sponsorship opportunities	• Achieved. Refer to pages 105 to 107 for more information. The Manager collaborates with beneficiaries supported by Lendlease Foundation to continue the corporate sponsorship relationship.	FY2023
	• Four community engagements/initiatives	• Achieved	FY2023
	• Maintain four community engagements/ initiatives	• In progress	FY2024

Material Topic	Target	Status	Target Year
SOCIAL			
Employee Engagement	• Effective succession planning to demonstrate the depth of capable talent ready to progress into leadership and critical roles	• Achieved and ongoing. Through annual career conversation and development planning, supported by LLevel Up masterclasses for all employees and INSEAD leadership programmes.	FY2023
	• Measure the effectiveness of the engagement between the Group's leaders and employees through Our People survey	• Achieved and ongoing. 36 percentage points above FY2022 and 26 points above Singapore top quartile.	FY2023
	• Retain key talent across all talent programmes	• Achieved and ongoing. Refer to page 104 for more information.	FY2023
GOVERNANCE			
Business Ethics and Governance	• Zero incidents of corruption	• Achieved	FY2023
	• Zero incidents of non-compliance with relevant laws and regulations including environmental that resulted in significant fines or non-monetary sanctions	• Achieved	FY2023
	• Maintain zero incidents of corruption	• In progress	FY2024
	• Maintain zero incidents of non-compliance with relevant law and regulations including environmental that result in significant fines or non-monetary sanctions	• In progress	FY2024
Data Privacy and Cybersecurity	• Zero substantiated complaints concerning breaches of customer privacy and zero incidents of identified leaks, thefts or losses of customer data	• Achieved	FY2023
	• Maintain zero substantiated complaints received concerning breaches of customer privacy and zero incidents of identified leaks, thefts or losses of customer data	• In progress	FY2024

[2] Based on Singapore Public Utilities Board Water Efficiency Index Retail Sector, Indicator A, estimate of <1m³/m², 1m³/m²/year represents the top 25th percentile of retail malls in Singapore as of 2021.

[3] Singapore average quoted in the Kincentric report for the people survey results.

Sustainability Report

Response to ESG Risks and Opportunities

The Manager recognises the significance of ESG factors in today's business landscape. It firmly believes in the importance of identifying relevant risks and opportunities to guide its decision-making process and implement effective mitigation measures. The table below outlines the mitigation measures for the identified risks and opportunities across all material factors.

ECONOMIC PERFORMANCE

Risks and Opportunities	LREIT's Response
The real estate sector has been facing challenges against the backdrop of macroeconomic challenges. For the retail segment, the high inflation rate could rein in consumer expenditure, potentially leading to a decline in tenant sales and footfall. Hence, it is important for the Manager to manage LREIT's operational performance to ensure the long term viability of the business.	The Property Manager continued to focus on enhancing shoppers experience and collaborating with tenants in a sustainable manner through ongoing surveys. In FY2023, the Manager brought in new tenants to the Properties to ensure its continued vibrancy and relevance with the evolving consumer trends. As a result of its proactive asset management strategy, operational performance at the Properties has improved in FY2023. For more details on LREIT's operations performance, please refer to pages 24 to 29 of the AR.

ENERGY MANAGEMENT

Risks and Opportunities	LREIT's Response
The implementation of nation-wide movement, government regulations and policies, such as the Singapore Green Plan 2030 to achieve Net Zero emissions by 2050 and increase carbon tax from 2024, signify the growing emphasis placed on sustainable practices and effective climate actions. Buildings with poor energy efficiency will compromise their performance with higher carbon emissions intensity, resulting in an increase in operating expenses.	LREIT has implemented multiple energy-efficiency initiatives, including having a low-emissivity glaze facade, intelligent lighting control systems, LED motion sensor lights, sleep mode for escalators and gearless lifts to lower electricity use and chilled water system optimisation for air-conditioners through adjusting chilled water temperature. In addition, LREIT has adopted passive behavioural changes where relevant. One such example is optimising the temperature of the air condition within the Properties without compromising the comfort of the shoppers and the productivity of the Properties. LREIT educates tenants on using energy-efficient equipment and switching off non-essential power after working hours. It has also completed a detailed design study for changing Barrisol lighting to LED and smart lighting for B2 and B3 of the carpark at Jem. In addition, under the Jurong Lake District ("**JLD**") Innovation Challenge, Jem will pilot a smart building management system that balances energy efficiency and building occupants' comfort in partnership with URA, Infocomm Media Development Authority ("**IMDA**") and Smart Nation and Digital Government Office ("**SNDGO**"). Created by Singapore start-up Zuno Carbon and Advanced Remanufacturing and Technology Centre, the system generates recommendations for optimal settings of the heating, ventilation and air-conditioning (HVAC) systems using real-time and historical data.

CLIMATE ACTION

Risks and Opportunities	LREIT's Response
Climate change poses significant challenges across various industries as adjustments must be made to their operations. Rising sea levels and extreme weather events could lead to property damage, disruption in revenue streams and increased insurance costs. For further information on climate-related risks identified and LREIT's mitigation actions, please refer to its TCFD section on pages 92 to 94.	The Group's target of Absolute Zero Carbon by FY2040 provides LREIT with guidance on its decarbonisation journey. Having achieved Net Zero Carbon in FY2023, LREIT continues to implement energy efficiency optimisation solutions and progress with Scope 3 reporting. The Manager has also adopted TCFD recommendations to strengthen its approach towards climate-related risk management. The Manager has undergone initial climate-related risk assessments and identified relevant Climate-Related Impacts ("**CRI**") and mitigation options. LREIT's long-term performance on climate action and ESG will also be disclosed annually via its RPI disclosures.

WASTE MANAGEMENT

Risks and Opportunities	LREIT's Response
As Singapore's only landfill is projected to run out of space by 2035, traditional landfilling is not a sustainable long-term solution. Landfills contribute to soil and water contamination, emit GHG and consume valuable land resources. Thus, waste management is essential for sustainable resource utilisation and pollution reduction.	The Property Manager continues to collaborate with the National Environment Agency ("**NEA**") in the annual "Say Yes to Waste Less" campaign. This campaign encourages shoppers to bring their bags and containers when they shop and dine in the Properties to reduce their use of disposables. Non-organic wastes are also collected from retail tenants twice daily. Shoppers are encouraged to dispose of waste in recycling bins that separately collect paper, cardboard, aluminium cans, plastic bottles and e-waste. Additionally, used kitchen oil from tenants is collected and processed into biodiesel through third-party vendors and refiners. The Property Manager has also conducted waste management event such as the Y.W.B.I.T 2.0 exhibition at Jem, 313@somerset, Parkway Parade and Paya Lebar Quarter. Please refer to pages 89 and 90 for more details on LREIT's waste management initiatives.

WATER MANAGEMENT

Risks and Opportunities	LREIT's Response
Approximately 88% of LREIT's portfolio (by valuation) is in Singapore, a water-stressed country. Inefficient water usage and the presence of pollutants could cause water pollution and pose significant risks to the nation's scarce water resources. Effective water management will help lower the operational costs of the Properties and conserve water.	The Property Manager actively monitors water consumption and continues to implement water-saving measures, including using sensors, retrofitting fixtures, WELS 3-tick fixtures and working with tenants on methods and strategies. Alternative water strategies are also implemented at the Properties to reduce waste and potable water consumption. These include harvesting rainwater for operations like irrigation of green walls and landscaping. NEWater is used in the cooling tower to conserve water resources. In addition, the Property Manager conducts public services reminders and tenant education to raise public awareness of water conservation. The Property Manager has completed a water audit at 313@somerset for its water efficiency management system in March 2023 in accordance with ISO 46001:2019 (SAC). Jem will be conducting the water audit in FY2024. During the JLD Innovation Challenge, LREIT partnered with URA, SNDGO and IMDA and awarded a contract to Teredo Analytics to explore the use of listening sensors and Remote Operated Vehicles to detect more quickly and accurately the location of water leaks throughout Jem's system.

Sustainability Report

HEALTH AND SAFETY

Risks and Opportunities	LREIT's Response
Failure to provide an environment which promotes health, safety and well-being impacts LREIT's ability to give back to the community. By adopting a thorough and careful design approach, the Manager and the Property Manager strive to create human-centric spaces that promote the health and well-being of LREIT's customers, employees and all other stakeholders. By effectively managing health and safety risks, the Manager and Property Manager can create a workplace culture that fosters employee well-being and reduces the likelihood of accidents and incidents.	As a testament to LREIT's commitment to health and safety, the Properties are bizSAFE partner certified and attained a Silver Workplace Safety and Health ("**WSH**") award in 2023. The Property Manager has an Occupational Safety and Health ("**OSH**") management system, which aligns with the Group's integrated Environment, Health & Safety ("**EHS**") framework. Improvements to the OSH management system are discussed at the quarterly joint management-worker health and safety committee meeting. To ensure the health and safety of all LREIT stakeholders, vendors and contractors must adhere to Safe Work Method Statement ("**SWMS**") policies and obtain a permit before commencing work. Additionally, vendors and contractors must meet the minimum standard of bizSAFE Level 3. The Property Manager is also trained in first aid and responding to fire emergencies in buildings to ensure the safety of tenants, patrons and staff of the Properties.

DIVERSITY AND INCLUSION

Risks and Opportunities	LREIT's Response
Cultivating an inclusive culture fosters employee well-being and reduces turnover rates. By embracing diversity and inclusivity, LREIT creates an environment where employees feel valued, respected and supported. This inclusive culture nurtures and encourages employees to thrive at work.	The Group sets diversity targets and has implemented inclusive policies and practices to ensure respect, equity and equal opportunity for all current and future employees. Annual reviews are conducted to address any gender-based pay gaps. Inclusive leadership behaviours and cultural competency are also embedded as part of overall capability building for leaders.

COMMUNITY DEVELOPMENT AND ENGAGEMENT

Risks and Opportunities	LREIT's Response
LREIT plays an important role in creating vibrant community spaces given its role as a provider of social venues. Giving back to the community strengthens LREIT's social license to operate. Having the trust of communities enables the Manager to form strong partnerships with them and give back to society.	In alignment with the Group, creating vibrant and resilient communities and cities is one of LREIT's sustainability imperatives. In FY2023, the Manager was involved with multiple community-oriented initiatives that reached a broad group of beneficiaries. **Initiatives for community inclusivity** 1. "Cook, Bake, Makan" session with Dignity Kitchen 2. Promote the rights and well-being of persons with disabilities with Disabled People's Association ("**DPA**") on International Day of Persons with Disabilities 3. Corporate social responsibility event with Asian Women's Welfare Association Special Student Care Centre ("**AWWA SSCC**") **Initiatives for mental well-being** 4. National Neuroscience Institution's ("**NNI**") One Heart, One Mind CHIONG AH! Charity Race 2023 5. Brain Bank awareness programme at Jem **Initiatives to support disadvantaged communities** 6. Support Gift-A-Family ("**GAF**") Initiative Programme with the National Volunteer & Philanthropy Centre 7. Lendlease Plus members donate points to beneficiaries under Community Chest

BUSINESS ETHICS AND GOVERNANCE

Risks and Opportunities	LREIT's Response
Corruption, money laundering, bribery and other types of non-compliance risks can be highly detrimental to a business, resulting in negative reputational impacts and hefty fines. Being a listed entity on the SGX, mitigating non-compliance risks and upholding the highest business ethics and governance standards enables LREIT to function and grow as a trusted business partner for its stakeholders.	The Manager takes a proactive stance to observe all laws and regulations on an ongoing basis, including the requirements of the SGX listing manual, the Code on Collective Investment Schemes issued by MAS and the provisions in the trust deed constituting LREIT dated 28 January 2019 (as amended). To supplement these regulations, the Manager also has a robust suite of policies to ensure that all work processes and business dealings are carried out with the utmost integrity. Training on ethics and governance is conducted to ensure all employees are kept abreast of developments on applicable laws and regulations. In FY2023, LREIT had zero incidents of non-compliance with relevant laws and regulations including environmental, that resulted in significant fines or non-monetary sanctions. Employees and stakeholders of LREIT can raise concerns about breaches of conduct through its whistleblower policy channel.

DATA PRIVACY AND CYBERSECURITY

Risks and Opportunities	LREIT's Response
As businesses become increasingly digitalised and employees shift to virtual or hybrid working arrangements, the threat of data or cybersecurity breaches is increasingly more salient. Compromised technology systems can cause significant risks to the business, including disrupted operations and hefty fines for non-compliance with relevant regulations.	The Manager utilises the Group's Information Security Policy as a guide on customer privacy. Personal data collected will only be kept for as long as necessary for the purpose it was collected and will either be deleted completely or anonymised. Within the Properties, the Property Manager closely follows the standard operating procedure to investigate complaints regarding personal data issues. In addition, it receives training on the Singapore Personal Data Protection Act at least once every three years. In FY2023, LREIT had zero substantiated complaints concerning breaches of customer privacy and zero incidents of identified leaks, thefts or losses of customer data.

Sustainability Report

Jem is directly connected to the Jurong East MRT interchange station and located at the junction of Jurong Gateway

Discovery Walk at 313@somerset for shoppers to chance upon restaurants of their liking

Material Factor 1: Economic Performance

The Manager recognises that LREIT's business operations may, directly or indirectly, impact various stakeholders. LREIT has been contributing positively to the communities in which it operates. Even with the change in the retail landscape post-COVID-19 and its new challenges, the Manager had initiated innovative modes of engaging customers and tenants to ensure continued strong economic performance.

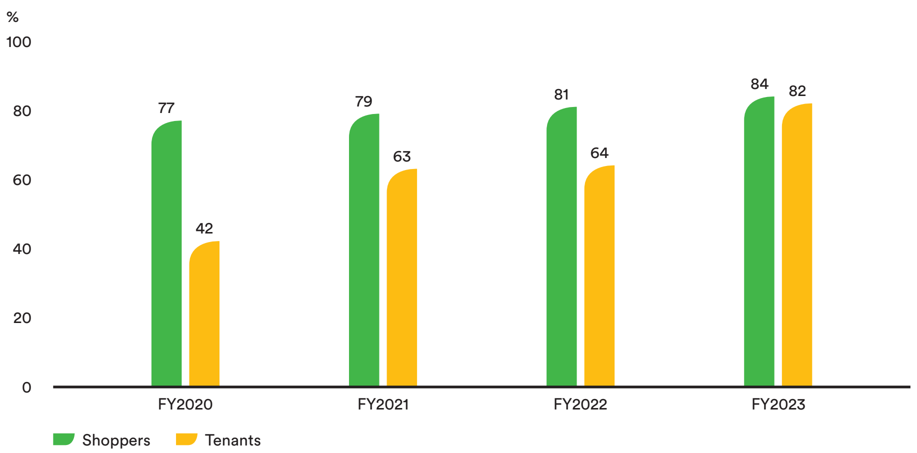
In FY2023, the Manager focused its efforts on enhancing and delivering value to tenants and shoppers in a sustainable manner, the Manager's efforts were rewarded with growing satisfaction over the years and increased tenant sales and shopper traffic.

For more information, please refer to the operations performance at pages 24 to 29 of the AR.

Part of LREIT's strategy to maintain positive economic performance includes open communication and collaboration with tenants and stakeholders. As such, shopper and tenant satisfaction are key focus for LREIT, where the Manager keeps track of the results through annual surveys. Through the Property Manager, LREIT also continually engages with its tenants and customers through initiatives such as indoor environment survey to obtain feedback from the tenants on the quality of environmental conditions of their units, to understand stakeholder expectations and increase satisfaction.

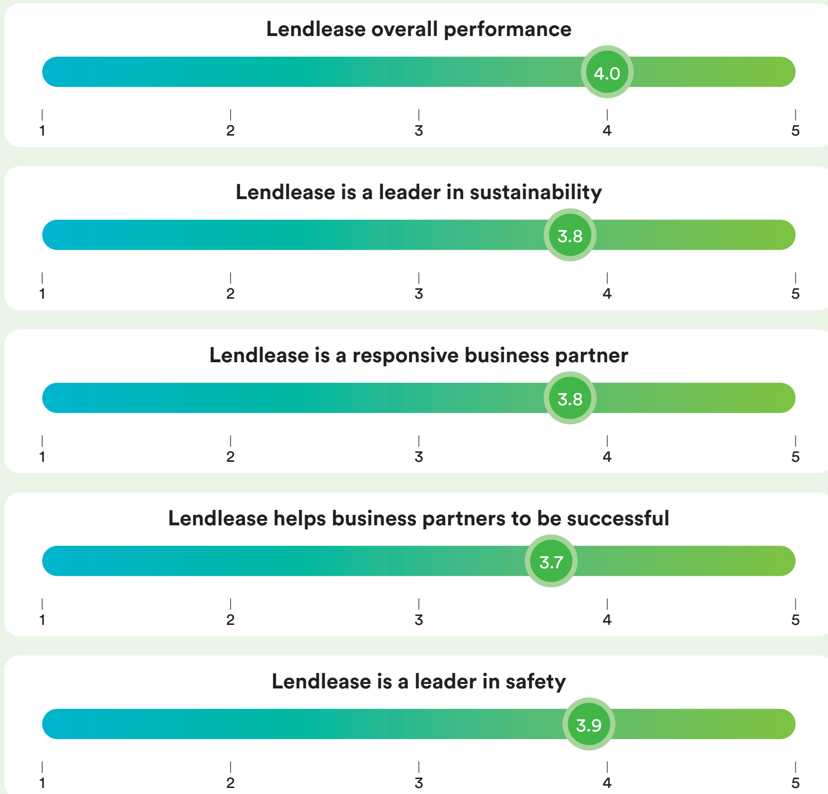
In FY2023, the Manager brought in new tenants to enhance customers' shopping experience. They include Puma's inaugural flagship store in the Southeast Asia at 313@somerset, the largest Kopitiam food court in Singapore at Jem, and the famous Chinese Sauerkraut Fish "Suan Cai Yu" restaurant chain Tai Er at the Properties. LREIT will continue with proactive asset management to maintain the Properties' vibrancy and attractiveness.

Overall Satisfaction



Note: Correction of FY2022 tenant satisfaction from 81% to 64% and shopper satisfaction from 64% to 81%.

Extracted results from Tenant Satisfaction Survey FY2023



Note: Tenants were asked to indicate on a scale of 1 to 5, where 1 is strongly disagree and 5 is strongly agree on how much they agree with the statements in relation to their interaction with the Property Manager.

SUSTAINABILITY-LINKED FINANCING

The Manager's financing solution of using a SLL to acquire Jem won the Best Sustainability-Linked Loan at The Asset Triple A Sustainable Capital Markets Awards 2022. As at 30 June 2023, sustainability-linked financing accounted for approximately 70% of LREIT's total committed debt facilities, one of the highest among all S-REITs.

THE ASSET TRIPLE A AWARDS

Sustainability Report

DRIVING SUSTAINABLE EXCELLENCE

Climate change is an existential threat to humanity and has resulted in heightened pressure on the real estate industry to mitigate and adapt to the impacts of climate change, resource depletion and biodiversity loss. To ensure long-term viability, the Manager incorporates environmental stewardship and sustainable strategies into LREIT's operations and decision-making processes. LREIT's material environmental factors are energy management, climate action, waste and water management.

1 RECOGNITION

Over the year, the Manager collaborated closely with the Property Manager to minimise the Properties' environmental footprint and identify opportunities to effectively manage resource consumption. The Properties continue to maintain their BCA Green Mark Award (Platinum) award status, demonstrating LREIT's dedication to resource efficiency and environmental sustainability. It is a testament to LREIT's strong performance in energy efficiency, water conservation, indoor environmental quality and the adoption of sustainable design.

2 ASSESSMENT

The operational performance of the Properties is regularly assessed using an in-house environmental data management platform "FOOTPRINT". This platform enables the monitoring of data and provides recommendations for enhancing operational performance. In addition, the SWC diligently tracks and reports the Properties' performance in accordance with the Group's integrated EHS framework and the International Organization for Standardization ("**ISO**") 14001:2015 standard on environmental management.

3 COLLABORATION

The Manager actively collaborates with LREIT's stakeholders, including regulators and industry associations, suppliers, consultants and contractors, to uphold sustainable practices. In alignment with the Group's values, business partners are mandated to adhere to the Supplier Code of Conduct which comprises LREIT's expectations regarding environmental responsibility when providing goods and services to the Properties. By minimising environmental harm and promoting efficient resource utilisation, all appointed business partners will contribute to the execution of their assigned work scope in an environmentally conscious manner.

4 EVALUATION

The data captured by "FOOTPRINT" undergoes external audits and assurance conducted by a third-party accredited certification body in accordance with ASAE 3000 standards. This process ensures the credibility and reliability of data, instilling confidence in its accuracy and adherence to recognised auditing practices.

The Sky Terrace at 313@somerset has rotating green columns which are irrigated using harvested rainwater

The Manager ensures robust management of all environmental material factors through the implementation of strong policies and procedures:

Policies and Procedures	Summary
Lendlease Group Sustainability Policy	The policy informs employees of the Group's commitment to sustainability as a core operating principle in its business operations via sustainability focus areas.
Environment, Health and Safety Policy	The policy guides employees of the Group to provide and maintain safe, healthy and environmentally responsible workplaces and communities for all stakeholders.
Mission Zero, Net Zero Carbon by FY2025 Absolute Zero Carbon by FY2040	The Group's targets to reduce its carbon footprint heavily guides energy management for operations, such as reducing energy use and sourcing for renewable energy to reduce overall emissions.
Lendlease Sustainability Framework	The Group's sustainability framework provides focus and structure for the business on making sustainability a core operating principle with energy efficiency being a key topic in climate action.
LREIT Sustainability Strategy	The Manager assesses the strategic importance of sustainability in LREIT's operations.
Lendlease Basis of Preparations	The Manager adopts the Group's framework and methodology in preparing its energy, emissions, water and waste data.
Sustainability Asia Minimum Standards	Minimum environmental and social sustainability standard for Asia business operations, including integrated development projects, construction for third-parties, asset management for third-parties, Lendlease head offices.
LREIT Responsible Property Investment Disclosure	In line with the Group's signatory commitment under the UNPRI, LREIT commits to annually report the progress of its sustainability actions via RPI disclosures. For more specific information on the sustainability actions, please refer to the RPI policy on LREIT's website.

Sustainability Report

Material Factor 2:
Energy Management

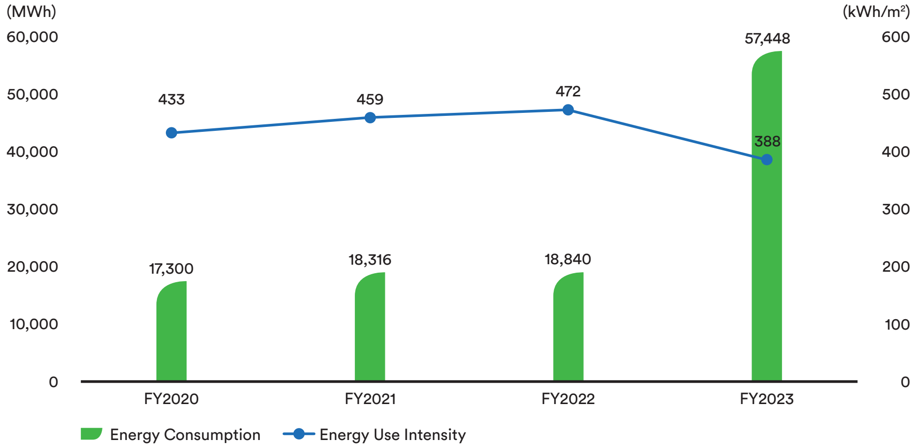
The real estate industry is a significant user of operational energy use in buildings, representing about 30% of global energy consumption. In Singapore, buildings account for over 20%[4] of national carbon emissions and consumes more than a third of the nation's electricity. It is crucial for the real estate sector to adopt effective energy management to reduce its GHG emissions.

The Manager aims to implement measures to conserve energy through energy efficiency initiatives, including low-emissivity glazed facades, intelligent lighting control systems, LED motion sensor lights, sleep mode for escalators and gearless lifts and chiller system optimisation. LREIT also encourages tenant behavioural changes through engagement and education on energy consumption and the use of energy-efficient equipment.

In FY2023, the energy consumption increased three times to 57,448MWh mainly due to the inclusion of Jem this year. 313@somerset consumed 19,126MWh of energy, a slight increase of 1.5% compared to the previous year due to improving footfall at the mall with the nation's progressive recovery from COVID-19. The energy use intensity for the Properties was 388kWh per square meter.

With natural daylight pouring into Jem's offices, the need for artificial lighting is reduced

Energy Consumption[5] and Energy Use Intensity[6]



100

100% green lease implemented for tenants at the Properties

GREEN INITIATIVES AT THE PROPERTIES

STEPPING UP

The Property Manager installed proximity sensors to decelerate the escalators when not in use and to resume at normal speed when activated.

This is more energy efficient than stopping empty escalators altogether, as it takes more energy to restart them.

PROMOTING INNOVATION

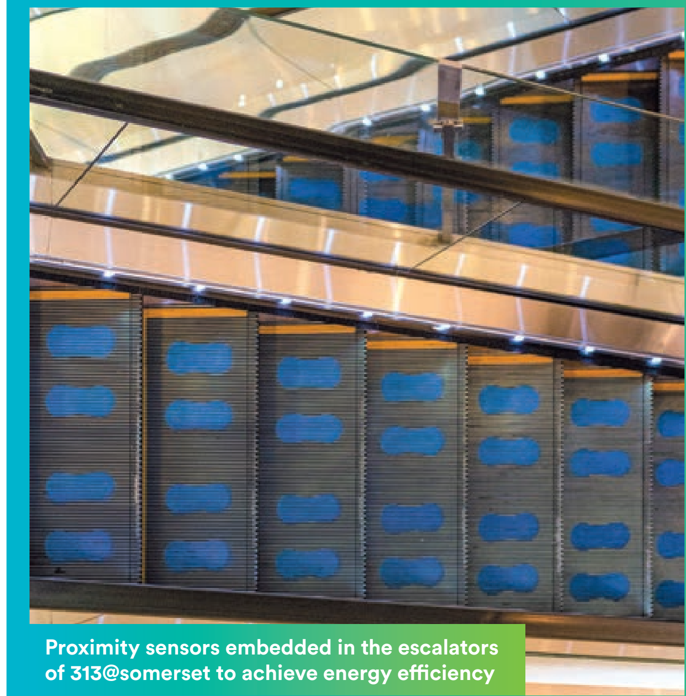
Jem was part of URA's JLD Innovation Challenge. The Manager sponsored two problem statements on energy efficiency and water system optimisation.

Winners of the challenge include Zuno Carbon and Teredo Analytics. Lendlease intends to pilot both solutions in Jem. Please refer to https://www.smartnation.gov.sg/media-hub/press-releases/11072023/ for more information on the winning innovations.

STAYING COOL

Jem has invested in one of Singapore's first high-efficiency, multi-tier chilled water plant system. The chilled water improves air conditioning efficiency within the mall.

As a smart building, Jem employs a 2-stage fresh air treatment system to create a consistent, healthy indoor environment. The air-conditioning and mechanical ventilation system regulates temperature and humidity independently, preventing over-cooling or overheating, thus resulting in significant energy savings.



Proximity sensors embedded in the escalators of 313@somerset to achieve energy efficiency

[4] Gena Soh (2023). Uncertainty over sustainable buildings and costs stand in the way of Singapore's green future: Report | The Straits Times. [online] www.straitstimes.com. Available at: https://www.straitstimes.com/singapore/uncertainty-over-sustainable-buildings-and-costs-stand-in-the-way-of-singapore-s-green-future-report.

[5] Using the operational control approach, the calculation includes landlord provisions and tenants' energy consumption.

[6] Intensity measurement is based on Gross Floor Area ("**GFA**"). Refer to URA Singapore for definition. https://www.ura.gov.sg/Corporate/Guidelines/Development-Control/gross-floor-area/GFA/Advisory-Notes

Sustainability Report

Material Factor 3:
Water Management

Effective water management at the Properties is of high priority to safeguard Singapore's water supply. The Property Manager regularly monitors and reviews water usage and assesses infrastructure, including rainwater catchment systems, to enhance water efficiency. In addition, diligent maintenance is conducted to uphold water quality standards and minimise leakages.

The Property Manager has completed a water audit at 313@somerset for its water efficiency management system in March 2023 in accordance with ISO 46001:2019 (SAC). Jem will be conducting the water audit next year. Beyond audits, the Property Manager monitors water consumption at the Properties every quarter to track usage and identify opportunities to optimise efficiency.

In FY2023, the Properties used 251,407m^3 of water, of which 11% was potable water, 85% was NEWater sourced from the PUB and 4% was rainwater harvested onsite. By using NEWater and rainwater for non-potable usage such as cooling tower, the Properties reduce the need to withdraw potable water. The water use intensity of the Properties amounted to 1.7m^3/m^2.

313@somerset recorded an approximate 5% YoY increase to 83,053m^3 in water use compared to the previous year, attributed to the increase of footfall at the mall. The Property Manager remains dedicated to reducing total water consumption and actively exploring water reuse and recycling opportunities. The primary goal is to achieve water efficiency while simultaneously maximising cost savings and minimising environmental impact.

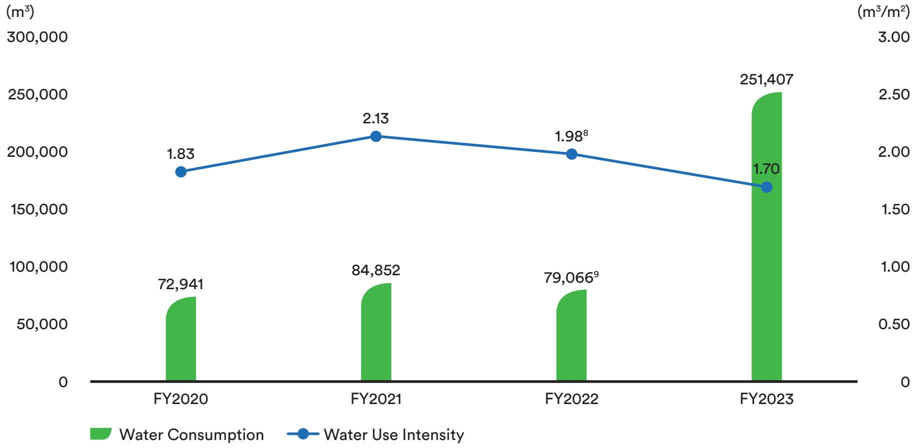
The discharge of trade effluent into the public sewerage system and open drains, canals and rivers are strictly regulated by the PUB and in compliance with Sewerage and Drainage Act 1999 and the Sewerage and Drainage (Trade Effluent) Regulations. In the incidence where the readings are exceeded, prompt corrective actions are taken to rectify the issue. The Property Manager will continue to work with its stakeholders to increase vigilance in the management of such liquid discharge.

SINGAPORE WORLD WATER DAY 2023

The Manager participated in the Singapore World Water Day event at Marina Barrage and showcased water-saving initiatives implemented at Jem. These initiatives included a condensate recovery system, a rainwater harvesting system and an eco-digester, all working together to conserve 3,431m^3 of water per month. This conservation effort at Jem is equivalent to preserving approximately 24,000 bathtubs worth monthly.

The Property Manager showcasing water-saving initiatives implemented at Jem

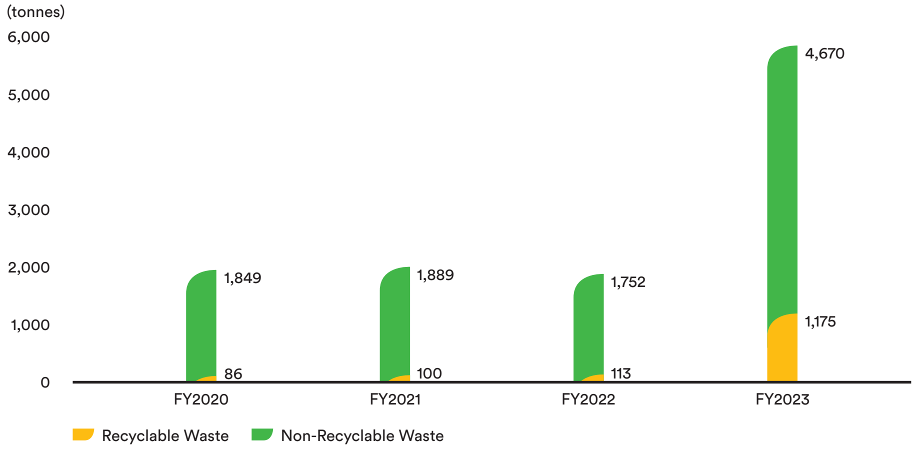
Water Consumption and Water Use Intensity[7]



Material Factor 4:
Waste Management

According to the latest waste and recycling statistics released by the NEA, the amount of waste generated in Singapore was 6.4%[10] higher than that of the prior year, with a total of approximately 7.39 million tonnes[10] of solid waste generated. This increase in waste generation reflects the resurgence of economic activities. The Manager recognises the urgency to reduce waste, promote recycling rates across the Properties, cultivate a culture of environmental responsibility and optimise resource utilisation through innovative initiatives.

Total Weight of Recyclable and Non-Recyclable Waste



In FY2023, the total amount of waste generated from the Properties was 5,845 tonnes, of which 20% was recycled. All general and recycled waste was non-hazardous and disposed of by licensed third-party waste disposal vendors.

Compared to the prior year, 313@somerset has recorded an increase of 162 tonnes or approximately 9% in waste generated as a result of increased footfall at the mall.

In Q4 FY2023, the Property Manager successfully installed a 1.5-tonne food waste digestor at 313@somerset. This resulted in an increase of waste recycling at 313@somerset to 8% from 6% in FY2022.

"TRASHEMON" BIN

The Property Manager joined forces with the SG Public Hygiene Council to promote awareness of SG Clean Day among shoppers. "Trashemon" Bin, an interactive bin designed to engage and educate shoppers, was introduced. It corporated gamification elements, featured visuals and messaging related to cleanliness and hygiene. Shoppers were encouraged to properly dispose of their waste and interact with the bin by scanning QR codes or participating in mini-games. Through this interactive experience, the Property Manager aimed to raise awareness of the importance of maintaining cleanliness and hygiene in public spaces.

E-waste bin and "Thrashemon" Bin at 313@somerset to encourage recycling

[7] Water Use Intensity for FY2020, FY2021 and FY2022 were based on the GFA for 313@somerset, while FY2023 was based on the combined GFA for both 313@somerset and Jem.
[8] Correction of water use intensity from 1.99m^3/m^2 to 1.98m^3/m^2 due to detection of wrong input of water billing within system.
[9] Correction of water consumption from 79,419m^3 to 79,066m^3 due to detection of wrong input of water billing within system.

[10] NEA (2023). Waste Generation and Recycling Rates Increased In 2022 As Economic Activity Picked Up. [online] www.nea.gov.sg. Available at: https://www.nea.gov.sg/media/news/news/index#:~:text=Waste%20Generation%20And%20Recycling%20Rates%20Increased%20In%202022%20As%20Economic%20Activity%20Picked%20Up.

Sustainability Report

FOOD DIGESTORS

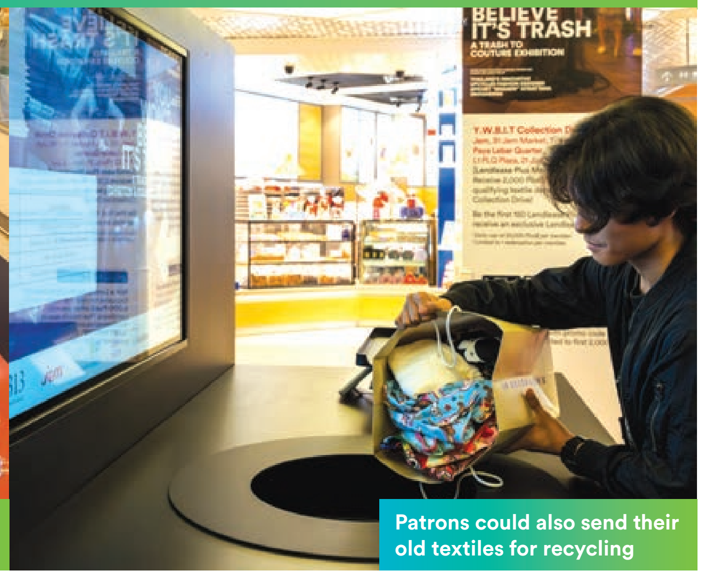
As part of LREIT's commitment to minimise waste to landfill, food waste digestors have been installed at the Properties. The food waste digestors can process up to 5 tonnes of food waste per day, equivalent to the food waste disposed of by more than 6,000[11] households in Singapore. The digestors convert food waste into wastewater instead of being incinerated. Functioning as a closed loop wastewater recycling system, the wastewater will be redirected back into the system for treatment of food waste.

Food waste from F&B outlets are recycled to prolong Singapore's landfill lifespan

Y.W.B.I.T 2.0: TRASH TO COUTURE

Y.W.B.I.T 2.0: Trash to Couture was showcased at the Properties where couture pieces made from recycled materials were featured. This year's theme revolved around transforming trash into fashion. Contestants were tasked to submit design ideas for couture pieces crafted from at least 80% recycled materials, such as plastics and packaging waste, old outfits and carton boxes. As part of the event, the public was encouraged to deposit their textiles at these displays. Over 3 tonnes of textiles were collected at the Properties for recycling.

Patrons at 313@somerset enjoying Y.W.B.I.T 2.0: Trash to Couture fashion show



Patrons could also send their old textiles for recycling

[11] Based on: https://www.towardszerowaste.gov.sg/foodwaste/ stating that food waste makes up about half of the average 1.5kg of waste disposed of by each household in Singapore daily.

Material Factor 5:
Climate Action

Globally, climate change-related risks are intensifying, with extreme weather events increasing in impact and frequency. In 2022, Singapore saw a total of 23 days exceeding 35.2°C. The Manager remains committed to implementing its carbon reduction strategies, which includes energy efficiency initiatives and reducing energy consumption within its Singapore assets.

In line with the Group's industry-leading Mission Zero targets, LREIT has achieved Net Zero Carbon in FY2023[12] ahead of the Group's target of FY2025 and is working towards Absolute Zero Carbon by FY2040. LREIT has made tangible efforts to reduce its impact on the environment, including adopting energy efficiency initiatives, maximising onsite renewable energy generation and leveraging elements of green building design. The SWC monitors energy usage and analyses potential areas for emissions reduction at the Properties on an ongoing basis. To keep LREIT's stakeholders abreast of its progress on Mission Zero, the Manager discloses ESG information in LREIT's quarterly business updates.

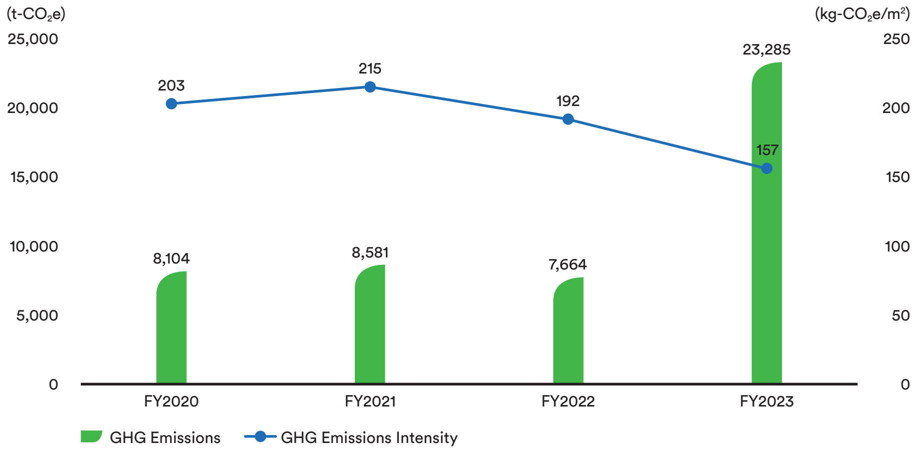
In FY2023, the Properties accounted for total Scope 2 GHG emissions of 9,705 tonnes of carbon dioxide equivalent (**"t-CO_2e"**) and recorded other indirect Scope 3 GHG emissions of 13,581 t-CO_2e. Scope 1 GHG emissions are negligible.

Based on location-based calculations, in FY2023, 7,738 t-CO_2e was emitted from 313@somerset and 15,547 t-CO_2e was from Jem. 313@somerset saw a slight increase of 1% GHG emissions owing to the increase in energy usage from rising footfall at the mall.

The GHG emissions intensity of the Properties was reduced to 157 kg-CO_2e/m².

Technician at 313@somerset inspecting the solar panels to ensure that the panels are functional

GHG Emissions and GHG Emissions Intensity[13]



Note: For FY2023, the used emissions factor was updated to 0.4057 kg-CO_2e/kWh based on Energy Market Authority Electricity Grid Emission Factor (from 0.408 kg-CO_2e/kWh used in FY2022). Calculation includes landlord provisions (Scope 2) and tenants' GHG emissions (Scope 3).

Having achieved Net Zero Carbon in FY2023, LREIT has started progressing towards the Group's Absolute Zero Carbon target. The Group had recently launched their Scope 3 Protocol, which helps establish its reporting boundaries. The protocol was established through examinations of related standards and guidelines, and a comprehensive scan of corporate disclosures globally to determine relevant upstream and downstream categories. More information on this protocol can be found on page 95. Together with the Group's regional sustainability team, the Manager will identify the relevant stakeholders in these categories and expand the collection of Scope 3 data.

[12] For further details on how LREIT achieved Net Zero Carbon, please see the section on "LREIT's Mission Zero Journey" on page 95.
[13] The GHG Protocol has established that Scope 2 GHG emissions include indirect emissions from purchased electricity consumed by the operational activities of the Properties.

Sustainability Report

Responding to Climate Risks and Opportunities

The Group takes a phased approach to integrate TCFD recommendations over time, and this is LREIT's second annual disclosure. It acknowledges that responding appropriately to climate-related risks and opportunities goes beyond compliance with regulatory requirements – it is a key factor in long-term value creation for LREIT's stakeholders. For each CRI, reference was made to revenue impact relative to baseline strategy.

The section below outlines LREIT's approach to manage climate-related risks and opportunities based on the four key pillars recommended by the TCFD.

Key Components of TCFD Recommendations	TCFD-aligned Actions	Progress	Notes
Governance Disclose the organisation's governance around climate-related risks and opportunities	• Board's oversight of climate-related risks and opportunities		• The Board oversees sustainability matters and performance including the effective management of climate-related risks in LREIT. • The Board is kept informed on climate-related issues or regulations by the Manager and/or appointed consultant at quarterly board meetings and monthly updates through email on industry news. • The Board considers climate-related issues when making key strategic decisions during the review of LREIT's business strategy, policies and sustainability performance. • Through quarterly updates, the Board monitors and oversees progress against LREIT's targets for addressing climate-related issues. • The Board also ensures that ambitious targets are set for LREIT's performance on climate-related issues.
	• Management's role in assessing and managing climate-related risks and opportunities		• LREIT's SWC comprises the Manager, the Property Manager, the Group's regional sustainability and people & culture teams. • The SWC is responsible for developing sustainability objectives and driving LREIT's overall sustainability performance, with climate-related issues falling under its remit. • The SWC regularly reports progress on climate-related issues to the CEO. • The SWC regularly engages stakeholders to explore innovative ways of minimising environmental impact at the Properties. • The Manager undertakes a comprehensive ESG due diligence process for all acquisitions, in line with the Group's internal Sustainability Asia Minimum Standards, which considers aspects across the ESG spectrum. Further information can be found in LREIT's RPI Disclosure on its corporate website. • The Manager remains informed about climate-related issues through the SGX and monitors LREIT's climate performance through the Group's regional sustainability team. • For further detail on LREIT's sustainability governance, refer to page 71 and the Sustainability Strategy on LREIT's corporate website.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's operations, strategy and financial planning where such information is material	• Identify climate-related risks and opportunities for each scenario		• The Manager has applied different climate scenarios to identify climate-related risks and opportunities for LREIT. • The Manager constantly monitors and assesses its exposure to climate-related risks and opportunities. Through the analysis, the Manager has identified risks over various time horizons. • Key risks and opportunities have been identified by assessing the impact of transition and physical risks on LREIT's business. • To respond to these CRI and strengthen LREIT's resilience, the Manager has also identified mitigating actions to either absorb, adapt or transform to the CRI. • For more information on the key climate-related risks identified as relevant to LREIT, refer to the Risk Management section on pages 142 to 144. • Recognising the significance of evaluating the potential quantitative outcomes arising from various plausible future scenarios amid uncertain conditions for our portfolio, the Manager intends to initiate an analysis in FY2024.
	• Qualitative impact of climate-related risks and opportunities on the entity		
	• Assess the effect of climate-related risks and opportunities on the decisions and plans of the entity		
	• Resilience to climate-related risks and opportunities		

Completed Ongoing

Key Components of TCFD Recommendations	TCFD-aligned Actions	Progress	Notes
Risk Management Disclose how the organisation identifies, assesses and manages climate-related risks	• Organisation's processes for identifying, assessing and managing climate-related risks		• In FY2020, the Group conducted a climate scenario analysis to identify climate-related risks that may affect its portfolio. • The selected scenarios relevant to LREIT drew from the Representative Concentration Pathways published by the Intergovernmental Panel on Climate Change. They cover a range of global temperature warming outcomes, from below 2°C to 4°C. • Since April 2022, the Manager has updated its Environmental Risk Management Framework in the ESG Policy and Strategy to integrate the management of climate-related risks into its overall risk management framework.
	• Integration of processes for identifying, assessing and managing climate-related risks into the organisation's overall risk management		
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	• Establish metrics for managing climate-related risks and opportunities		• Key metrics, such as GHG emissions, electricity, fuel, water consumption and intensity, have been disclosed in LREIT's SR since FY2020. • Data disclosed in FY2023 includes Jem as LREIT acquired the asset in April 2022. • The Manager also discloses Scope 3 emissions for relevant categories, namely tenant GHG emissions. • The Manager will review, on a regular basis, the metrics relating to risk adaptation and mitigation measures, such as investment in adaptation measures to monitor assets with the highest climate-related risks so that it can be more targeted in its efforts.
	• Continued disclosure of Scope 1 and 2 emissions		
	• Disclose estimated Scope 3 emissions		
	• Establish targets for managing climate-related risks and opportunities		

Completed Ongoing

As part of LREIT's approach to incorporating the TCFD recommendations, the Manager conducts climate scenario analysis to identify relevant climate-related risks and opportunities, using climate scenarios developed by the Group. The main scenarios used to identify CRIs are the Polarisation, Paris Alignment and Transformation scenarios[14].

With the climate scenario analysis, the Manager identified CRI relevant to LREIT's assets and business. Climate-related risks typically fall into two categories: physical risk and transition risk. 'Physical risk' refers to the physical impacts of climate change on the environment, which includes acute impacts (extreme weather conditions, such as extreme heat and flood) or chronic impacts (long-term changes in the climate, such as a rise in sea level and prolonged drought). 'Transition risk' refers to the impacts from shifting towards a low-carbon economy, which may include market, policy and legal, technology and reputational-related impacts.

Risk Type	Risk	Potential Impacts	Mitigation or Adaptation Actions
PHYSICAL RISK			
Increased severity of extreme weather events	Heatwave	• An increase in the number of heatwave days annually could significantly impact staff engaged in outdoor work. Heat-related illnesses, such as heat exhaustion and dehydration, may be more prevalent. This could lead to increased absenteeism, medical costs and potential legal liabilities. • Incur additional costs to mitigate the effects of heatwaves such as expenses to replace equipment. • Increase in cooling days will significantly increase energy use, resulting in higher operational costs.	• The Properties incorporate energy-efficient features such as low-emissive double-glazed glass to minimise heat transmission. The rooftop carpark also serves as a natural heat shield. Additionally, a high-efficiency chilled water plant system reduces air conditioning energy use, effectively mitigating heat risks while maintaining optimal energy use.

[14] Scenarios conducted were based on peer-reviewed scientific and academic research and have been tested with a broad range of stakeholders. For further detail on the scenarios used for climate scenario analysis, please refer to LREIT Annual Report FY2022, page 84. More information on the scenarios and analysis can be found in Lendlease's ESG databook.

Sustainability Report

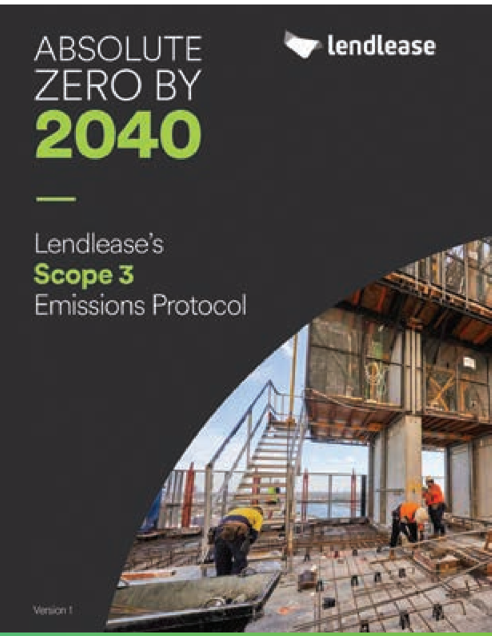
Risk Type	Risk	Potential Impacts	Mitigation or Adaptation Actions
		PHYSICAL RISK	
Increased severity of extreme weather events	Drought	• Significant increase in the likelihood of drought could impact cooling systems that rely on water as a crucial component. As a result, operational expenses could increase due to higher utilities costs. • Severe drought could lead to challenges to the operations of tenants like F&B if there is a lack of adequate response.	• The Manager has enacted measures that give precedence to NEWater utilisation, aiming to decrease dependence on potable water resources. Additionally, the Properties' cooling towers use non-potable water, further diminishing the reliance on potable water sources.
	Urban flooding	• Significant increase in rainfall intensity could cause localised flooding on site. • Floods on site could impact asset valuation and lead to higher maintenance costs as it damages tenant spaces and facilities. • Severe flood could impair tenants' operations and functioning of facilities, leading to loss of revenue. • Repeated inadequate measures against flood could lead to increase in insurance costs. • Potential costs on pre-emptive mitigation measures such as flood barriers and flood surveys.	• Water-absorbing natural elements like green walls and landscapes are employed to manage large amounts of rainfall. • A rainwater catchment system is in place to store water for non-potable purposes, acting as a mitigation measure against urban flooding.
		TRANSITION RISK	
Market sentiment	Demand for zero-carbon infrastructure and negative emissions solutions	• As the market move towards Net Zero Carbon and preferences shift in favour of lower-emissions developments, the real estate industry may face increased pressure from investors and consumers to develop innovative solutions to green their properties.	• Achievement of Net Zero Carbon in FY2023, ahead of the original timeline of FY2025, demonstrates LREIT's commitment to decarbonisation. • LREIT has embarked on Absolute Zero Carbon and aims to achieve it by FY2040.
Reputation	Expectation of investment in research and development for decarbonisation	• Companies may face increased expectations from all stakeholders to invest heavily in decarbonisation solutions.	• Collaborating with ecosystem stakeholders, the Manager has actively tested innovative green solutions, exemplified by the JLD Innovation Challenge.

Opportunity Type	Opportunity	Potential Benefits	Actions
		OPPORTUNITIES	
Products and services	Shift in consumer preferences	• Attract new tenants who are in search of facilities that can support and help them achieve their sustainability objectives.	• Committed to an Absolute Zero Carbon portfolio by FY2040.
	Access to green financing	• Access to sustainability-linked financing to generate interest savings for stakeholders.	• Approximately 70% of LREIT's committed debt facilities are sustainability-linked financing, which will bring interest savings when the sustainability performance targets are met.
Resilience	Increase the life expectancy of assets under management	• Buildings designed and managed with climate resilience in mind are less likely to suffer severe damage, preserving their functionality and value over the long term.	• Explore opportunities to improve the sustainability performance of the Properties.

LREIT's Mission Zero Journey:

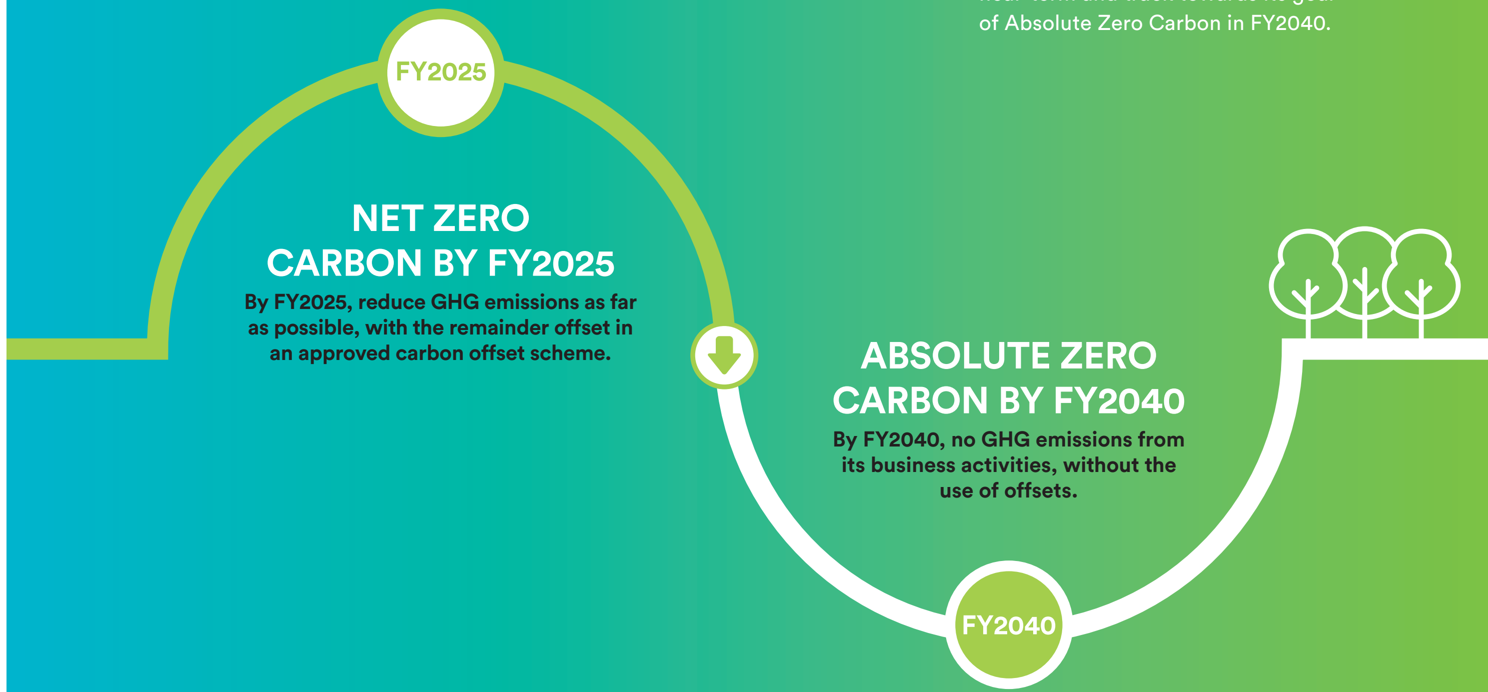
The Group has set ambitious emissions reduction targets, validated by the Science Based Targets initiative (SBTi) as being in line with a 1.5°C trajectory. Commitment to Mission Zero - Net Zero Carbon by FY2025 and Absolute Zero Carbon by FY2040 - allows these ambitious emissions reductions to be achieved. In alignment with the Group, LREIT is committed to Mission Zero, with portfolio-level targets to achieve these milestones. The Group has also launched Regional Mission Zero Roadmaps that embed decarbonisation into its business strategy for each operating segment. The roadmaps are tailored to account for regional variances in the availability of alternative fuel options, renewable energy markets, technology, supply chain maturity and government policy. They provide the detail to drive specific and timely action towards achieving the Group's targets.

Find out about Lendlease's Scope 3 Emissions Protocol here



LENDLEASE GROUP'S MISSION ZERO TARGETS

As of FY2023, LREIT achieved Net Zero Carbon ahead of the Group's FY2025 goal. This was achieved through numerous initiatives, as detailed in the table on the next page. The portfolio level reduction targets allow LREIT to continually drive reduction efforts by its assets in the near-term and track towards its goal of Absolute Zero Carbon in FY2040.



Sustainability Report

LREIT undertook numerous initiatives to reduce emissions, which include the following (key actions are in order of priority):

Key Action	LREIT's Approach	Case Study
1 Avoid energy use through passive design and behaviour change	The Property Manager has explored passive design strategies and other alternative approaches to reduce energy use. Passive design refers to maximising natural light, heat and air to create a comfortable interior environment. LREIT engages its stakeholders to encourage behaviours that result in the reduction of energy use.	Passive design elements have enabled the Properties to reduce energy. An example is the use of atrium daylighting at 313@somerset. Atrium daylighting maximises the use of daylight to reduce the amount of artificial lighting required in the daytime. Energy recovery systems at Jem also help to reduce energy usage. The lift energy recovery systems utilised the energy of the lift going down to power the ride going up. Tenant outreach is also conducted to educate tenants on the importance of switching off non-essential power after working hours and using energy-efficient equipment.
2 Reduce energy use through energy efficiency initiatives	The Property Manager partakes in regular energy and carbon audits to identify systems due for upgrades to increase energy efficiency. In addition to existing technologies, LREIT also supports using innovative energy efficiency solutions.	In year 2022, to decrease energy consumption from chillers, the temperatures of inlet and outlet chilled water were adjusted for the Properties. The energy usage at the Properties have lowered due to the adjustment in the operation hours of the escalators, common corridor lightings and chillers – without affecting the overall asset operating hours. Additional energy efficiency improvements have been implemented at the Properties to reduce energy further. These include chiller optimisation initiatives and replacement of fluorescent lights with LED.
3 Generate onsite renewables	Where feasible, the Property Manager has installed solar panels on the Properties.	The 466 solar panels with a total power rating of 79.24 kWp on the roof of 313@somerset are used to harness solar energy and convert it into electricity for the mall.
4 Explore offsite renewable options[15]	After all key actions of 1 to 3 are exhausted, LREIT will explore offsite renewable options with key criteria such as generation type, market boundaries, vintage, attribute ownership, additionality regulatory surplus, quality and transparency.	The Manager has adopted the guideline that the Group has established on using Renewable Energy Certificates ("**RECs**") to ensure that purchases meet robust standards.

In FY2023, the Manager has continued its journey towards Absolute Zero Carbon, integrating emissions reduction into strategic decision-making processes. In line with the Group's key steps to Absolute Zero Carbon, LREIT is focusing on the following key levers for achieving the FY2040 target:

1. Adopt the Group's decarbonisation investment strategy
2. Collaborate with supply chain partners and tenants to set pathways to achieve Absolute Zero Carbon by FY2040
3. Further reduce energy use through passive design, behaviour change and installation of energy efficient equipment

Further details on LREIT's roadmap towards Absolute Zero Carbon will be provided in future reporting.

[15] Details on RECs can be found on page 180 of the AR.

ADVANCING SOCIAL IMPACT

The Group's social focus areas support its overall goal of going beyond asset obligations to make a difference within the communities where it operates. It aims to deliver social impact both internally within the organisation and externally within the community. The primary focus for internal channels is on health and safety, and diversity and inclusion, which are especially important to stakeholders, including LREIT's tenants, shoppers and employees. External social impact is driven by community engagement initiatives such as community investments and donations. The Manager acknowledges that LREIT's social impacts affect a broad spectrum of stakeholders with different priorities. Hence, its social initiatives are tailored to meet their differing needs.

Social Focus Areas

1. Create a safe and healthy environment for employees, tenants, customers and suppliers
2. Attract, retain and invest in employees
3. Drive an inclusive team culture with diversity and inclusion as a guiding principle
4. Engage and collaborate with community, tenants and customers for lasting satisfaction and value

Internal: Health and Safety; Diversity and Inclusion

External: Community Engagement

LREIT ensures its operations align with evolving societal expectations and ethical standards, which recently includes a growing focus on human rights commitments and developing a future-ready workforce.

In FY2023, the Group and LREIT organised numerous initiatives covering employee upskilling, health and safety, diversity and inclusion, employee and stakeholder welfare and community engagement.

Material Factor 6:
Health and Safety

Regular inspection and cleaning at the Properties to reduce chances of slipping accidents

Policies and Procedures	Summary
Safe Work Method Statement	A document that guides contractors or service providers to identify possible hazards, risks and proper controls or personal protective equipment required to conduct their work on the Group's properties.
Environment, Health & Safety	Inform and guide employees to uphold and ensure safe, healthy and environmentally responsible workplaces and communities for all stakeholders. The Group's business unit management systems are aligned with ISO 14001 and ISO 45001 standards on environmental management and Occupational Health and Safety Management System ("**OHSMS**").
Environment, Health and Safety Global Minimum Requirements	Ensure minimum safety standards for the Group's operations. This includes all of the Group's projects, developments, assets, joint ventures, alliances, partnerships, multi-site teams, facilities and offices.
Risk Management	Guide the Group's approach on risk, using the ISO 31000 standards on risk management as a foundation.
Supplier Code of Conduct	Inform suppliers of expectations to proactively assess and mitigate the risks of incident and injury to workers, employees, patrons and tenants of the Group's properties.

Sustainability Report

The Manager is committed to creating safe spaces for its employees and LREIT's customers. The Property Manager regularly assesses the Properties for potential hazards and takes action to enhance customer experience, such as implementing additional safety measures where needed. Effective management of health and safety risks improves productivity and boosts employee morale and well-being. As part of the Property Manager's commitment to ensure a safe environment for its employees, the Properties are bizSAFE partner certified and have attained the Silver WSH award in 2023.

The joint management-worker health and safety committee is a collaborative platform, where representatives from management and workers come together to actively address and promote health and safety initiatives within the organisation. Their collective efforts ensure that health and safety practices are effectively implemented, monitored and continuously improved to safeguard the well-being of all employees.

The Group provides accessible services to employees based on their needs through platforms such as telemedicine and the Unmind system. Relevant information, procedures and documents are accessible through a SharePoint link and shared with employees. Employee health and wellness are promoted through the following areas:

1. Providing employees access to telemedicine consultations with registered doctors and online prescription services via a telemedicine mobile application
2. Supporting employees and up to two family members with free, confidential mental health support via dedicated professional therapy on Unmind, a holistic mental fitness platform and Employee Assistance Programme counselling service
3. Implementing flexible work arrangements for employees
4. Providing comprehensive annual health screening to employees

These measures aim to provide comprehensive support and resources to enhance the overall well-being of employees.

Continuous Monitoring

The Property Manager has an OHSMS aligned with the Group's EHS framework and the Workplace Safety and Health Act 2006. The system is implemented per ISO 45001:2018 requirements and covers all work employees performing work-related activities within LREIT's premises[16].

The Property Manager also employs a hazard identification and risk assessment process to ensure workplace safety. The SWMS process is used to identify potential risks to the company through a hierarchy of controls to determine appropriate control measures to eliminate hazards and minimise risks. This process includes assessing work-related hazards, such as those that pose a risk of high-consequence injury and risk of ill health. The process is conducted by the respective project leaders, who have completed the pre-requisite risk management courses, which are reviewed annually. The Property Manager will also conduct risk assessments prior to any work commencement. The assessment process is reviewed annually to ensure its continued relevance and effectiveness in maintaining a safe working environment.

In addition to the project leaders, the Property Manager has a risk management team to ensure that OHSMS and WSH are enforced. The risk management team comprises management of the Property Manager, maintenance personnel and WSH personnel. If an incident occurs, according to the Group's EHS policy, the Property Manager will operate transparently in the recording and monitoring of the event. Gap analysis will also be performed to identify the root cause and determine the relevant corrective or preventive actions required.

Workers have multiple avenues to voice their concerns and ensure their safety within the organisation. They can communicate concerns to their supervisors during daily "toolbox" meetings before work begins. In addition, worker representatives are encouraged to actively participate in the risk assessment process to appropriately address and consider relevant risks when implementing control measures.

Similarly, employees have the right to report unsafe working environments without fear of reprisals. LREIT has an anonymous reporting contact managed by senior management of the Manager, which protects the employee's identity and encourages open communication and accountability.

Health and Safety Trainings

A comprehensive training programme, including engaging Accredited Training Providers listed by the Ministry of Manpower, is implemented to ensure employee competency. Training courses are available in multiple languages to cater to all employees, ensuring participants can easily understand the materials and instructions. Post-training evaluation processes are conducted to assess the effectiveness of the training and make necessary improvements. Refresher trainings are further arranged to upkeep the level of competency.

The Property Manager ensures all staff members are trained with essential health and safety policies. New hires are mandated to undertake risk management courses and first aid training with the aim of effectively enhancing their proficiency in managing health and safety issues. Quarterly training sessions are also conducted for employees. These training sessions are tailored to the specific job roles of employees to ensure their relevance and applicability.

Moreover, service providers are provided with SWMS briefings for each new project, allowing them to express health or safety concerns. This approach fosters open communication and collaboration regarding health and safety matters.

Enhancing Systems, Policies and Practices

The Property Manager places great emphasis on health and safety and continually strives to enhance existing processes to ensure an optimal environment for all stakeholders. It demonstrates its dedication to continuously improve health and safety measures and foster a secure environment for everyone through proactively assessing its processes.

In addition to the quarterly joint management-worker health and safety committee meeting, the Property Manager has a Risk Control Plan to implement improvements to the SWMS. The plan outlines specific measures and strategies to mitigate risks effectively and ensure the safety of all individuals involved. Annual evaluation and external audit, such as ISO 45001, are conducted on the OHSMS to ensure ongoing effectiveness and improvement in line with current standards.

The Property Manager will conduct a comprehensive root cause analysis in the unlikely event of an accident. The analysis aims to identify the underlying causes of the incident and determine appropriate follow-up actions to prevent similar occurrences in the future.

In FY2023, LREIT had zero work-related injuries[17] and ill health incidents, including fatalities, high-consequence work-related injuries[18] and ill health and recordable work-related injuries[19] and ill health, for all employees and workers[20].

Collaborating with Stakeholders

TENANTS

The tenancy agreement includes a crucial provision regarding adherence to the Properties' health and safety policies. The Property Manager conducts regular safety inspections within tenant premises to ensure compliance with these policies. In the event of non-compliance, tenants will be promptly notified and provided a deadline to rectify the issues and make the necessary changes.

VENDORS AND CONTRACTORS

To ensure a healthy and safe environment for all LREIT stakeholders, vendors and contractors must adhere to SWMS policies and obtain a permit before commencing work. Additionally, awarded vendors and contractors must meet the minimum standard of bizSAFE level three.

[16] The OHSMS does not cover tenant-appointed contractors as they are covered by the tenant's OHSMS.

[17] Work-related injuries are defined as a negative impact on an employee's health arising from exposure to hazards at work.

[18] High-consequence work-related injuries are defined as work related injuries that result in a fatality or in an injury from which the worker cannot or is not expected to recover to pre-injury health status within six months.

[19] Recordable work-related injuries are all work-related injuries resulting in at least four days of medical leave.

[20] Total working hours are computed by taking the weekly working hours multiplied by number of working days, multiplied by the headcount as at the end of the fiscal year.

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DESTINATION GO: LENDLEASE X VIRGIN PULSE CORPORATE STEPS CHALLENGE

A corporate steps challenge was introduced in 2022 to encourage healthy lifestyle and foster employee well-being. This initiative, a collaboration between Lendlease and Virgin Pulse, aims to inspire employees to embrace physical activity and prioritise their overall health. Employees were given the opportunity to form teams of up to seven individuals and participated in a 9-week competition. By engaging in various physical activities such as cycling, walking, swimming and dancing, participants earn steps that unlock virtual destinations worldwide. Each step that the teams take advances them on this global adventure, promoting both personal well-being and a sense of teamwork. The programme focuses on converting physical activities into steps encourages regular exercise while fostering camaraderie among colleagues. Lendlease aims to cultivate a culture of active lifestyles, improved well-being and stronger employee bonds. 15 employees from the Manager were able to complete about 8 million steps via walking and running, translating to about 8,500 steps or 6.8km a day.

Customer Health and Safety

Prioritising customer health and safety is crucial for LREIT as part of its commitment towards responsible operations and social responsibility. LREIT maintains a safe and healthy shopping environment to enhance visitor satisfaction and foster trust, thus encouraging recurring visits and attracting new customers. Robust safety measures, such as proper ventilation, sanitation protocols and emergency response systems, are implemented to mitigate potential risks and accidents. In FY2023, there were zero instances of non-compliance concerning the health and safety impacts of products and services.

Healthier Communities

To fulfil the Group's purpose of creating thriving communities, since 2019, patrons have been invited to join a free 1-hour K-pop fitness session every week at Jem. LREIT hopes to play a part in encouraging healthier living among community members.

Material Factor 7:
Diversity and Inclusion

Policies and Procedures	Summary
Diversity and Inclusion Policy	In line with the Group's dedication to fostering a diverse workplace atmosphere, LREIT has adopted the Group's policy that values and acknowledges individual differences, enabling employees to bring their authentic selves to work. Employees can thus feel a sense of security, empowerment and motivation.
Equal Opportunity Policy	A policy outlining LREIT's commitment to be an equal opportunity employer and fully utilise and develop the potential of all employees.

In collaboration with AWWA, the Manager organised some after-school activities for special needs children

LREIT values workplace diversity across different profiles, talents and experiences. Guided by the policies outlined above, the Manager aims to create an environment where employees feel comfortable expressing their ideas, opinions and concerns without fear of judgement or reprisal. This inclusive approach fosters collaboration, innovation and mutual respect among team members.

The Group has an ongoing focus on gender pay equality. An annual exercise is conducted to review and address any gender-based pay gaps. Inclusive leadership behaviours and cultural competency are also embedded as part of overall capability building for leaders. Ignite, a global talent programme designed to accelerate the careers of female leaders, was launched in FY2022. This programme supported seven female leaders in FY2023 and aims to alleviate gender disparity in leadership positions and create a more inclusive and diverse workforce.

In line with the Group's commitment to promote equal opportunities within the company, LREIT offers comprehensive training programmes to its employees. The Manager actively encourages employees from all backgrounds and positions to participate, providing a level playing field for personal and professional growth. This approach fosters a culture of continuous learning and mitigates any potential disparities or biases in skill development.

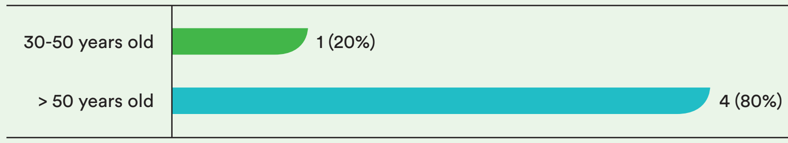
The Group provides a comprehensive suite of benefits to its full-time employees, including life insurance coverage, health care and leave benefits. Some benefits, such as workmen injury compensation, are also applied to part-time employees.

Eligible employees are entitled to parental leave. In FY2023, one male employee who took parental leave, has returned to work and remains employed 12 months after his return.

Board Diversity in FY2023

By Gender

By Age Group



By Independence

Permanent and Temporary Employees

Permanent
69

Temporary
0

Permanent Employees by Gender

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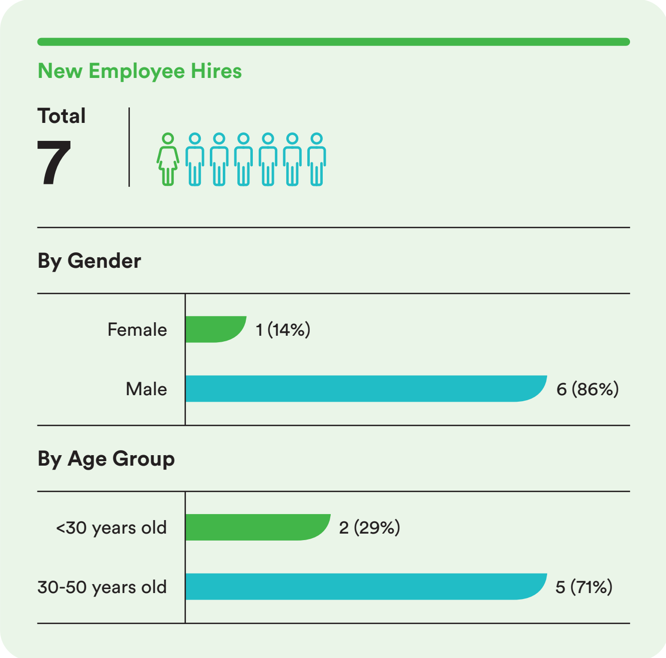

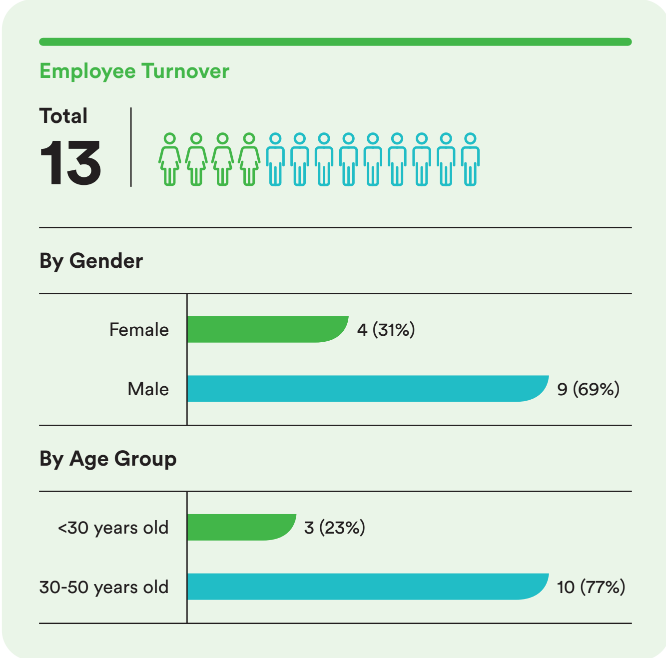

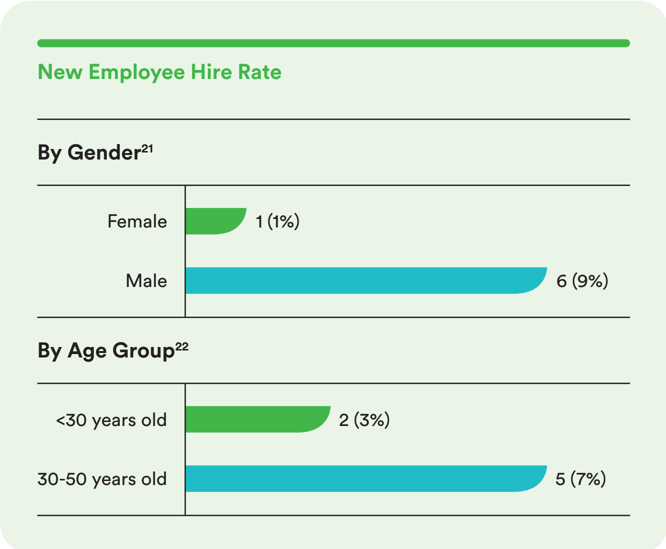

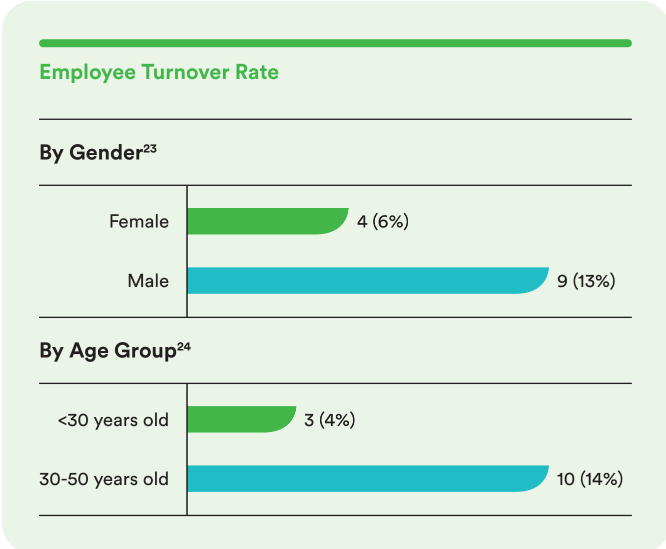

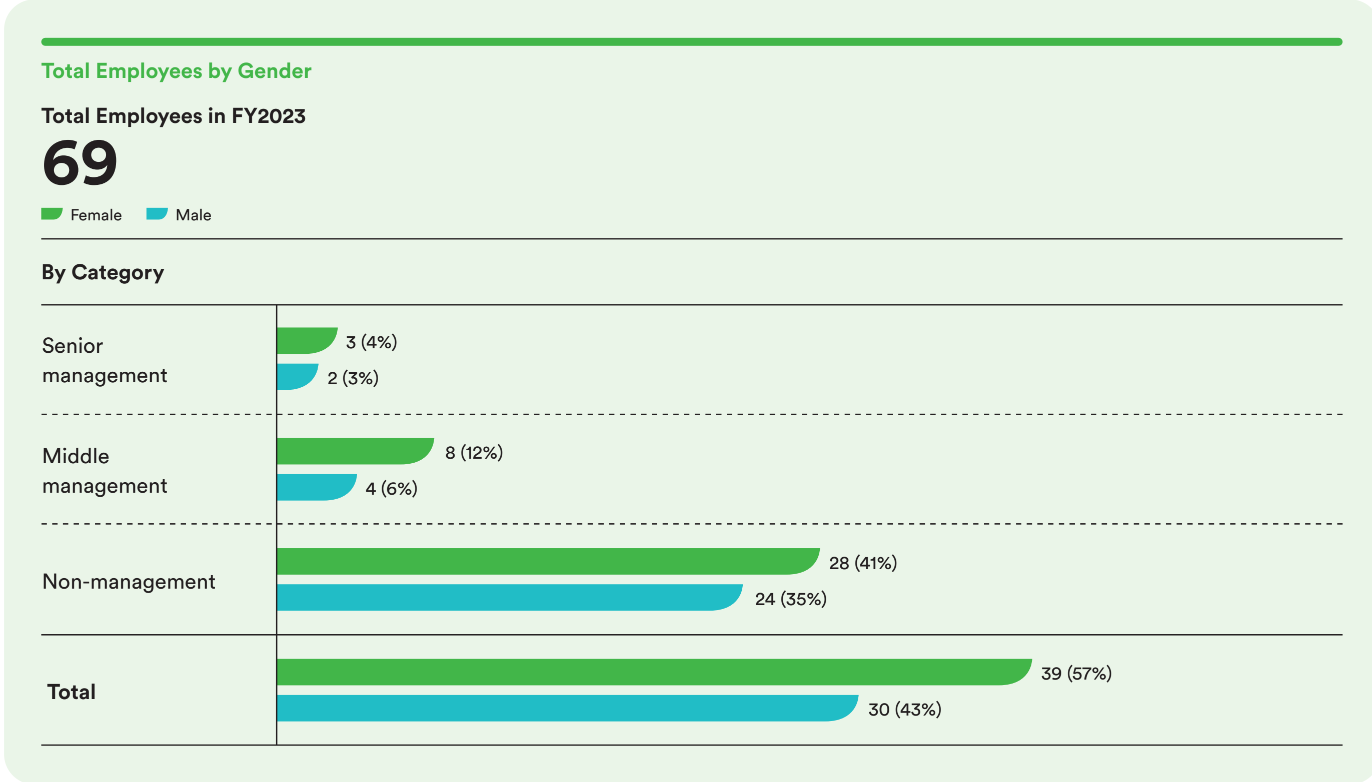

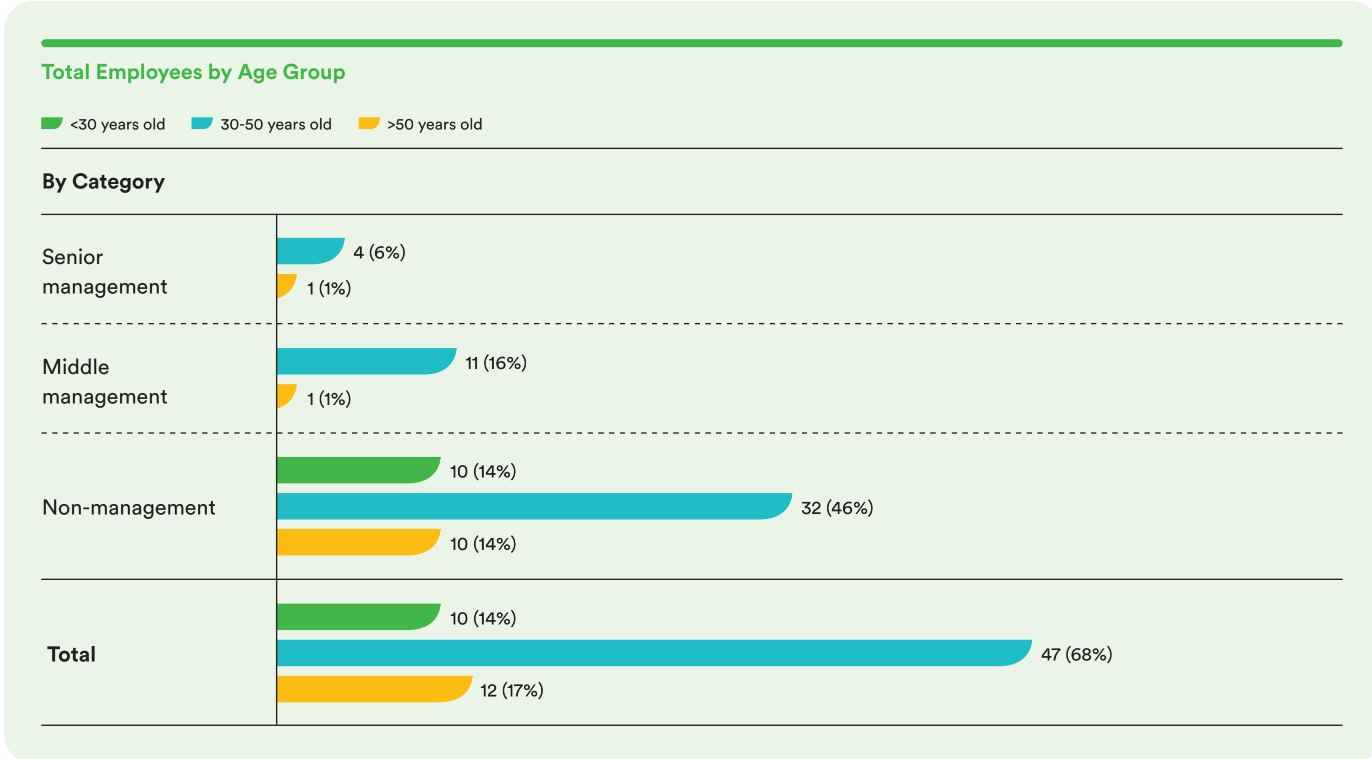

Note: Senior management refers to the Manager's CEO and Executive General Manager, Finance, the Property Manager's Head of Asset Operations (Singapore), Head of Property (Singapore), Leasing Director and General Manager relevant to LREIT. Middle management refers to all managerial levels of the Manager and Property Manager relevant to LREIT. Non-management refers to all other employees of the Manager and Property Manager relevant to LREIT.

[21] New Employee Hire Rate is calculated as: Number of new hires (by gender) / Number of employees as at end of financial year.
[22] New Employee Hire Rate is calculated as: Number of new hires (by age group) / Number of employees as at end of financial year.
[23] Employee Turnover Rate is calculated as: Number of turnover (by gender) / Number of employees as at end of financial year.
[24] Employee Turnover Rate is calculated as: Number of turnover (by age group) / Number of employees as at end of financial year.

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Employee Training Data for FY2023

Total average training hours
(69 employees)

987 hours

Average training hours

Per Employee **14 hours**

Per Senior Management Employee **7 hours**

Per Female Employee **13 hours**

Per Middle Management Employee **12 hours**

Per Male Employee **17 hours**

Per Non-management Employee **16 hours**

Developing the Potential of Every Employee

Employees of the Manager and Property Manager undergo an annual review that encourages two-way formal feedback on their progress and compatibility of management and workloads. Employees are also encouraged to have continuous conversations with their managers to finetune and explore additional opportunities as they head towards their annual review goals. These conversations have led to greater introspection by the employees, allowing them to capitalise on the Group's resources, such as the LLevel UP programme and on-demand digital library.

The Group further supports its employees' ongoing development to pursue further academic qualifications through education assistance and course sponsorship at their initiative. 100% of the Manager's workforce rated positively that LREIT actively supports the learning and development of its employees.

Employees can also experience a broadening of perspective and scope through international mobility opportunities that the Group provides for outstanding talents.

A pathway to build leadership capabilities is also provided. In partnership with INSEAD, employees have access to leadership programmes across all levels, such as the People Manager Essentials for new and emerging leaders, Management Development Programme for mid-senior level leaders and the Senior Leadership Programme for senior management. This programme is facilitated personally by professors along with executive coaches from INSEAD.

People Engagement Survey Results FY2023

100%
perceive positively that Lendlease supports learning and development of employees

Positive Perception | Positive Hesitance | Negative Hesitance | Negative Perception

Material Factor 8:
Community Development

Policies and Procedures	Summary
Corporate Volunteering Policy	LREIT has adopted the Group's policy to provide a framework and guidelines for employees to implement long-term commitment to delivering social impact programmes.
Sustainability Policy	LREIT has adopted the Group's policy outlining its commitment to sustainability, including social governance and focus areas, such as community inclusion, well-being and economic prosperity.
Sustainability Framework	A framework that aligns LREIT's sustainability vision to Lendlease Group's social focus areas and social target to generate AU$250 million social value by FY2025.

As LREIT provides social spaces, such as malls and offices, the Manager acknowledges its role in strengthening communities and creating vibrant spaces for community development and engagement. Direct contributions to and partnerships with local communities across all its operations are part of LREIT's strategy for creating thriving communities and strengthening its social license to operate.

COLLABORATION WITH COMMUNITY PARTNERS

In FY2022, Lendlease Foundation launched the Train-and-Place Programme with Dignity Kitchen, a social enterprise that operates food stalls run by individuals with disabilities. This programme provides training and certification in kitchen and restaurant management skills to 40 individuals with disabilities. Upon completing the programme, the graduates will have placements in F&B establishments, providing them with meaningful employment opportunities. Continuing to nurture this relationship, the Manager participated in a "Cook, Bake, Makan" session at Dignity Kitchen in FY2023 to support the enterprise. It was guided by staff with disabilities and allowed participants to better appreciate the inclusive capabilities and facilities provided by Dignity Kitchen to open up access to the F&B sector.

As part of Lendlease's 50th Anniversary celebrations, the Manager collaborated with Dignity Kitchen to bake 500 muffins for AWWA Special Student Care Centre, Care Corner Student Care Centre (Woodlands) and National Neuroscience Institution charity race. Customised "We Care" packs were specifically designed and prepared for AWWA Special Student Care Centre students. The Managers were granted a tour of the AWWA facility to better appreciate the resources required to build an inclusive community.

Learning from differently-abled Dignity Kitchen staff on how to prepare meals

Delicious product of the lesson

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INTERNATIONAL DAY OF PERSONS WITH DISABILITIES

The Manager joined hands with the DPA in hosting a sharing session and workshop to educate staff and fellow tenants at its office in Paya Lebar Quarter on the lives of disabled people and the challenges they face. The event aimed to inspire businesses to continuously create and improve workplace inclusivity. Participants could chat with DPA inclusive ambassadors and their members, engage in booths and games that allow them to experience the life of a disabled person and learn how to use sign language for Christmas carolling. Dignity Kitchen also prepared lunches for members to enjoy.

DPA ambassadors sharing their challenges with the audience at LREIT's office in Paya Lebar Quarter

The Manager learning to hand sign Christmas carol "Santa Claus is Coming to Town"

VENUE SPONSORSHIPS TO RAISE AWARENESS ON BRAIN BANK AND BONE MARROW INITIATIVE

The Manager sponsored a place at Jem to host the Brain Bank Foundation to provide a public sharing of their programme to collect post-mortem brain tissue for use in medical research via ethics committee-approved scientific research studies. Venue sponsorship at 313@somerset was also provided for the Bone Marrow Donor Programme to create awareness and raise funds. These sponsored venues provide a platform to engage the public, educate them about the significance of the donation and encourage them to register as potential donors.

Sharing on the Brain Bank initiative and engaging young minds with interactive activities

Chiong AH! One Heart, One Mind Charity Race finale ceremony at PLQ Plaza

PUBLIC AWARENESS AND COMMUNITY OUTREACH

LREIT has been the race partner for the National Neuroscience Institute ("NNI") charity race since 2021. This year, the Manager continued to assume a prominent role by rallying tenants across Lendlease-managed malls to participate in the race, providing retail vouchers as a means of support and encouragement for the event's participants. This annual flagship event raised approximately S$100,000 for the NNI fund, which supports crucial areas, such as patient care, research, education and addressing unmet needs. Through these collective efforts, the Manager actively championed the cause of mental health and reinforced its dedication to making a positive difference in the community.

The Manager also has a two-year partnership with Community Chest, where members of Lendlease Plus may donate their expiring member points to beneficiaries under the Community Chest. Every 2,000 Lendlease Plus$ points allow members to contribute S$1 via the Lendlease Plus app. Over the past two years, approximately S$8,000 was raised.

Together with Lendlease Singapore, the Manager is proud to sponsor 50 individuals through the Gift-A-Family Initiative Programme. This meaningful initiative aims to extend financial assistance to low-income families in need. By providing S$25,000 in sponsorship, the Manager is dedicated to making a tangible difference in the lives of these families, ensuring that they have access to essential resources and support. Through this collective effort, the Manager aims to uplift and empower these individuals, fostering a sense of security and well-being within their households.

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STRENGTHENING OUR GOVERNANCE

The Manager believes that strong and robust governance policies and practices are a cornerstone of long-term success and key to maintaining stakeholder trust. To ensure that LREIT continues to comply with all relevant social and economic regulations in the jurisdictions where it operates, the Manager has adopted the Group's core values.

This reflects LREIT's commitment to effective internal controls and risk management and aims to promote key outcomes.

LREIT strongly emphasises business ethics and governance as well as data privacy and cybersecurity. It operates in a highly regulated industry and remains cognisant that non-compliance will likely result in substantial fines and significant reputational damage.

Material Factor 9:
Business Ethics and Governance

Policies and Procedures	Summary
Code of Conduct Policy	Standards expected of all employees relating to appropriate behaviours, including how employees should conduct business and maintain all business relationships. The Group's employees, which covers the Manager, are required to complete an annual "How We Work in Lendlease" online module as a refresher on the Group's Code of Conduct.
Conduct Breach Reporting	Policy supporting the reporting of illegal or improper conduct occurring across the Group's operations, including behaviour that does not align with its Core Values, Employee Code of Conduct or Supplier Code of Conduct.
Corporate Sponsorship and Partnership Policy	Policy relating to any proposed sponsorships/partnerships using the Group's brand. It also applies to all projects, assets under management and joint ventures.
Political Donations Policy	Policy relating to governance and approval framework for political donations to protect its reputation as an ethical and responsible organisation and to ensure that employees are fully aware of their responsibilities in this area.
Procedure on Declaration of Gifts and Entertainment	Procedures on accepting gifts and entertainment require prior approval from the employee's line manager, Country Managing Director or the CEO of Lendlease Asia (depending on the threshold).
Conflict of Interest Procedure	Procedures to prevent and deal with potential conflicts of interest issues.
Whistleblowing Policy	Policy relating to the provision of an independently monitored, confidential channel for employees, service providers and associates to report any suspected wrongdoing or dangers at work without fear of reprisals.
Anti-Money Laundering Manual	Assists the Manager in understanding the legal and regulatory obligations under Singapore law and the internal policies and procedures instituted by the Manager when conducting its business.
Compliance Manual	Documents the requirements under the SGX listing rules and the Code on Collective Investment Schemes applicable to the REIT, as well as the requirements under the Securities and Futures Act 2001 and the accompanying regulations applicable to the regulated activity of REIT Management.
Securities Trading Policy	Ensures that employees comply with legal obligations relating to dealings in securities while possessing non-public inside information.

Note: Please refer to the Corporate Governance section for more details on the Code of Conduct and Conflict of Interest Procedure.

The Manager is firmly committed to upholding the highest standards of corporate governance and transparency. Maintaining high ethical standards is crucial to avoiding key risks in LREIT's business, such as bribery and corruption, which may result in financial and reputational losses. The Manager takes a firm zero-tolerance stance on fraudulent activities, corruption and other unethical behaviour. In line with this approach, LREIT has detailed policies and guidelines to ensure that employees uphold the utmost integrity in their work and business dealings.

The Manager's anti-corruption policies are communicated to the Board for approval. Future amendments to these polices require the Board's approval and apply to the Board and all employees. The Board is able to access these policies at their own convenience.

These policies are also available to all employees, which includes those in the senior leadership team, via the organisation's intranet. The Manager requires all employees, including new staff, to undergo regular training on anti-corruption, anti-money laundering and business ethics. In FY2023, 68[25] out of 69 employees (or 99%) under the Manager and Property Manager have completed anti-corruption training. Anti-corruption training includes coverage of Conduct Breach Reporting, which enables employees to raise any grievances confidentially. The Policy outlines guidelines for independent investigations and follow-up actions of any reports. All whistleblowing reports will be directed to the relevant parties at the senior management level and reviewed by the Chairperson of the Audit and Risk Committee ("**ARC**") to take appropriate follow-up actions[26].

The Manager's directors and employees are also required to provide a Fit and Proper Criteria Declaration during onboarding and on an ongoing basis. Existing employees are required to attend refresher anti-money laundering training at least once every two years. To ensure that all employees are kept abreast of any developments in applicable laws and regulations, trainings on ethics and governance are conducted as required. Licensed representatives are

[25] The remaining one employee had completed the anti-corruption training in July 2023.

[26] Please refer to the Corporate Governance section for further details.

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specifically required to complete six core hours of training relating to ethics, rules and regulations annually as part of their continuing professional development requirements. The Manager also circulates email bulletins from the Group's advisors on topical subjects to employees.

Furthermore, the Manager has a compliance monitoring programme which requires the Compliance Officer of the Manager to complete a series of compliance checklists every quarter. The Compliance Manual and compliance checklists are reviewed on an annual basis. In line with LREIT's commitment to upholding trust and transparency in all its business dealings, the Manager also communicates the anti-corruption policies and procedures to all LREIT's business partners.

All third-party suppliers, consultants and contractors engaged by LREIT are required to adhere to Supplier Code of Conduct, which sets out the Group's expectations for third-party suppliers, consultants and contractors when supplying goods and services to the Properties. All appointed partners are required to minimise environmental harm to the extent that it is reasonably practicable and appropriate and ensure efficient use of resources to execute the engaged work scope.

The Manager views disclosing the number of business partners we deal with as confidential and sensitive in nature and is thus not disclosed.

The ARC plays an important role in reviewing the Manager's policies for adoption by the Board. Regular monitoring is carried out by the ARC to ensure that LREIT's practices comply with existing regulatory requirements. Non-compliance with such requirements could present significant risks to the Manager, such as potential exposure to legal penalties, financial forfeiture and material loss.

In FY2023, there was no legal case brought against LREIT, the Manager or any employee. There were also no recorded instances of corruption. Additionally, LREIT had zero incidents of non-compliance with relevant laws and regulations including environmental that resulted in significant fines or non-monetary sanctions.

The Manager is aware of the risks that corruption and fraud present to the business, as identified within LREIT's Enterprise Risk Register following its assessment of LREIT's operations for anti-corruption risks. As such, the Manager takes a proactive stance towards observing all laws and regulations on an ongoing basis. The Manager has assessed financial and compliance risks that could result in liability or additional costs from non-compliance with key laws or regulations and the inability to respond to changing laws and regulations. This inability may lead to financial and reputational losses.

Material Factor 10:
Data Privacy and Cybersecurity

Policies and Procedures	Summary
Group Information Security Policy	Defines acceptable behaviours and approaches for protecting the confidentiality of information.
Privacy Policy	Outlines the protection of personal data and how this personal data is collected, used, stored and shared.
Vendor Cyber Risk Management	An internal policy to ensure that the Group's vendors who have access to the wide range of its IT resources are reasonably credible in order to protect its digital information through security due diligence and stringent controls.

Data privacy and cybersecurity are topics of growing concern for organisations as there has been a recent increase in the number of data leaks and breaches in Singapore. The Manager is aware that cybersecurity breaches to the Group's systems present a significant business risk to potential reputational damage, loss of customer trust and regulatory risk of non-compliance with data privacy regulations. With this, it strives to be a responsible steward of customer data and places utmost importance on customer privacy.

The Manager has implemented safeguards to ensure that the highest possible standards of data privacy and cybersecurity are maintained. In line with the Group's internal policies, customers' personal data is only stored for as long as necessary for the purpose for which it is collected. Once it is no longer needed, it will either be deleted completely or anonymised, for example, by aggregation with other data so that it may be used in a non-identifiable manner for statistical analysis and business planning. Vendors dealing with the Group's IT resources are also put through an IT vendor cyber risk framework to ensure that appropriate controls and mitigation processes are in place to keep digital information and IT resources secure when accessed by IT vendors.

In line with the Group's commitment to customer service, customers may raise grievances concerning personal data issues at datacompliance@lendlease.com. At the Property Manager level, there is a standard operating procedure to investigate any complaint received concerning personal data issues. The Property Manager is also required to undergo training on the Singapore Personal Data Protection Act at least once every three years, with the latest training held in year 2022. To continually raise employees' awareness of cybersecurity, the Group also conducts IT Security Awareness Trainings and internal phishing campaigns.

In FY2023, LREIT continued its track record over the past three years of zero substantiated complaints concerning breaches of customer privacy and zero incidents of identified leaks, thefts or losses of customer data.

GRI Standards Disclosure		Reference and/or Reason for Omission	Page Reference
Organisation and its reporting process			
2-1	Organisational details		69
2-2	Entities included in the organisation's sustainability reporting		69
2-3	Reporting period, frequency and contact point		69
2-4	Restatements of information	Page 3 Sustainability Performance Page 82 Economic Performance Page 88 Water Management	3, 82, 88
2-5	External assurance		69
Activities and Workers			
2-6	Activities, value chain and other business relationships		69, 72, 73
2-7	Employees		102, 103
2-8	Workers who are not employees	Information unavailable. Numbers are not captured within data monitoring system	
Governance			
2-9	Governance structure and composition		71, 137, 139
2-10	Nomination and selection of the highest governance body		138
2-11	Chair of the highest governance body		139
2-12	Role of the highest governance body in overseeing the management of impacts		71, 74
2-13	Delegation of responsibility for managing impacts		71
2-14	Role of the highest governance body in sustainability reporting		71, 74
2-15	Conflicts of interest		134
2-16	Communication of critical concerns		72, 73, 82, 83, 109, 139
2-17	Collective knowledge of the highest governance body		14, 15, 118
2-18	Evaluation of the performance of the highest governance body		121, 124
2-19	Remuneration policies		125 to 128
2-20	Process to determine remuneration		125 to 128
2-21	Annual total compensation ratio	Not disclosed due to confidentiality constraints.	
Strategy, Policy and Practices			
2-22	Statement on sustainable development strategy		68
2-23	Policy commitments		70 to 74
2-24	Embedding policy commitment		71, 75 to 77, 78 to 81, 99, 101, 104, 109, 110, 118
2-25	Processes to remediate negative impacts		72, 73, 97, 109
2-26	Mechanisms for seeking advice and raising concerns		109, 131, 139
2-27	Compliance with laws and regulations		77, 109, 110
2-28	Membership associations	REITAS, Financial Industry Disputes Resolution Centre (FIDReC), SBF, SGListCos and ORBA	

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GRI Standards Disclosure		Reference and/or Reason for Omission	Page Reference
Stakeholder Engagement			
2-29	Approach to stakeholder engagement		72, 73
2-30	Collective bargaining agreements	No collective bargaining agreements	
Disclosure of Material Topics			
3-1	Process to determine material topics		74
3-2	List of material topics		74
Economic			
Material Topic 1: Economic performance			
3-3	Management of material topics		75, 78, 82, 83
201-1	Direct economic value generated and distributed		24 to 29
Environmental			
Material Topic 2: Energy Management			
3-3	Management of material topics		75, 78, 86, 87
302-1	Energy consumption within the organisation		86, 87
302-3	Energy intensity		86, 87
Material Topic 3: Water Management			
3-3	Management of material topics		76, 79, 88
303-1	Interactions with water as a shared resource		88
303-2	Management of water discharge-related impacts		88
303-5	Water consumption		88
Material Topic 4: Waste Management			
3-3	Management of material topics		76, 79, 89, 90
306-1	Waste generation and significant waste-related impacts		89, 90
306-2	Management of significant waste-related impacts		89, 90
306-3	Waste generated		89, 90
Material Topic 5: Climate Action			
3-3	Management of material topics		75, 79, 91
305-1	Direct (Scope 1) GHG emissions		91
305-2	Energy indirect (Scope 2) GHG emissions		91
305-3	Other indirect (Scope 3) GHG emissions		91
305-4	GHG emissions intensity		91
Social			
Material Topic 6: Health and Safety			
3-3	Management of material topics		76, 80, 97
403-1	Occupational health and safety management system		97 to 100
403-2	Hazard identification, risk assessment, and incident investigation		97 to 100
403-3	Occupational health services		97 to 100
403-4	Worker participation, consultation, and communication on occupational health and safety		97 to 100
403-5	Worker training on occupational health and safety		97 to 100
403-6	Promotion of worker health		97 to 100
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		97 to 100
403-8	Workers covered by an occupational health and safety management system		97 to 100

GRI Standards Disclosure		Reference and/or Reason for Omission	Page Reference
Social			
Material Topic 6: Health and Safety			
403-9	Work-related injuries		99
403-10	Work-related ill health		99
416-1	Assessment of the health and safety impacts of product and service categories		99
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		99
Material Topic 7: Diversity and Inclusion			
3-3	Management of material topics		76, 80, 100
405-1	Diversity of governance bodies and employees		101 to 103
405-2	Ratio of basic salary and remuneration of women to men	The Manager regards compensation information of employees to be of a confidential and sensitive nature, thus the remuneration ratio of women to men is not disclosed in this report.	
401-1	New employee hires and employee turnover		102
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		101
401-3	Parental leave		101
Material Topic 8: Community Development and Engagements			
3-3	Management of material topics		76, 80, 105
413-1	Operations with local community engagement, impact assessments, and development programmes		105 to 107
Governance			
Material Topic 9: Business Ethics and Governance			
3-3	Management of material topics		77, 81, 109
205-1	Operations assessed for risks related to corruption		110
205-2	Communication and training about anti-corruption policies and procedures		73, 110
205-3	Confirmed incidents of corruption and actions taken		110
307-1	Non-compliance with environmental laws and regulations		110
Material Topic 10: Data Privacy and Cybersecurity			
3-3	Management of material topics		77, 81, 110
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		110
Topics of Ongoing Importance			
Future-ready Workforce			
3-3	Management of material topics		72, 73, 77
404-1	Average hours of training per year per employee		104
404-2	Programmes for upgrading employee skills and transition assistance programmes		104
404-3	Percentage of employees receiving regular performance and career development reviews		104

INTEGRITY

We uphold integrity. Always.

Governance

What's in this section :

Experienced

The Manager has an experienced and well-qualified team to run the operations of LREIT

Good

Good corporate governance is critical to the success and performance of the Manager

Diversity

The Board has an appropriate level of independence and diversity in its composition to enable it to make the best decisions for LREIT

Effective

The Manager is headed by an effective Board which is responsible for the long-term success of LREIT

Value

Managing risks timely and effectively is vital for protecting Unitholders' interests and value

Corporate Governance

The Board and Management of Lendlease Global Commercial Trust Management Pte. Ltd., the manager of Lendlease Global Commercial REIT ("**LREIT**", and the manager of LREIT, the "**Manager**"), are fully committed to upholding high standards of corporate governance as we firmly believe that it is essential in protecting the interests of the unitholders of LREIT (the "**Unitholders**"). Good corporate governance is also critical to the performance and success of the Manager.

The Manager adopts the Code of Corporate Governance 2018 (the "**2018 Code**") as its benchmark for corporate governance policies and practices. This report sets out LREIT's corporate governance practices for the financial year ended 30 June 2023 ("**FY2023**") with specific reference to principles of the 2018 Code.

The Manager is pleased to report that it has complied with the 2018 Code in all material respects and to the extent that there are any deviations from the 2018 Code, the Manager has provided explanations for such deviation and details of the alternative practices which have been adopted by LREIT which are consistent with the relevant principle of the 2018 Code.

The Manager of LREIT

The Manager has general powers of management over the assets of LREIT. The Manager's main responsibility is to manage LREIT's assets and liabilities for the benefit of Unitholders. The Manager sets the strategic direction of LREIT and gives recommendations to DBS Trustee Limited, as trustee of LREIT (the "**Trustee**"), on the acquisition, divestment, development and/or enhancement of assets of LREIT in accordance with its stated investment strategy.

The Manager uses its best endeavours to carry on and conduct its business in a proper and efficient manner, and to conduct all transactions with, or for LREIT, at arm's length. The Manager is also responsible for the capital and risk management of LREIT. Other key functions and responsibilities of the Manager include:

- developing LREIT's business plans and budget so as to manage the performance of LREIT's assets;
- ensuring compliance with applicable requirements, laws and regulations, such as those set out in the listing manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**", and the listing manual of the SGX-ST, the "**Listing Manual**"), the Code on Collective Investment Schemes (the "**CIS Code**") issued by the MAS (including Appendix 6 of the CIS Code (the "**Property Funds Appendix**")), the Capital Markets Services Licence ("**CMS Licence**") for real estate investment trust ("**REIT**") management issued by the MAS, written directions, notices, codes and other guidelines that MAS may issue from time to time, tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of LREIT and Unitholders, the Securities and Futures Act 2001 of Singapore ("**SFA**"), the Securities and Futures (Licensing and Conduct of Business) Regulations (the "**SF(LCB) Regulations**"), the 2018 Code and the Alternative Investment Fund Managers Directive ("**AIFMD**"), as well as ensuring that the Manager's obligations under the Trust Deed are properly carried out; and
- establishing a framework of prudent and effective controls which enable financial, operational, compliance and information technology risks (including sanctions-related risks) to be assessed and managed.

LREIT, which is constituted as a trust, is externally managed by the Manager and therefore has no personnel of its own. The Manager has an experienced and well-qualified management team ("**Management**") to run the day-to-day operations of LREIT. All directors (the "**Directors**") and employees of the Manager are remunerated by the Manager, and not by LREIT.

The Manager was appointed in accordance with the terms of the trust deed dated 28 January 2019 (as amended, restated or supplemented from time to time) (the "**Trust Deed**"). The Manager was issued a CMS Licence pursuant to the SFA on 13 September 2019.

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Role of Board

The Board of Directors of the Manager (the "**Board**") is responsible for the overall management and corporate governance of the Manager, including establishing goals for Management and monitoring the achievement of these goals. The Board is also responsible for the strategic business direction and risk management of LREIT. All Board members participated in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of the Directors.

The key roles of the Board are to:

- guide the corporate strategy and direction of the Manager to foster the success of LREIT so as to deliver sustainable value over the long term to Unitholders;
- ensure that Management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; and
- oversee the proper conduct of Management.

All Directors are fiduciaries and are collectively and individually obliged at all times to act honestly and objectively in the best interests of LREIT and hold Management accountable for performance. The Board sets an appropriate tone from the top and desired organisational culture, and ensures proper accountability within the Manager. The Board is entrusted with the responsibility for the overall management and corporate governance of the Manager, including establishing goals for Management and monitoring the achievement of these goals. The Board has in place a framework for the management of the Manager and LREIT, including a system of internal audit and control and a business risk management process. In respect of matters in which a Director or his associates has an interest, direct or indirect, such interested Director is required to disclose his interest to the Board and will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director.

Board Committees

To assist the Board in the discharge of its oversight function, the Audit and Risk Committee (the "**ARC**") and the Nomination and Remuneration Committee (the "**NRC**", and together with the ARC, the "**Board Committees**") have been constituted with clear written terms of reference, setting out their respective compositions, authorities and duties, including reporting back to the Board. They play an important role in ensuring good corporate governance and the responsibilities of the Board Committees are disclosed in the Appendix hereto.

The Board meets at least quarterly, or more often if necessary, to review and approve the Manager's key activities, including its business strategies and policies for LREIT, proposed acquisitions and divestments, the annual budget, the performance of the business, capital management related matters and the financial performance of LREIT and the Manager.

The Board reviews and approves the release of the financial results. In addition, the Board reviews risk management and sustainability issues that materially impact LREIT's operations or financial performance, examine liability management and act upon any comments from the auditors of LREIT.

Board and Board Committee meetings are scheduled and circulated to the Directors prior to the start of the financial year to allow Directors to plan ahead to attend and actively participate in such meetings, so as to maximise participation. The Manager's constitution permits Board meetings to be held by way of conference via telephone or any other similar communication equipment by which all persons participating are able to hear and be heard by all other participants. Directors with multiple directorships are expected to ensure that sufficient time and attention can be and is given to the affairs of the Manager in managing the assets and liabilities of LREIT for the benefit of Unitholders.

The number of Board and Board Committee meetings held in FY2023, as well as the attendance of each Board member at these meetings, are disclosed in the following table:

Director	Board Meetings	ARC Meetings	NRC Meetings
Ms Ng Hsueh Ling	6	5	4
Dr Tsui Kai Chong	6	5	4
Mrs Lee Ai Ming	6	5	4
Mr Simon John Perrott	6	5	4
Mr Justin Marco Gabbani	6	5	2
No. of Meetings held in FY2023	**6**	**5**	**4**

Notes:
Ms Ng Hsueh Ling attended the ARC meetings as an invitee.
Mr Justin Marco Gabbani attended the NRC meetings as an invitee.
Ms Ng Hsueh Ling has stepped down as Chairperson and director of the Manager since 8 August 2023.

Corporate Governance

Management provides the Directors with complete, adequate and timely information prior to Board and Board Committee meetings and on an on-going basis. This enables the Directors to make informed decisions and discharge their duties and responsibilities. If a Director is unable to attend a Board or Board Committee meeting, he or she still receives all the papers and materials for discussion at that meeting. He or she will review them and will advise the chairperson of the Board (the "**Chairperson**") or the chairperson of the Board Committee ahead of the meeting and his or her views and comments are taken into consideration during the meeting.

The Manager has adopted a set of internal guidelines which sets out the financial limits of authority for investment/business acquisition and divestment, operating/capital expenditure, capital management, leasing, disposal and write-off of income accruing to LREIT and corporate matters that require the approval of the Board. Transactions and matters which require the approval of the Board are set out in the internal guidelines, and these are clearly communicated to Management in writing. Appropriate delegations of authority and approval sub-limits are also provided at Management level to facilitate operational efficiency.

Upon appointment, a formal letter of appointment is provided to newly-appointed Directors explaining their roles, duties and obligations as Director. All newly-appointed Directors undergo an induction programme which include Management's presentations on the business, operations, strategies, organisation structure, responsibilities of the Chief Executive Officer ("**CEO**") and other persons having authority and responsibility for planning, directing and controlling the activities of the Manager ("**key management personnel**"), and financial and governance practices. This induction programme includes visits to LREIT's properties and through this induction programme, the new Director also gets acquainted with members of Management which facilitates their interaction at Board meetings.

New Directors who have no prior experience as a director of a public listed entity listed on the SGX-ST will undergo further training required under Rule 210(5)(a) of the Listing Manual. No new Director was appointed in FY2023.

All the Directors have undergone the requisite training in relation to Environmental, Social and Governance Essentials under Rule 720(7) of the Listing Manual in FY2023.

In view of the increasingly demanding, complex and multi-dimensional role of a director, the NRC had reviewed the training and professional development programmes for the Board and its Directors. Changes to laws, regulations, policies, accounting standards and industry-related matters are monitored closely. Where the changes have an important and significant bearing on LREIT and its disclosure obligations, the Directors are briefed either during Board meetings, at specially convened sessions or via circulation of Board papers. The Directors are provided with opportunities for developing and maintaining their skills and knowledge and continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act 1967 of Singapore (the "**Companies Act**"), and the CIS Code, and industry-related matters. This allows the Directors to understand the Manager's business as well as their directorship duties (including their roles as non-executive and independent directors) and also promotes active engagement between the Board and the key management personnel of the Manager. The cost of such continuing education is borne by the Manager. In FY2023, sharing and information sessions were also organised as part of Board meetings, where guest speakers presented on key topics to the Board.

The Directors also have separate and independent access to Management and the company secretaries of the Manager (the "**Company Secretaries**"). They attend to corporate secretarial administration matters and advise the Board, the Board Committees and Management on corporate governance matters. The Company Secretaries attend Board and Board Committees' meetings and assist the chairpersons in ensuring that Board and Board Committees procedures are followed. The appointment and the removal of the Company Secretary is subject to the Board's approval.

The Directors, whether individually or collectively as the Board, are also entitled to have access to independent external professional advice where necessary, at the Manager's expense.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

In FY2023, the Board consisted of five members, all of whom are non-executive directors and three of whom are also independent Directors. The Board determines on an annual basis, taking into account the views of the NRC, whether or not a Director is independent, bearing in mind the 2018 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a Director not to be independent, as well as the independence criteria under the SF(LCB) Regulations.

Under the 2018 Code, an "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the Manager, its related corporations, its substantial shareholders, or its officers or substantial unitholders of LREIT that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of LREIT. In addition, under the Listing Manual and the SF(LCB) Regulations, an independent Director is one who:

(i) is independent from the Management of the Manager and LREIT;
(ii) is independent from any business relationship with the Manager and LREIT;
(iii) is independent from every substantial shareholder of the Manager, and every substantial unitholder of LREIT;
(iv) is not a substantial shareholder of the Manager, or a substantial unitholder of LREIT;
(v) has not served as a director of the Manager for a continuous period of nine years or longer; and
(vi) is not employed or has not been employed by the Manager or LREIT or any of their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Manager or LREIT or any of their related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Board.

The NRC is of the view that, taking into account the nature and scope of LREIT's operations, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of LREIT. In addition, the size of the Board and each Board Committee is appropriate and facilitates effective decision-making.

The nature of the Directors' appointments on the Board and details of their membership on the Board Committees are set out on page 139 of this Annual Report.

The Manager has in place a Board Diversity Policy that sets out the Manager's philosophy on and approach to achieving diversity on the Board. Board diversity embraces differences in skills, knowledge, business experience, gender, age, ethnicity and culture, geographical background and nationalities, religion and tenure of service. These differences are taken into account in determining the optimal composition of the Board and where possible should be balanced appropriately. All director appointments will be based on merit and take into account the benefits of diversity and needs of the Board. The objectives of the Board Diversity Policy include (1) committing to achieving a Board composition that reflects a diversity of backgrounds, knowledge, experience and abilities, (2) including at least one female candidate as part of the interview and selection panel for Board appointments, and (3) identifying and including female candidates with suitable skills and experience for consideration for Board succession planning. As of FY2023, the Board composition reflects the philosophy as set out in the Board Diversity Policy. The Board had two female directors during FY2023, one of whom was the Chairperson of the Board and the other is the chairperson of the NRC, as well as one Board member with international exposure. The Board is therefore of the view that it has achieved its objectives under the Board Diversity Policy. The policy is reviewed from time to time as appropriate, to ensure its effectiveness.

The NRC is satisfied that the Board and its Board Committees comprise Directors who as a group provide an appropriate balance and mix of skills, knowledge, experience, perspectives, and other aspects of diversity such as gender and age, required for the Board and Board Committees to be effective and avoid groupthink, and to serve the needs and plans of LREIT.

The composition of the Board is also determined using the following principles:

(i) the Chairperson of the Board should be a non-executive Director of the Manager;
(ii) the Board should comprise Directors with a broad range of commercial experience including expertise in funds management, legal matters, audit and accounting, and the property industry; and
(iii) at least half of the Board should comprise independent Directors if the Unitholders are not given the right to vote to approve the members of the Board.

Corporate Governance

In FY2023, independent Directors made up a majority of the Board, which is in line with Provision 2.2 of the 2018 Code, as the Chairperson is a non-independent Director.

The Board has appointed Dr Tsui Kai Chong as the lead independent director (the "**Lead Independent Director**") to provide leadership in situations where the Chairperson is conflicted, and especially when the Chairperson is not independent. None of the Directors have served on the Board for nine years or longer.

The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board and Management fully appreciate that an effective and robust Board, whose members engage in open and constructive debate and challenge Management on its assumptions and proposals, is fundamental to good corporate governance. For this to happen, the Board, in particular, the independent non-executive Directors, are kept well informed of LREIT's and the Manager's business and affairs and are knowledgeable about the industry in which the businesses operate. For FY2023, the independent non-executive Directors have constructively challenged and helped to develop proposals on strategy and reviewed the performance of Management. They have unrestricted access to Management and have sufficient time and resources to discharge their oversight function effectively. If required, there may be closed-door discussions at the beginning of every scheduled quarterly Board meeting between the independent non-executive Directors without the presence of Management which are led by the Lead Independent Director, and feedback is provided to the Board and/or the Chairperson as appropriate.

Chairperson and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The positions of Chairperson and CEO are held by two separate persons in order to maintain effective oversight and an effective check and balance. The Chairperson and CEO are not immediate family members. The separation of responsibilities between the Chairperson and CEO ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairperson provides leadership and facilitates the conditions for the overall effectiveness of the Board so that the members of the Board and Management work together with integrity and competency, and that the Board engages Management in an open and constructive debate on strategy, business operations, enterprise risk and other plans.

The Chairperson, with the assistance of the Company Secretaries, reviews meeting agenda to ensure there is sufficient information and time at meetings to address all agenda items. The Chairperson monitors the flow of information from Management to the Board to ensure that all material information is provided in a timely manner to the Board for the Board to make informed decisions. At Board meetings, the Chairperson encourages a frank exchange of views, drawing out contributions from all Directors so that the debate benefits from the full diversity of views.

The CEO has full executive responsibilities over business direction and operational decisions in the day-to-day management of the Manager. Assisted by Management, the CEO makes strategic proposals to the Board and after robust and constructive Board discussion, executes the approved strategy, manages and develops LREIT's businesses and implements the Board's decisions.

The Manager has put in place written terms of reference for the Chairperson of the Board and the CEO. This gives clear guidance on the separation of roles of the Chairperson and CEO and provides a healthy professional relationship between the Board and Management for robust deliberations on the business operations of LREIT.

Separately, the Lead Independent Director is available to Unitholders when they have concerns, and for which contact through the normal channels of communication with the Chairperson or Management are inappropriate or inadequate. Questions or feedback can be addressed via email to the Lead Independent Director at enquiry@lendleaseglobalcommercialreit.com.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nomination and Remuneration Committee

The NRC has been appointed by the Board to, among other things, make recommendations to the Board on all Board appointments. In FY2023, the NRC comprised of four Directors, a majority of whom, including the chairperson of the NRC, are independent Directors. The Lead Independent Director is a member of the NRC. The members of the NRC in FY2023 were:

- Mrs Lee Ai Ming (NRC Chairperson)
- Dr Tsui Kai Chong
- Mr Simon John Perrott
- Ms Ng Hsueh Ling[1]

The responsibilities of the NRC are disclosed in the Appendix hereto.

Process for Appointment of New Directors and Succession Planning for the Board

The NRC is responsible for making recommendations to the Board on all appointment and remuneration matters. In this regard, it has put in place a formal process for the renewal of the Board and the selection of new Directors. The NRC leads the process and makes recommendations to the Board as follows:

(a) the NRC reviews the balance and diversity of skills, experience, gender, age, independence, track record as a director and knowledge required by the Board and the size of the Board which would provide an appropriate balance and contribution to the collective skills of the Board;
(b) in light of such review, the NRC assesses if there is any inadequate representation in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;
(c) searches for possible candidates are conducted through contacts, recommendations and external help (for example, the Singapore Institute of Directors, search consultants, open advertisement) if required;
(d) the NRC meets with the shortlisted candidates to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
(e) the NRC makes recommendations to the Board for approval.

The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

In reviewing succession plans, the NRC has in mind the LREIT's strategic priorities and the factors affecting the long-term success of LREIT. Further, the NRC aims to maintain an optimal Board composition by considering the trends affecting LREIT, reviewing the skills needed and identifying gaps, including considering whether there is an appropriate level of diversity of thought. In addition, the NRC considers different time horizons for succession planning as follows: (i) long-term planning, to identify competencies needed for LREIT's strategy and objectives; (ii) medium-term planning, for the orderly replacement of Board members and key management personnel, and (iii) contingency planning, for preparedness against sudden and unforeseen changes.

[1] Ms Ng Hsueh Ling has stepped down as Chairperson and director of the Manager since 8 August 2023.

Corporate Governance

Criteria for Appointment of New Directors

All new appointments are subject to the recommendation of the NRC based on the following objective criteria:

(i) integrity;
(ii) independent judgement;
(iii) diversity – possess core competencies that meet the current needs of LREIT and the Manager and complement the skills and competencies of the existing Directors;
(iv) ability to commit time and effort to carry out duties and responsibilities effectively;
(v) track record as a Director;
(vi) experience in high-performing corporations or property funds; and
(vii) financially literate.

Once appointed, the NRC will ensure that new Directors are aware of their duties and obligations. For re-appointment of Directors, the Board assesses the relevant Director's performance as disclosed under the Appendix and determines if Directors shall be re-endorsed at the annual general meeting ("**AGM**"). The Board seeks to refresh its membership progressively, taking into account the balance of skills and experience, tenure and diversity, as well as benchmarking within the industry, as appropriate.

Unitholders' Endorsement for the Appointment of Directors

Lendlease Singapore Holdings Pty Limited ("**Lendlease Singapore Holdings**"), an indirect wholly-owned subsidiary of Lendlease Corporation Limited (the "**Sponsor**"), has on 13 September 2019 provided an undertaking to the Trustee (the "**Undertaking**") to provide Unitholders with the right to endorse the appointment of each of the Directors by way of an ordinary resolution at AGMs of Unitholders. Pursuant to the Undertaking, Lendlease Singapore Holdings has undertaken to the Trustee:

- to procure the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than the third AGM of LREIT after the date LREIT was admitted to the Official List of the SGX-ST, being 2 October 2019;
- to procure the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than every third AGM of LREIT after the relevant general meeting at which such Director's appointment was last endorsed or re-endorsed, as the case may be;
- (where a person is appointed as Director, either to fill a vacancy or as an addition to the existing Board, at any time) to procure the Manager to seek Unitholders' endorsement for his or her appointment as a Director at the next AGM immediately following his or her appointment; and
- to procure any person whose appointment as a Director has not been endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting of LREIT where the endorsement or re-endorsement (as the case may be) for his or her appointment was sought, to resign or otherwise be removed from the Board either (i) within 21 days from the date of the relevant general meeting or (ii) in the event that the Board determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed, and the regulatory approval for such appointment (if any) has been obtained.

The endorsement or re-endorsement from Unitholders of any appointment of any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting of LREIT. The Undertaking shall not restrict the Manager or Lendlease Singapore Holdings from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rules of the SGX-ST) and the Constitution of the Manager.

The Undertaking shall remain in force for so long as:

- the Manager remains as a wholly-owned subsidiary (as defined in the Companies Act) of Lendlease Singapore Holdings; and
- Lendlease Global Commercial Trust Management Pte. Ltd. remains as the Manager.

Review of Directors' Independence

There is a rigorous process to evaluate the independence of each independent Director. As part of the process:

(i) each independent Director provides information of his or her business interests and confirms, annually, that there are no relationships which interfere with the exercise of his or her independent business judgement with a view to the best interests of the Unitholders as a whole, and such information is then reviewed by the NRC and tabled to the Board; and
(ii) the Board also reflects on the respective independent Directors' conduct and contributions at Board and Board Committee meetings, in particular, whether the relevant independent Director has exercised independent judgement in discharging his or her duties and responsibilities.

Each independent Director is required to recuse himself or herself from the Board's deliberations on his or her independence. In appropriate cases, the Board also reviews the independence of an independent Director as and when there is a change of circumstances involving the independent Director. In this regard, an independent Director is required to report to the Manager when there is any change of circumstances which may affect his or her independence.

The Manager has also put in place procedures to deal with potential conflicts of issues and Related Party Transactions. Further details are set out in pages 134 to 136.

The NRC is charged with reviewing the "independence" status of the Directors annually and providing its views to the Board. The following further sets out the assessment of each Director's independence against the requirements under the SF(LCB) Regulations:

	Ms Ng Hsueh Ling[2,5]	Dr Tsui Kai Chong	Mrs Lee Ai Ming	Mr Simon John Perrott[3,5]	Mr Justin Marco Gabbani[4,5]
Independent from Management and LREIT during FY2023	-	✓	✓	✓	-
Independent from any business relationship with the Manager and LREIT during FY2023	-	✓	✓	✓	-
Independent from every substantial shareholder of the Manager and every substantial unitholder of LREIT during FY2023	-	✓	✓	-	-
Not a substantial shareholder of the Manager or a substantial unitholder of LREIT during FY2023	✓	✓	✓	✓	✓
Not served as a Director of the Manager for a continuous period of nine years or longer as at the last day of FY2023	✓	✓	✓	✓	✓

Annual Review of Directors' Time Commitments

The NRC also determines annually whether a Director with other listed company board representations and other principal commitments is able to and has been adequately carrying out his or her duties as a Director of the Manager. The NRC took into account the assessment results in the evaluation of the effectiveness of the individual Director, and the respective Directors' conduct on the Board and the competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments, in making this determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties as Directors notwithstanding their other listed company board representations and other principal commitments.

[2] During FY2023, Ms Ng Hsueh Ling was the Managing Director and Country Head, Singapore, Lendlease Group, and also a director of Lendlease Retail Pte. Ltd., Lendlease Singapore Pte. Ltd. and Lendlease Investment Management Pte. Ltd. ("**LLIM**"), all of which are related corporations of the Sponsor. As such, during FY2023, pursuant to the SF(LCB) Regulations, Ms Ng was deemed (i) to have a management relationship with the Manager and LREIT; (ii) to have a business relationship with the Manager and LREIT; and (iii) to be connected to a substantial shareholder of the Manager and a substantial unitholder of LREIT. The Board is satisfied that, as at the last day of FY2023, Ms Ng was able to act in the best interests of all the Unitholders as a whole. Ms Ng has stepped down as Chairperson and Director of the Manager since 8 August 2023.

[3] Mr Simon John Perrott is an independent non-executive Director, chairperson of the board (appointed on 30 June 2023) and a member of the Audit and Risk Management Committee of Lendlease Real Estate Investments Limited ("**LLREIL**"), which is a wholly-owned subsidiary of the substantial shareholder of the Manager and substantial unitholder of LREIT, namely the Sponsor. As such, during FY2023, pursuant to the SF(LCB) Regulations, Mr Perrott was deemed to be connected to a substantial shareholder of the Manager and a substantial unitholder of LREIT. Taking into consideration (i) Mr Perrott having declared that (a) he serves in his personal capacity as an independent non-executive director, the chairperson of the board and a member of the Audit and Risk Management Committee of LLREIL, and (b) he is not in any employment relationship with the Sponsor, Lendlease Trust and their subsidiaries (the "**Lendlease Group**") and is not under any obligation to act in accordance with the directions, instructions or wishes of the Lendlease Group, and (ii) the instances of constructive challenge and probing of Management by Mr Perrott at the Board and the Board committee meetings of the Manager, the Board is satisfied that, as at the last day of FY2023, Mr Perrott was able to act in the best interests of all the Unitholders as a whole and is therefore an independent director of the Manager and is also considered independent under the Code of Corporate Governance 2018 as well.

[4] Mr Justin Marco Gabbani is the CEO, Asia, Lendlease Group and a director of LLIM and Lendlease Asia Holdings Pte. Ltd., both of which are related corporations of the Sponsor. As such, during FY2023, pursuant to the SF(LCB) Regulations, Mr Gabbani is deemed (i) to have a management relationship with the Manager and LREIT; (ii) to have a business relationship with the Manager and LREIT; and (iii) to be connected to a substantial shareholder of the Manager and a substantial unitholder of LREIT. The Board is satisfied that, as at the last day of FY2023, Mr Gabbani was able to act in the best interests of all the Unitholders as a whole.

[5] As at the last day of FY2023, each of the above mentioned Directors was able to act in the best interests of all the Unitholders as a whole.

Corporate Governance

Key Information Regarding Directors

The following key information regarding Directors is set out in the following pages of this Annual Report:

Pages 14 and 15: Academic and professional qualifications, Board Committees served on (as a member or chairperson), date of appointment as a Director, date of last re-endorsement as a Director, present directorships in other listed companies, present principal commitments and past directorships in other listed companies held over the preceding three years, background and working experience and Page 222: Unitholdings in LREIT as at 21 July 2023.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

With the assistance and recommendation of the NRC, the Board has implemented formal processes for assessing the effectiveness of the Board as a whole and its Board Committees, as well as the contribution by each individual Director to the effectiveness of the Board. The assessment processes and performance criteria are set out in the Appendix hereto.

The Board assessment exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes allow him or her to discharge his or her duties effectively and the changes which should be made to enhance the effectiveness of the Board and/or Board Committees. The assessment exercise also helps the Directors to focus on their key responsibilities. In FY2022, the Board appointed an external facilitator to facilitate the evaluation process for the Board, the Board Committees and individual Directors. The Board plans to appoint an external facilitator to facilitate the evaluation process once every three years. The Board believes that the use of an external facilitator would enhance the quality and objectivity of the evaluation. For FY2023, no external facilitator was appointed.

As part of the process, questionnaires are sent to the Directors. The assessment results are aggregated and reported to the NRC for review, and thereafter the Board. The findings are considered by the Board and follow-up action is taken where necessary with a view to enhancing the effectiveness of the Board, Board Committees and individual Directors in the discharge of its and their duties and responsibilities.

Board and Board Committees

The assessment categories covered in the questionnaire include Board composition, Board independence, Board process, Board committees, internal controls and risk management, Board accountability, Board information, relations with the CEO and Management, standards of conduct and Board's and Committees' performance. As part of the questionnaire, the Board also considers whether the creation of value for Unitholders has been taken into account in the decision-making process.

Individual Directors

The assessment categories covered in the questionnaire include Director's duties and responsibilities, interactive skills, knowledge and domain expertise and availability.

The Board also recognises that contributions by an individual Director can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and Board Committee meetings.

Board Evaluation as an Ongoing Process

The Board believes that performance assessment should be an ongoing process. The regular interactions between the Directors, and between the Directors and Management, also contribute to this ongoing process. Through this process of engaging its members, the Board also benefits from an understanding of shared norms between Directors which also contributes to a positive Board culture. The collective Board performance and the contributions of individual Directors are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering LREIT in the appropriate direction, as well as the long-term performance of LREIT whether under favourable or challenging market conditions.

Remuneration Matters

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The composition of the NRC has been set out on page 121 of this Annual Report. As at 30 June 2023, the NRC comprised of four non-executive Directors, a majority of whom, including the chairperson of the NRC, are independent Directors.

The NRC is responsible for ensuring a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and key management personnel. The NRC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate the Directors to provide good stewardship of the Manager and key management personnel to successfully manage LREIT for the long term, and thereby maximise Unitholders' value. The NRC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, and grant of units in LREIT ("**Units**")) and the specific remuneration packages for each Director and key management personnel. The NRC also reviews the remuneration of key management personnel of the Manager and the administration of the Manager's Unit-based incentive plans. In addition, the NRC reviews the Manager's obligations arising in the event of termination of the key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The NRC has access to expert advice from external consultants where required. It will ensure that in the event of such advice being sought, existing relationships, if any, between the Manager and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. In FY2023, Willis Towers Watson was appointed as independent remuneration consultant to provide professional advice on executive remuneration. Willis Towers Watson is a leading global advisory, broking and solutions company with over 45,000 employees serving more than 140 countries and markets. The independent remuneration consultant is not related to the Manager, its controlling shareholder, related corporations or any of its Directors.

In reviewing policies on remuneration and determining the remuneration packages for key management personnel, the NRC takes into consideration appropriate compensation benchmarks within the industry, so as to ensure that the remuneration packages payable to key management personnel are competitive and in line with the objectives of the remuneration policies. It also considers the compensation framework of the Sponsor as a point of reference. The Manager is an indirect wholly-owned subsidiary of the Sponsor which also holds a significant stake in LREIT. The association with the Sponsor puts the Manager in a better position to attract and retain better qualified management talent. Additionally, it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities.

The framework for determining the Directors' fees is shown in the table below:

	Chairperson	Director	Member
Main Board	$110,000 per annum	$60,000 per annum	-
Audit and Risk Committee	$40,000 per annum	-	$25,000 per annum
Nomination and Remuneration Committee	$25,000 per annum	-	$10,000 per annum

Annual Remuneration Report

Although the remuneration of the Directors and employees of the Manager is paid by the Manager and not by LREIT, the Manager is disclosing the following information on the remuneration of its Directors and key management personnel.

Additional information on remuneration matters is disclosed in accordance with the AIFMD in compliance with the requirements of the AIFMD.

Corporate Governance

Policy in Respect of Non-Executive Directors' Remuneration

Each Director is paid a basic fee and an additional fee for services performed on Board Committees, as per the framework above. The Chairperson and the chairperson of each Board Committee are paid a higher fee compared with members of the Board and of such Board Committee in view of the greater responsibility carried by that office. The non-executive Directors are also entitled to an attendance fee for attending Board and Board Committee meetings (the "**Attendance Fee**"). The Attendance Fee may differ depending on whether attendance is in person or by telephone or audio or video conference.

For FY2023, each of the Directors (including the Chairperson) will receive 100% of his/her total Directors' fees in cash. The remuneration of the non-executive Directors is benchmarked against market and appropriate to the level of contribution, taking into account the effort, time spent and demanding responsibilities on the part of the Directors in light of the scale, complexity and scope of LREIT's business.

Remuneration Policy in Respect of Key Management Personnel

The Manager advocates a performance-based remuneration system that is highly flexible and responsive to the market, corporate and individual performance.

In designing the remuneration structure, the NRC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in achieving a balance between current versus long-term remuneration and between cash versus equity incentive remuneration.

The NRC has approved a total remuneration structure reflecting four key objectives:

(i) alignment of interests: To incorporate performance measures that are aligned to Unitholders' interests;
(ii) alignment of horizon: To motivate employees and Management to drive sustainable long-term growth of LREIT;
(iii) simplicity: To ensure that the remuneration structure is easy to understand and communicate to stakeholders; and
(iv) retention: To facilitate talent retention.

The total remuneration mix comprises three components – annual fixed pay, annual performance bonus and unit incentive plan. The annual fixed pay component comprises the annual basic salary plus any other fixed allowances which the Manager benchmarks with the relevant industry market data. The size of the Manager's annual performance bonus pot is mainly determined by LREIT's financial and non-financial performance, and is distributed to employees based on individual performance.

There are two types of unit incentive plans: the executive short-term incentive plan ("**ExSTI Plan**") and the Management short-term incentive plan ("**MSTI Plan**"). The ExSTI Plan and MSTI Plan (collectively, the "**Unit Plans**") have been put in place to increase the Manager's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term Unitholder value. The Unit Plans also aim to strengthen the Manager's competitiveness in attracting and retaining talented key management personnel and employees. The MSTI Plan applies to a broader base of key position holders while the ExSTI Plan applies to the top Management personnel who are of executive levels.

A portion of the annual performance bonus for the CEO, key management personnel and key position holders will be granted in the form of deferred Units that are awarded under the Unit Plans. The MSTI Plan comprises a service condition while the ExSTI Plan comprises both a service condition and performance targets, and vests over a longer-term horizon. Executives who have greater ability to influence strategic outcomes will be granted deferred Units under the ExSTI Plan and have a greater proportion of their overall remuneration at risk. Eligible employees of the Manager will be granted existing Units in LREIT that are owned by the Manager. Therefore, no new Units will be issued by LREIT to satisfy the grant of the Units under the Unit Plans.

The NRC has the discretion not to award variable incentives in any year if an executive is directly involved in a material restatement of financial statements or in misconduct resulting in restatement of financial statements or financial losses to LREIT or the Manager. Outstanding performance bonuses are also subject to the NRC's discretionary review.

The NRC exercises broad discretion and independent judgement in ensuring that the amount and mix of remuneration are aligned with the interests of Unitholders and promote the long-term success of LREIT.

The remuneration structure is directly linked to corporate and individual performances, both in terms of financial and non-financial performances. It is linked in the following ways:

(1) by placing a significant portion of executive's remuneration at risk ("**at-risk component**") and subject to a vesting schedule and vesting conditions;
(2) by incorporating appropriate key performance indicators ("**KPIs**") for awarding annual incentives:
   a. there are five scorecard areas that the Manager has identified as key to measuring its performance:
      i. financial;
      ii. customers and stakeholders;
      iii. sustainability and compliance;
      iv. people; and
      v. safety.

      Some of the key sub-targets within each of the scorecard areas include key financial indicators, strategic and operational excellence, safety goals, risk management, compliance and controls measures, corporate social responsibility activities, employee engagement, talent development and succession planning;
   b. the five scorecard areas have been chosen because they support how the Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Manager's overall strategic goals. The NRC reviews and approves the scorecard annually;
(3) by selecting performance conditions such as relative total Unitholders' return for equity awards that are aligned with Unitholders' interests;
(4) by requiring those KPIs or conditions to be met in order for the at-risk component of remuneration to be awarded or to vest; and
(5) forfeiture of the at-risk component of remuneration when those KPIs or conditions are not met at a satisfactory level.

The NRC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in determining the remuneration structure, the NRC had taken into account the risk policies and risk tolerance of LREIT and the Manager as well as the time horizon of risks, and incorporated risks-adjustments into the remuneration structure through several initiatives, including but not limited to:

(i) prudent funding of annual performance bonus;
(ii) granting a portion of the annual performance bonus in the form of deferred Units, for the CEO, key management personnel and key position holders, to be awarded under the ExSTI Plan or the MSTI Plan;
(iii) vesting of deferred Units under the ExSTI Plan being subjected to performance conditions being met for the respective performance periods; and
(iv) potential forfeiture of variable incentives in any year due to misconduct.

The NRC is of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Manager's risk profile. In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions set forth above, have been met. The NRC is of the view that remuneration is aligned to performance in FY2023. The Directors, the CEO and the key management personnel (who are not Directors or the CEO) are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what have been disclosed.

The Non-Executive Directors, Mr Justin Marco Gabbani and Ms Ng Hsueh Ling, are eligible to receive shares of the Sponsor under the Sponsor's employee incentive plans as at FY2023 as part of their remuneration package as employees of the Lendlease Group in FY2023. Their holdings in shares of the Sponsor are not material. Accordingly, the award of the shares of the Sponsor to the Non-Executive Directors as part of their employee remuneration will not result in a misalignment of interests of these Directors with the long-term interests of the Unitholders. Furthermore, there is unlikely to be any potential misalignment of interests given that Mr Justin Marco Gabbani and Ms Ng Hsueh Ling acted as non-independent non-executive Directors in FY2023 and do not hold executive positions in the Manager. As non-independent Directors, they would in any event have to abstain from approving and recommending any Related Party Transactions (as defined herein) with an entity within the Lendlease Group, mitigating any potential misalignment of interests with those of Unitholders.

Other than disclosed above, the remuneration of the Directors and Management are not paid in the form of shares or interests in the Sponsor or its related entities and are not linked to the performance of any entity other than LREIT.

In order not to adversely affect the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where there is considerable risk of poaching of senior management, the Manager is disclosing the remuneration of the CEO in bands of S$250,000 and is not disclosing the aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO). The Manager is of the view that despite the deviation from Provision 8.1 and Provision 8.3 of the 2018 Code, and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management (Notice No: SFA4-N14), such disclosure or non-disclosure (as the case may be) will not be prejudicial to the interests of Unitholders as detailed information is provided on the Manager's remuneration framework, including the remuneration structure, the operation of the Unit Plans and the KPIs taken into account, to disclose to Unitholders the link between the remuneration paid to the CEO and its key management personnel, and performance as set out on pages 126 and 127 of this Annual Report. The Manager is accordingly of the view that its practice is consistent with the intent of Principle 8 of the 2018 Code as a whole.

Corporate Governance

Quantitative Remuneration Disclosure Under the AIFMD

The Manager is required under the AIFMD to make quantitative disclosures of remuneration. Disclosures are provided in relation to (a) the employees of the Manager, (b) employees who are senior management, and (c) employees who have the ability to materially affect the risk profile of LREIT.

All individuals included in the aggregated figures disclosed below are rewarded in line with the Manager's remuneration policies.

The aggregate amount of remuneration awarded by the Manager to its staff in respect of FY2023 was S$2.6 million. This figure comprised fixed pay of S$2.2 million and variable pay of S$0.4 million (including any Units issuable under the Unit Plans, where applicable). There was a total of 16 beneficiaries of the remuneration described above.

In respect of FY2023, the aggregate amount of remuneration awarded by the Manager to its senior management (who are also members of staff whose actions have a material impact on the risk profile of LREIT) was S$1.0 million, comprising two individuals identified having considered, among others, their roles and decision-making powers.

Level and Mix of Remuneration of Directors and Key Management Personnel for FY2023

Name of Director	Directors' Fees[6] (S$)	Percentage
Ms Ng Hsueh Ling[7]	141,000	100%
Dr Tsui Kai Chong	131,000	100%
Mrs Lee Ai Ming	131,000	100%
Mr Simon John Perrott	110,000	100%
Mr Justin Marco Gabbani[8]	103,500	100%

Remuneration of Employees who are Substantial Shareholders of the Manager, Substantial Unitholders of LREIT or Immediate Family Members of a Director, the Chief Executive Officer or a Substantial Shareholder of the Manager or Substantial Unitholder.

There are no employees of the Manager who are substantial shareholders of the Manager or substantial unitholders of LREIT or immediate family members of a Director, the CEO, a substantial shareholder of the Manager or a substantial unitholder of LREIT and whose remuneration exceeds S$100,000 during FY2023. "Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister and parent.

The level and mix of the remuneration of the CEO and each of the other key management personnel (who are not Directors of the Manager), in bands of S$250,000, are set out below:

Remuneration Band and Names of CEO and Key Management Personnel (who are not Directors of the Manager)[9]	Base/Fixed Salary[10]	Performance-related Cash Bonuses	Performance-related Unit-based Incentive Award[11]
S$500,000 to S$750,000			
Mr Kelvin Chow Chung Yip	64%	12%	24%
S$250,000 to S$500,000			
Mr Liaw Liang Huat Joshua[12]	100%	0%	0%

6 This is a lump-sum amount including both annual fees and attendance fees. Each of the Directors will receive 100% of his/her total Director's fee in cash.
7 Ms Ng Hsueh Ling's fees will be paid to LLIM, of which she had been an employee during FY2023. Ms Ng has stepped down as Chairperson and director of the Manager since 8 August 2023.
8 Mr Justin Marco Gabbani's fees will be paid to Lendlease Asia Holdings Pte. Ltd., of which he is an employee.
9 The Manager has less than five key management personnel other than the CEO.
10 The base/fixed salary was paid in cash.
11 Value of Deferred Unit Award is calculated based on face value.
12 Mr Liaw Liang Huat Joshua's last day of service with the Manager was 16 May 2023. Mr Liaw's remuneration has been prorated to the length of his service and excludes bonus and deferred units in respect of FY2023.

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The ARC assists the Board in examining the adequacy and effectiveness of LREIT's and the Manager's risk management system to ensure that a robust risk management system is maintained. The ARC also reviews and guides Management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, in order to safeguard Unitholders' interests and LREIT's assets. The ARC reports to the Board any material findings or recommendations in respect of significant risk matters.

The Board, with the concurrence of the ARC, is of the opinion that (a) there has been no material change in its risk of being subject to any sanctions-related law or regulation, and (b) the risk management system and system of internal controls in place as at FY2023 are adequate and effective to address in all material respects the financial, operational, compliance and information technology risks (including sanctions-related risks) within the current scope of LREIT's business operations and that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of LREIT.

Risk Assessment and Management of Business Risk

Recognising and managing risks timely and effectively is essential to the business of LREIT and for protecting Unitholders' interests and value. The Manager operates within overall guidelines and specific parameters set by the Board. Responsibility for managing risk lies with the Manager, working within the overall strategy outlined by the Board. The Manager has appointed an experienced and well-qualified Management to handle its day-to-day operations.

Management surfaces key risk issues for discussion and consults with the ARC and the Board regularly.

LREIT's Enterprise Risk Management framework ("**ERM Framework**") provides the Manager with a holistic and systematic approach to managing risks. In assessing business risk, the Board takes into consideration the economic environment and the risks relevant to the property industry. The Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. As a result, the Board determines the nature and extent of such risks identified in achieving LREIT's strategic objectives and value creation. Details of the Manager's approach to risk management and internal control and the management of key business risks are set out in the "Risk Management" section in pages 142 to 144 of this Annual Report.

The Manager has in place a framework to evaluate risk management (the "**Assessment Framework**") which was established to facilitate the Board's assessment on the adequacy and effectiveness of LREIT's and the Manager's risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of LREIT and the Manager, and assessments are made on the adequacy and effectiveness of such policies, processes and systems. The guiding principles and Assessment Framework are reviewed and updated annually.

Independent Review of Internal Controls

Deloitte & Touche Enterprise Risk Services Pte. Ltd., the internal auditors of LREIT (the "**Internal Auditors**" or "**Deloitte**"), and KPMG LLP, the external auditors of LREIT (the "**External Auditors**"), conduct an annual review of the adequacy and effectiveness of LREIT's and the Manager's material internal controls, including financial, operational, and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the ARC. The ARC also reviews the effectiveness of the actions taken by Management based on the recommendations made by the Internal Auditors and the External Auditors in this respect.

The Board, supported by the ARC, oversees LREIT's and the Manager's system of internal controls and risk management. The Board has received assurances from Mr Kelvin Chow Chung Yip, CEO, and Mr Victor Shen, Senior Finance Manager, that, amongst others:

(i) the financial records of LREIT and the Manager have been properly maintained and the financial statements give a true and fair view of the operations and finances of LREIT and the Manager;
(ii) the internal controls of LREIT and the Manager are adequate and effective to address the financial, operational, compliance and information technology risks which the Manager considers relevant and material to its current business scope and environment and that they are not aware of any material weakness in the system of internal controls; and
(iii) they are satisfied with the adequacy and effectiveness of LREIT's and the Manager's risk management system.

Corporate Governance

The last day of service of Mr Liaw Liang Huat Joshua, the previous Executive General Manager, Finance, with the Manager was 16 May 2023. As a new Executive General Manager, Finance of the Manager had not been appointed as at 30 June 2023, the Manager had arranged for Mr Victor Shen, the Senior Finance Manager, to provide the assurance on behalf of the finance function of the Manager. This is to ensure that the Manager's system of risk management and internal controls continues to be complied with in the manner best possible. As such, the Manager is of the view that despite this partial deviation from Provision 9.2(a) of the 2018 Code, its practice is consistent with the intent of Principle 9 of the 2018 Code as a whole. As announced on 30 June 2023, Ms Teo Lay Ting has been appointed as the new Executive General Manager, Finance of the Manager with effect from 1 July 2023.

The system of internal controls and risk management established by the Manager provides reasonable, but not absolute, assurance that LREIT and the Manager will not be adversely affected by any event that can be reasonably foreseen as the Manager strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Accountability and Audit

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The Board is responsible for providing a balanced and understandable assessment of LREIT's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators, if required.

The Board has embraced openness and transparency in the conduct of the Manager's affairs, whilst preserving the commercial interests of LREIT. Financial reports and other price sensitive information are disseminated to Unitholders through announcements via SGXNET to the SGX-ST, media releases and LREIT's corporate website at www.lendleaseglobalcommercialreit.com.

Audit and Risk Committee

The ARC has been appointed by the Board from among the Directors of the Manager and is composed of four non-executive Directors, a majority of whom (including the chairperson of the ARC) are independent Directors. The members are:

- Dr Tsui Kai Chong (ARC Chairperson)
- Mr Simon John Perrott
- Mrs Lee Ai Ming
- Mr Justin Marco Gabbani

At least two members of the ARC, including the ARC Chairperson, have recent and relevant accounting, or related financial management or risk management expertise or experience. Thus, the Board is of the view that all members of the ARC are suitably qualified to assist the Board in areas of internal controls, financial and accounting matters, compliance and risk management, including oversight over management in the design, implementation and monitoring of risk management and internal control systems.

In compliance with the 2018 Code, the ARC does not comprise any former partner or director of the incumbent External Auditors, within the previous two years or hold any financial interest in the auditing firm.

The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of the External Auditors and reviewing the adequacy and quality of external audits in respect of cost, scope and performance. The responsibilities of the ARC are disclosed in the Appendix hereto.

The ARC has the authority to investigate any matter within its terms of reference, full access to and cooperation by Management and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

A total of five ARC meetings were held in FY2023. In addition, the ARC met with the External Auditors and Internal Auditors once, without the presence of Management.

During the year, the ARC has performed independent reviews of the financial statements of LREIT before the announcement of LREIT's half-year and full-year results. In the process, the ARC reviewed the key areas of management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a significant impact on the financial statements.

The ARC also reviewed and approved both the Internal Auditors' and the External Auditors' plans to ensure that the scope of audit was sufficient for purposes of reviewing the significant internal controls of LREIT and the Manager. Such significant internal controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the Internal Auditors and the External Auditors were tabled to the ARC. Significant issues were discussed at the ARC meetings.

In addition, the ARC undertook a review of the independence and objectivity of the External Auditors through discussions with the External Auditors as well as reviewing the non-audit services fees paid to them, and has confirmed that the non-audit services performed by the External Auditors would not affect their independence.

For FY2023, an aggregate amount of S$279,500, comprising non-audit service fees of S$6,100 and audit service fees of S$273,400 was paid/payable to the External Auditors of LREIT.

Cognisant that the External Auditors should be free from any business or other relationships with LREIT that could materially interfere with their ability to act with integrity and objectivity, the ARC undertook a review of the independence of the External Auditors and gave careful consideration to LREIT's relationships with them in FY2023. In determining the independence of the External Auditors, the ARC reviewed all aspects of LREIT's relationships with them including safeguards adopted by the Manager and the External Auditors relating to auditor independence. The ARC also considered the nature of the provision of the non-audit services in FY2023 and the corresponding fees and ensured that the fees for such non-audit services did not impair or threaten auditor independence. Based on the review, the ARC is of the opinion that the External Auditors are, and are perceived to be, independent for the purpose of LREIT's statutory financial audit.

LREIT has complied with Rule 712 and Rule 715 read with Rule 716 of the Listing Manual in relation to the appointment of its auditing firms.

The ARC also reviewed the independence and performance of the internal audit function and was satisfied that the Internal Auditors were independent, effective and adequately resourced to perform its functions, and had appropriate standing within the Manager.

The ARC is responsible for oversight and monitoring of whistleblowing. The ARC reviewed LREIT's Whistleblowing Policy (the "**Whistleblowing Policy**") which provides the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. To facilitate the management of incidences of alleged fraud or other misconduct, the ARC follows a set of guidelines to ensure proper conduct of investigations and appropriate closure actions following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence.

In addition, the ARC reviews the Whistleblowing Policy annually to ensure that the arrangements in place are most expedient and efficient for reporting any possible improprieties. The details of the Whistleblowing Policy are set out in page 139 of this Annual Report.

The ARC members are kept updated whenever there are changes to the financial reporting standards or issues that may have an impact on the financial statements of LREIT.

Role and Duties of Internal Auditors

For FY2023, the internal audit function of LREIT and the Manager was outsourced to Deloitte, a member firm of Deloitte Touche Tohmatsu Limited.

The Internal Auditors are independent of Management and report directly to the ARC on audit matters and to Management on administrative matters. The ARC is satisfied that the Internal Auditors had met the standards set by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The ARC has assessed the adequacy of the Internal Auditors and is of the view that the Internal Auditors had the relevant qualifications, appropriate standing within the Manager and adequate resources to perform its functions effectively. The Internal Auditors have also maintained their independence from the activities that they audit and had unfettered access to LREIT's and the Manager's documents, records, properties and personnel, including the ARC.

The role of the Internal Auditors is to provide independent assurance to the ARC to ensure that LREIT and the Manager maintain a sound system of internal controls by performing risk-based reviews on the key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC, and conducting regular in-depth audits of high-risk areas.

During the year, the Internal Auditors adopted a risk-based approach to audit planning and execution that focuses on significant risks, including financial, operational, compliance and information technology risks. An annual audit plan is developed using a structured risk and control assessment framework. The internal audit plan is submitted to the ARC for review and approval prior to the commencement of the internal audit of each year. A summary of the internal auditor's report is extended to the ARC, the CEO and Executive General Manager, Finance of the Manager. To ensure timely and proper closure of audit findings, the status of the implementation of the actions agreed by Management is tracked and discussed with the ARC.

The Internal Auditors had also maintained their independence from the activities that they audit and had unfettered access to all LREIT's documents, records, properties and personnel, including the ARC. The ARC approves the appointment, removal, evaluation and fees of the Internal Auditors, and conducts an assessment of the Internal Auditors' performance during re-appointments.

Corporate Governance

Key Audit Matter

The ARC reviewed the valuation of investment properties, being the key audit matter as reported by the External Auditors for FY2023. The ARC reviewed the methodologies, assumptions and outcomes and discussed the detailed analysis of asset valuation with Management. The ARC also considered the findings of the External Auditor, including their assessment of the appropriateness of the valuation methodologies and key assumptions applied in the valuation of the investment properties.

The ARC was satisfied with the appropriateness of the valuation methodologies and assumptions applied across all investment properties as disclosed in the financial statements.

Unitholder Rights, Conduct of General Meetings and Engagement with Unitholders and Stakeholders

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Investor Relations

In addition to the matters mentioned above in relation to "Accountability and Audit", the Manager maintains regular and two-way communication with Unitholders to share views and address any queries on LREIT's operating performance and business strategies. In FY2023, the Manager conducted a hybrid of virtual conferences and in-person meetings with over 500 institutional and retail investors including analysts through participation in one-on-one conferences, post-results investor briefings and non-deal roadshows. More details of the Manager's investor relations activities and efforts including its engagement with the stakeholders are set out on pages 62 to 65 of this Annual Report.

The Manager has in place a Unitholders' Communication and Investor Relations Policy (the "**Investor Relations Policy**") which sets out the principles and practices that the Manager applies in its outreach to the investor community. The Investor Relations Policy promotes regular, effective and fair communication through full disclosure of material information. Material information is disclosed in a comprehensive, accurate and timely manner through the SGX-ST via SGXNET, LREIT's corporate website and/or media releases. The Manager ensures that unpublished price sensitive information is not selectively disclosed, and if on the rare occasion when such information is inadvertently disclosed, it will immediately be released to the public through the SGX-ST via SGXNET, LREIT's corporate website and/or media releases.

Unitholders are also kept abreast of the latest announcements and updates on LREIT via LREIT's website. Unitholders and members of the public can post questions via the enquiry webpage or to the investor relations contact available on LREIT's website.

General Meetings

The AGM held for FY2022 was conducted via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Temporary Measures Order**"). Unitholders were encouraged to submit their questions ahead of the AGM and register to view the live webcast of the meeting's proceedings to facilitate Unitholders' participation. The responses to relevant and substantial questions from Unitholders were subsequently published on SGXNET and made available on LREIT's website prior to the AGM. All resolutions were polled and an independent scrutineer was appointed to verify the votes, validate the voting procedures and oversee the process. The minutes were published on SGXNET and LREIT's website within one month from the date of the meeting.

Unitholders are informed of Unitholders' meetings through notices of meetings sent to all Unitholders. The Manager ensures that Unitholders are able to participate effectively and vote at the general meetings. Unitholders are invited to such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any Unitholder is unable to attend, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance. Where a Unitholder is a relevant intermediary (including but not limited to, a nominee company or a custodian bank), such Unitholder may appoint more than one proxy to vote on its behalf at the meeting through proxy forms sent in advance and each proxy exercises the rights attached to a different Unit or Units held by it (the number of Units and class shall be specified).

At Unitholders' meetings, each distinct issue is proposed as a separate resolution, unless the resolutions are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Manager will explain the reasons and material implications in the notice of meeting. Each resolution at the general meetings will be voted on by way of electronic poll voting. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages is made after each poll is conducted. The total number of votes cast for or against each resolution and the respective percentages are also announced in a timely manner after the Unitholders' meetings through the SGX-ST via SGXNET.

Where possible, all the Directors will attend Unitholders' meetings. In particular, the Chairperson and the respective chairperson of the ARC and the NRC are required to be present to address questions at general meetings. The External Auditors will also be present at such meetings to assist the Directors with Unitholders' queries, where necessary. For FY2023, all Directors attended the AGM of LREIT.

The Manager is not implementing absentia voting methods (as required under Provision 11.4 of the 2018 Code) such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. The Manager is of the view that despite this deviation from Provision 11.4 of the 2018 Code, its practice is consistent with the intent of Principle 11 of the 2018 Code as Unitholders have opportunities to communicate their views on matters affecting LREIT even when they are not in attendance at general meetings, through the enquiry page and investor relations contact indicated on LREIT's website within one month before the date of the general meeting.

The Company Secretaries prepare the minutes of Unitholders' meetings, which incorporate substantial and relevant comments or queries from Unitholders and responses from the Board and Management. These minutes will be published on SGX-ST via SGXNET and LREIT's website within one month from the date of Unitholders' meetings.

Distribution Policy

LREIT makes distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Under the Trust Deed, the Manager shall pay distributions no later than 90 days after the end of each distribution period.

On 7 February 2023, the Manager announced the establishment of a distribution reinvestment plan ("**DRP**"), pursuant to which Unitholders may elect to receive fully paid new units in LREIT in respect of all or part only (where applicable) of the cash amount of any distribution to which the DRP applies. The DRP provides Unitholders the option to receive their distribution to which the DRP applies in the form of fully-paid new Units instead of cash, or a combination of fully-paid new Units and cash.

The DRP may be applied from time to time to any distribution declared by LREIT as the Manager may determine in its absolute discretion. The Manager will make an announcement whenever it decides to apply the DRP to a particular distribution, and such announcement will contain, among others, (a) the procedures, timeline and other relevant details in relation to the application of the DRP to such distribution and (b) details on whether LREIT is relying on a general mandate or specific Unitholders' approval for the issue of New Units under the DRP.

Managing Stakeholder Relationships

The Board's responsibility includes considering sustainability as part of its strategic formulation. The Manager adopts an inclusive approach for LREIT by considering and balancing the needs and interests of material stakeholders, as part of the overall strategy to ensure that the best interests of LREIT are served. The Manager is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in LREIT's business strategies and operations. The Manager has arrangements in place to identify and engage with material stakeholder groups from time to time to gather feedback on the sustainability issues most important to them. On an annual basis, the Board will review LREIT's Sustainability Strategy and provide leadership oversight on sustainability matters. As a Group, LREIT is a signatory under the Principles of Responsible Investment (PRI) where it commits to actions outlined in the signed Responsible Property Investment Policy Statement, which will be published on its website annually. More details of LREIT's sustainability strategy and stakeholder engagement can be found on pages 71 to 73 of this Annual Report.

Corporate Governance

Securities Transactions

Dealings in Units

The Manager has issued guidelines on dealing in the Units. These pertain to the existence of insider trading laws and the rules and regulations with regard to dealings in the Units by the Directors and officers of the Manager. The Manager has also adopted the best practices on securities dealings issued by the SGX-ST. In compliance with Rule 1207(19) of the Listing Manual on best practices on dealing in securities, the Manager issues notices to its Directors and officers informing that the Manager and its officers must not deal in listed securities of LREIT one month before the release of the full-year results and semi-annual results (if LREIT does not announce its quarterly financial statements) and two weeks before the release of quarterly results (if LREIT announces its quarterly financial statements, whether required by the SGX-ST or otherwise), and if they are in possession of unpublished price-sensitive information. The Manager's officers are also informed that they should not deal in LREIT's securities on short-term considerations.

Conflicts of Interests

The Manager is required to prioritise Unitholders' interests over those of the Manager and its shareholders in the event of a conflict of interests. The Manager has in place a Conflicts of Interest Procedure, instituting the following procedures to deal with potential conflict of interests issues:

(1) the Manager will not manage any other REIT which invests in the same types of properties as LREIT;
(2) all executive officers will be working exclusively for the Manager and will not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager or LREIT;
(3) all resolutions in writing of the Directors in relation to matters concerning LREIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one independent Director;
(4) at least one third of the Board shall comprise independent Directors if Unitholders have the right to vote on the endorsement of directors to the Board and at least half of the Board shall comprise independent directors if Unitholders do not have the right to vote on the endorsement of directors to the Board, provided that where (i) the Chairperson and the CEO is the same person, (ii) the Chairperson and the CEO are immediate family members, (iii) the Chairperson is part of Management or (iv) the Chairperson is not an independent Director, majority of the Board shall comprise independent directors;
(5) in respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;
(6) in respect of matters in which the Lendlease Group has an interest, direct or indirect, any nominees appointed by the Lendlease Group to the Board to represent its interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise a majority of the independent Directors and must exclude nominee directors of the Lendlease Group;
(7) save as to resolutions relating to the removal of the Manager, the Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the Manager and/or any of its associates has a material interest and for so long as the Manager is the manager of LREIT, the controlling shareholders of the Manager and any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Manager and/or any of its associates have a material interest; and
(8) it is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of LREIT with a Related Party (meaning any "interested person" as defined in the Listing Manual and/or, as the case may be, an "interested party" as defined in the Property Funds Appendix) of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of LREIT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement[13]. The Directors (including the independent Directors) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of LREIT with a Related Party of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

[13] The Manager will apply this to agreements entered into between LREIT and its subsidiaries, and Related Parties (which shall include, for example, investment agreements and property management agreements).

Lendlease Group Code of Conduct

The Manager follows the Lendlease Group's Code of Conduct Policy (the "**Code of Conduct Policy**") which explains the standards the Lendlease Group expects in the conduct of its business and operations. The Code of Conduct Policy supports the Lendlease Group's core values of Respect, Integrity, Innovation, Collaboration, Excellence and Trust, especially Integrity (which "**is non-negotiable**") and links these values to more specific global, regional and local business procedures. The Code of Conduct Policy is supplemented by a Lendlease employee conduct guide (the "**Employee Conduct Guide**"), which aims to explain more clearly the standards and expectations required by all employees every day.

The Code of Conduct Policy sets out the standards of conduct and ethics expected of its business and people, regardless of location, addressing matters such as compliance with laws, operational safety, conflicts of interest, insider trading, corrupt conduct, fair and equal treatment of employees, sustainability practices and political donations. It is clear from the Code of Conduct Policy that the Lendlease Group prohibits all forms of bribery and corrupt conduct, including the offering of bribes or "facilitation payments" to anyone, and the Employee Conduct Guide sets out the key rules to be followed by the employees. The Employee Conduct Guide also provides information on gifts and entertainment, government relations and money laundering as a complement to the bribery and corruption section. The Employee Conduct Guide further sets out that Lendlease is committed to maintaining high ethical standards, excellence, integrity and respect in all business relationships, and encourages employees to speak up if they are concerned whether an action is legal or ethical, or in line with Lendlease's core values and Code of Conduct Policy.

The Lendlease Group also has in place a Consequence Management Framework which establishes oversight on the conduct of all Lendlease employees. Where applicable, investigations into alleged misconducts are carried out by independent units/personnel with the relevant expertise or appointed external investigators. Proper frameworks also exist to determine the severity of each misconduct and the corresponding disciplinary actions or escalation to the Business Integrity Committee, as appropriate.

The Code of Conduct Policy and Employee Conduct Guide are published on the intranet which is accessible by all employees of the Manager. New employees of the Manager are trained on the Code of Conduct Policy when they join the Manager. Further, it is mandatory for all employees of the Manager to complete an annual recertification training on the Code of Conduct Policy to ensure awareness and continuous compliance when working as an employee of the Manager.

Related Party Transactions

"Related Party Transactions" in this Annual Report refers to "Interested Person Transactions" under the Listing Manual and "Interested Party Transactions" under the Property Funds Appendix. Rule 904(4)(b) of the Listing Manual provides that in the case of a REIT, the definition of "Interested Person" shall have the same meaning as the definition of "Interested Party" in the Property Funds Appendix.

In general, transactions between:

- an entity at risk (in this case, the Trustee (acting in its capacity as trustee of LREIT) or any of the subsidiaries or associated companies of LREIT); and
- any of the Interested Parties, being:
  - (i) a director, chief executive officer or controlling shareholder of the Manager, or the Manager, the Trustee (acting in its personal capacity) or controlling Unitholder; or
  - (ii) an associate of any of the persons or entities in (i) above,

would constitute an Interested Person Transaction.

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all Related Party Transactions are undertaken on normal commercial terms and will not be prejudicial to the interests of LREIT and the Unitholders.

As a general rule, the Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria. This may entail obtaining (where practicable) quotations from parties unrelated to the Manager or obtaining two valuations from independent professional valuers (in compliance with the Property Funds Appendix).

The Manager maintains a register to record all Related Party Transactions which are entered into by LREIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

Corporate Governance

The Manager also incorporated into its internal audit plan a review of all Related Party Transactions entered into by LREIT. The ARC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review may also include a review of any other such documents or matter as may be deemed necessary by the ARC. If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Further, the following procedures will be undertaken:

(i) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the value of LREIT's net tangible assets will be subject to review and approval by the ARC;
(ii) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of LREIT's net tangible assets will be subject to the review and approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and are not prejudicial to the interests of LREIT and its Unitholders and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
(iii) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of LREIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Pursuant to the Listing Manual, transactions with a value below S$100,000 are disregarded for the purpose of the announcement and Unitholders' approval requirements under the Listing Manual as set out in the paragraph above. Accordingly, such transactions are excluded from aggregation with other transactions involving the same Related Parties.

Where matters concerning LREIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of LREIT with a Related Party of the Manager of LREIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of LREIT and the Unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of LREIT or the Manager. If the Trustee is to sign any contract with a Related Party of the Manager or the Trustee, the Trustee will review the contract to ensure that it complies with the relevant requirements relating to Related Party Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST that apply to REITs.

LREIT will comply with Rule 905 of the Listing Manual by announcing any Interested Person transaction in accordance with the Listing Manual if the value of such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person during the same financial year, is 3.0% or more of LREIT's latest audited net tangible assets.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year is disclosed in LREIT's Annual Report for the relevant financial year.

Role of the Audit and Risk Committee for Related Party Transactions

The ARC reviews all Related Party Transactions quarterly to ensure compliance with the Manager's internal control system, the relevant provisions of the Listing Manual, and the Property Funds Appendix. The review may also include review of any other such documents or matter as may be deemed necessary by the ARC.

If a member of the ARC has an interest in a transaction, he/she is to abstain from participating in the review and approval process in relation to that transaction.

APPENDIX

Board Committees – Responsibilities

(A) Audit and Risk Committee
Under its terms of reference, the ARC's scope of duties and responsibilities include:

(1) monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" ("**Interested Person Transactions**") and the provisions of the Property Funds Appendix relating to "interested party transactions" ("**Interested Party Transactions**", and together with Interested Person Transactions, "**Related Party Transactions**");
(2) reviewing transactions constituting Related Party Transactions (including renewals of such transactions);
(3) deliberating on conflicts of interest situations involving LREIT, including (i) situations where the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of LREIT with a Related Party (as defined herein) of the Manager, (ii) reviewing any compensation payable to the Trustee arising from such a breach of an agreement with a Related Party of the Manager, and (iii) where the Directors, controlling shareholder of the Manager and their associates are involved in the management of or have shareholding interests in similar or related business as the Manager, and in such situations, the ARC will monitor the investments by these individuals in LREIT's competitors, if any, and will make an assessment whether there is any potential conflict of interest;
(4) reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
(5) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of LREIT and any announcements relating to LREIT's financial performance;
(6) reviewing internal and external audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
(7) ensuring that the internal audit and accounting function is adequately resourced and has appropriate standing with LREIT;
(8) reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function and LREIT's risk management system;
(9) reviewing the adequacy, effectiveness, independence, scope and results of the Internal Auditors;
(10) reviewing the statements included in LREIT's annual report on LREIT's internal controls and risk management framework;
(11) monitoring the procedures in place to ensure compliance with applicable legislation, regulations, the Listing Manual and the Property Funds Appendix;
(12) reviewing the assurances from the CEO and the Executive General Manager, Finance on the financial records and financial statements;
(13) making recommendations to the Board on (i) the proposed appointment and removal of the External Auditors and (ii) the remuneration and terms of engagement of the External Auditors for the financial year;
(14) reviewing the adequacy, effectiveness, independence, scope and results of the External Auditors;
(15) reviewing the nature and extent of non-audit services performed by External Auditors;
(16) reviewing, on an annual basis, the independence and objectivity of the External Auditors;
(17) meeting with External Auditors and Internal Auditors, without the presence of the executive officers, at least on an annual basis;
(18) assisting the Board to oversee the formulation, updating and maintenance of an adequate and effective risk management framework;
(19) reviewing the system of internal controls including financial, operational, compliance and information technology controls (including sanctions-related risks) and risk management processes;
(20) providing oversight on workplace safety and health issues;
(21) reviewing the policy and arrangements by which staff of the Manager and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters, and for appropriate follow-up action to be taken;
(22) reviewing the financial statements and the internal audit report;
(23) reviewing and providing their views on all hedging policies and instruments to be implemented by LREIT to the Board;
(24) reviewing all hedging policies and procedures to be implemented by LREIT for the entry into of any hedging transactions (such as foreign exchange hedging and interest rate hedging) and monitor the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;
(25) investigating any matters within the ARC's terms of reference, whenever it deems necessary; and
(26) reporting to the Board on material matters, findings and recommendations.

Corporate Governance

(B) Nomination and Remuneration Committee

Under its terms of reference, the NRC's scope of duties and responsibilities include:

(1) reviewing succession plans for Directors, in particular the appointment and/or replacement of the Chairperson, the CEO and key management personnel of the Manager;
(2) developing the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
(3) reviewing training and professional development programmes for the Board and its Directors;
(4) making recommendations to the Board on the appointment and re-appointment of Directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an independent Director;
(5) determining annually, and as when circumstances require, if a Director is independent;
(6) deciding if a Director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the Director's principal commitments;
(7) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel;
(8) reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel; and
(9) reviewing LREIT's obligations arising in the event of termination of executive Directors' and key management personnel's contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous, and that all aspects of remuneration are fair.

Board, Board Committees, Self and Peers Assessment Evaluation Processes

Board and Board Committees

The Board evaluation comprises both formal and informal processes that encourages constructive and candid feedback from the Board members. As part of the formal process, each Board member would be required to complete an evaluation questionnaire. The responses will be compiled and a report will be prepared and presented to the NRC for consideration. Where appropriate, the NRC will propose recommendations with the objective of enhancing Board performance and effectiveness to the Board after reviewing the report presented. The Board will then consider and decide on the implementation of the NRC's recommendations.

Individual Directors

In the assessment of the performance of the Directors, each Director will be required to perform a self-assessment based on an agreed set of criteria. Based on the completed questionnaire, a consolidated report will be prepared and presented to the NRC. The NRC then reviews the feedback and makes recommendations to the Board for action.

Performance Criteria

The objective performance criteria for the board evaluation are in respect of board structure in terms of size, composition, independence and diversity, Board's and Committees' performance, Board accountability, Board process, internal controls and risk management, Board committees, Board information, relations with CEO and Management, standards of conduct and Board culture in terms of team dynamics within the Board. Based on the responses received, the Board continues to perform and fulfil its duties, responsibilities and performance objectives in accordance with the established Board processes of the Manager.

The individual Director's performance criteria are based on four criteria, namely:

(1) interactive skills;
(2) knowledge and domain expertise;
(3) duties and responsibilities; and
(4) availability.

Nature of Directors' Appointments and Membership on Board Committees for FY2023

Director	Board Membership	Board Committee Membership	
		Audit and Risk Committee	Nomination and Remuneration Committee
Ms Ng Hsueh Ling	Chairperson and Non-Independent Non-Executive Director	-	Member
Dr Tsui Kai Chong	Lead Independent Non-Executive Director	Chairperson	Member
Mrs Lee Ai Ming	Independent Non-Executive Director	Member	Chairperson
Mr Simon John Perrott	Independent Non-Executive Director	Member	Member
Mr Justin Marco Gabbani	Non-Independent Non-Executive Director	Member	-

Note:
Ms Ng Hsueh Ling has stepped down as Chairperson and director of the Manager since 8 August 2023.

Whistleblowing Policy

The Whistleblowing Policy was established to encourage employees, service providers and associates to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously, investigated appropriately and their confidentiality will be respected.

To facilitate reporting with the assurance that reports made will be managed and investigated objectively, the Manager has engaged the Chairperson of the ARC and General Counsel, Asia, Lendlease Group to provide an independent online reporting channel, details of which are available on LREIT's website. The online reporting channel facilitates the reporting of possible illegal, unethical, or improper conduct when the normal channels of communication have proven ineffective or difficult. They are available for use by all employees and outside parties, such as suppliers, contractors, tenants and other stakeholders, to report any concern regarding irregularities or questionable behaviour of employees, service providers or associates.

Reports will be received and reviewed by the Chairperson of the ARC who will determine the appropriate initial action. Reports are provided to relevant parties in the Manager at the level of senior management and to the ARC, unless the whistleblowing report is related to the senior management directly. Confidentiality around the identity of the reporter is maintained at all times, regardless of whether the report was made openly or anonymously. The Manager will not tolerate any retaliation towards employees who report concerns and any employees taking action in response to a report will be subject to the disciplinary procedure.

The Manager and the ARC are responsible for ensuring the maintenance, regular review and updating of the Whistleblowing Policy. Revisions, amendments and alterations to the Whistleblowing Policy can only be implemented with approval by the ARC and the Board of Directors.

Corporate Governance

Additional Information on Endorsement or Re-endorsement of Director

The information required under Rule 720(6) read with Appendix 7.4.1 of the Listing Manual in respect of Directors whom the Manager is seeking endorsement or re-endorsement by Unitholders at the annual general meeting to be held on 31 October 2023 is set out below.

Name	Mrs Lee Ai Ming
Date of Appointment	29 August 2019
Date of last endorsement or re-endorsement of appointment (as the case may be)	26 October 2020
Age	68
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	The NRC of the Manager has reviewed the qualifications and experience of Mrs Lee and recommended to the Board the re-endorsement of Mrs Lee as an Independent Non-Executive Director, chairperson of the NRC and a member of the ARC. The Board has considered the recommendation and assessment of the NRC on Mrs Lee's expertise, experience, age, background, diversity of skillsets, independence, contributions and commitment in the discharge of her duties as an Independent Non-Executive Director, chairperson of the NRC and a member of the ARC; and is satisfied that she will continue to contribute meaningfully to the Board, NRC and ARC; and approved the re-endorsement of Mrs Lee as the Independent Non-Executive Director, chairperson of NRC and a member of the ARC of the Manager. The seeking of re-endorsement of Directors to the Board is further explained on page 122 of this Annual Report.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title	Independent Non-Executive Director, chairperson of NRC and a member of the ARC.
Professional qualifications	Bachelor of Laws (Honours), National University of Singapore
Working experience and occupation(s) during the past 10 years	1982 to 2014 Deputy Managing Partner Dentons Rodyk & Davidson LLP
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 645,000 Units
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships	
Past (for the last 5 years)	• Addvison Pte Ltd • Agri-food & Veterinary Authority of Singapore • Dentons Rodyk & Davidson LLP (Partner) • HTL International Holdings Pte. Ltd. • Keppel Land Limited • Keppel Telecommunications & Transportation Ltd • Visodand Pte. Ltd.
Present (directorships)	Temasek Life Sciences Laboratory Limited
Present major appointments (other than directorships)	Senior Consultant, Dentons Rodyk & Davidson LLP

Information required pursuant to Appendix 7.4.1 of the Listing Manual	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:	
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

Risk Management

The Manager continues to recognise risk management as an integral part of operating LREIT's business in accordance with best practice principles in a manner that protects stakeholders, employees and corporate reputation.

LREIT's Enterprise Risk Management ("**ERM**") Framework sets out the ERM process and governance adopted by LREIT. The ERM Framework is adapted from ISO31000:2018 – Risk Management and guided by COSO Enterprise Risk Management Framework and other relevant best practices and guidelines. These guidelines specify the components needed to manage risks in an integrated, systematic and consistent manner. The ERM Framework is reviewed and updated annually to ensure continuous relevance to LREIT's operating environment and strategic objectives.

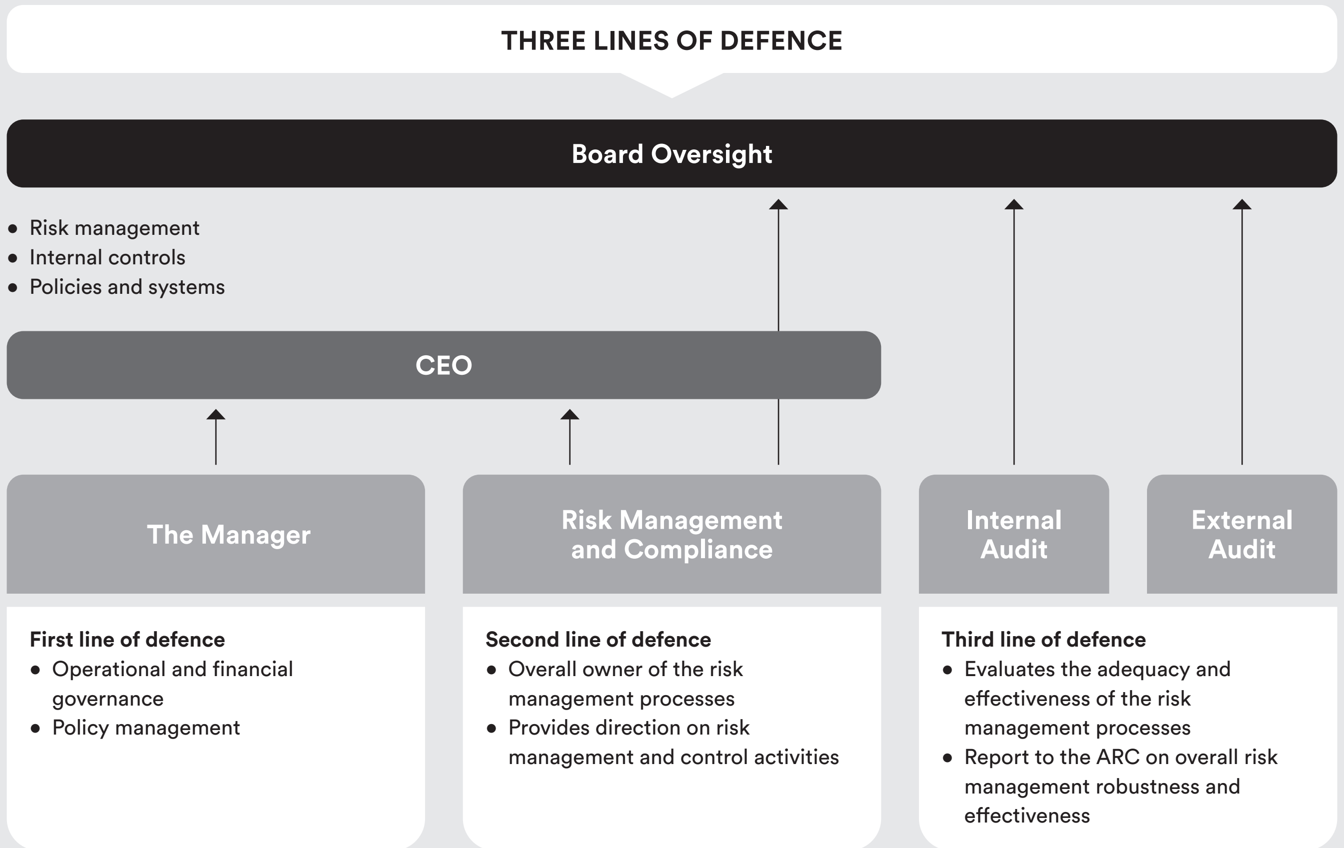
The Board is the principal governor of the ERM Framework and establishes the overall risk strategy and governance. It delegates the oversight responsibility of the ERM Framework to the ARC of the Manager, who is assisting the Board with overseeing risk management matters of LREIT and is accountable to the Board in establishing a robust risk management framework to safeguard LREIT's assets and address its strategic, financial, operational, health and safety, compliance, technology and climate risks ("**Risk Category**").

The Manager acknowledges that risk management should not only focus on reducing and minimising risks, it should also seek to preserve capital and ensure resilience to cyclical changes in business conditions. The ERM Framework applies as a structured process in formulating risk-based strategies and decisions across respective functions, identifying potential issues that may affect LREIT, managing risks to an acceptable level and within risk appetite as approved by the Board. It provides assurance to the Board that the framework is adequate and effective in mitigating the identified risks.

The Manager recognises that risk culture is one of the critical success factors of an effective risk management programme. Driving the desired risk culture starts with the tone set by the Board and senior management, cascading down to all staff within the organisation. Regular risk communications and trainings to internal stakeholders are necessary to build awareness, understanding and appreciation of risk management. The Board and senior management are committed to drive the right risk culture and mindset among all internal stakeholders.

LREIT ERM Governance

The diagram below sets out the ERM governance adopted by LREIT to ensure that overall ERM process and system of internal controls is robust across LREIT.



Details of Key Risks and Mitigation Actions

Risk Category	Details	Mitigation Actions
Strategic Risk	• Economic uncertainties and downturns in the markets where LREIT operates (or intends to operate) in could pose risks of decreasing profits, disrupted access to capital markets or increased counterparty risks, impacting on LREIT's ability to achieve its strategic goals.	• Close monitoring of macroeconomic trends and policy changes with assessment of relevant impacts on a regular basis. • Adopt a disciplined approach to financial management. • Evaluate all investments against a rigorous set of investment criteria with due diligence reviews undertaken including assessment of rental sustainability, sensitivity analysis and potentials for growth in yield and/or value creation. • The Board reviews and approves all investment decisions.
Financial Risk	• Potential risks of market illiquidity amidst financial downturns may pose challenges in securing funding to meet financial obligations, capital expenditure requirements or investments, leading to increased costs of funding and/or loss in investment opportunities. • Interest rates fluctuations expose LREIT to volatility in financing costs. • Unfavourable movements in foreign currencies against the Singapore Dollar may translate to a reduction in earnings.	• Maintain an appropriate debt maturity profile, adequate operating cash flows and available funding sources to ensure that there are sufficient financial resources to fund operations and initiatives. • Minimise over-reliance on a single source of funding for financing requirements. • Review and maintain an appropriate mix of exposures to floating and fixed borrowing rates (including through interest rate hedging). • Minimise the level of foreign exchange risks by entering into financial derivatives to hedge these risks, where possible.
Operational Risk	• Risks of business disruption due to occurrence of adverse external event (man-made and natural cause) and inadequate planning for business continuity and disaster recovery. • Potential conflict of interests risks due to competing interests between LREIT and its sponsor or related parties, potentially interfering with decision making and performance.	• Business Continuity Plan is in place, reviewed and updated from time to time. • LREIT's properties are properly insured in accordance with current industry practices. • Potential conflicts of interests are managed with segregation of duties between the Manager and its sponsor as well as implementation of conflict-of-interest policy which includes annual declaration by senior management (including Board members).
Health and Safety	• Failure to provide an environment which promotes safety, health and well-being, impacting on LREIT's ability to achieve corporate and social responsibilities.	• Implement Lendlease Group's Global Minimum Requirements ("**GMRs**") incorporating safety, health and well-being in work practices. • Mandatory training to understand how GMRs support continuous improvement of the safety environment at workplaces.

Risk Management

Risk Category	Details	Mitigation Actions
Compliance Risk	• Incurrence of liability or additional costs from non-compliance with key laws or regulations and/or the inability to respond to changing laws and regulations may lead to financial and reputational losses.	• Proactive stance to observe all laws and regulations on an ongoing basis, including the requirements of the listing manual of the SGX-ST, the Code on Collective Investment Schemes issued by the MAS and the provisions in the trust deed constituting LREIT dated 28 January 2019 (as amended). • Written corporate policies to facilitate staff awareness and minimise unintentional breach of applicable legislations and obligations. • Compliance with policies and procedures is always required. The policies will be reviewed by the Manager on an annual or biennial basis and are submitted to the ARC for review and to the Board for approval. • Keep abreast of material changes in relevant rules and regulations. Adopt guidance from the SGX-ST and MAS to provide timely disclosures during uncertain times for the investment community to make informed decisions.
Technology and Cyber Risk	• Risks on cybersecurity breaches to systems and data assets. • Ineffective/inefficient IT systems that are no longer supported by vendors, and/or are unable to support current and future business needs may compromise operations and data privacy regulations.	• Implement new systems with updated security protection and policies in place, to address the known cybersecurity threats at the point in time. • Tap into the expertise of the Information & Communication Team from the Lendlease Group to execute the risk management strategy through ongoing review against business environment and existing/evolving threat landscapes. • Conduct IT Security Awareness Training and internal phishing campaigns to continually raise the awareness of employees to stay vigilant on cybersecurity in the information security chain. • Periodical review by Lendlease Group and update IT Security Policy and Data Protection Framework to ensure relevancy.
Climate Risk	• Physical risks presented by extreme weather events such as urban flooding and heat wave. • Financial risks due to potential liabilities from adverse climate impacts. • Transitional risks as different stakeholders – governments, investors, suppliers, tenants and customers – respond unevenly to climate change.	• Adopt Lendlease Group's Sustainability Framework scenario planning to test strategic resilience across ESG outcomes, by using a range of environmental, social, technological, economic and policy indicators to create future climate scenarios. • Identify climate-related impacts under each scenario reflecting the potential transitional and financial risks that are pertinent to LREIT, as well as the opportunities that LREIT can tap into to enhance strategic resilience by mitigating these impacts. • Conduct climate-related risk assessments on LREIT's assets and integrate into acquisition process. • Adopt the recommendations set out by TCFD and remain committed to disclosing its climate-related risks and opportunities, including its climate change adaptation and resilience strategy, on an annual basis through LREIT's Sustainability Report.

Financials

FINANCIAL STATEMENTS

OTHER INFORMATION

Report of the Trustee

DBS Trustee Limited (the "**Trustee**") is under a duty to take into custody and hold the assets of Lendlease Global Commercial REIT ("**LREIT**") and its subsidiaries (collectively, the "**Group**") in trust for the holders ("**Unitholders**") of units in LREIT (the "**units**"). In accordance with the Securities and Futures Act 2001, its subsidiary legislation, the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the Listing Manual of Singapore Exchange Securities Trading Limited, the Trustee shall monitor the activities of Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**") for compliance with the limitations imposed on the investment and borrowing powers as set out in the provisions of the Trust Deed constituting LREIT dated 28 January 2019 (as amended)[1] between the Trustee and the Manager (the "**Trust Deed**") in each accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the year covered by these financial statements, set out on pages 152 to 218, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
12 September 2023

[1] As amended by the First Amending and Restating Deed dated 10 September 2019, the First Supplemental Deed dated 15 July 2020 and the Supplemental Deed of Retirement and Appointment of Trustee dated 20 May 2022.

Statement by the Manager

In the opinion of the directors of Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**"), the accompanying financial statements of Lendlease Global Commercial REIT ("**LREIT**") and its subsidiaries (the "**Group**") set out on pages 152 to 218, comprising the statements of financial position and portfolio statements of the Group and LREIT as at 30 June 2023, the consolidated statements of profit or loss and other comprehensive income and the distribution statement of the Group, the statements of movements in Unitholders' funds of the Group and LREIT, and the consolidated statement of cash flows of the Group for the year ended 30 June 2023, and the notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio statements of the Group and LREIT as at 30 June 2023, and the profit or loss and other comprehensive income and distributable income of the Group, movements in Unitholders' funds of the Group and LREIT, and cash flows of the Group for the year ended in accordance with International Financial Reporting Standards and the provisions of the Trust Deed dated 28 January 2019 (as amended) and the relevant requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and LREIT will be able to meet their respective financial obligations as and when they materialise.

For and on behalf of the Manager
Lendlease Global Commercial Trust Management Pte. Ltd.

Justin Gabbani
Chairperson and Non-Independent
Non-Executive Director

Tsui Kai Chong
Lead Independent Non-Executive Director

Singapore
12 September 2023

Independent Auditors' Report

Unitholders of Lendlease Global Commercial REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 28 January 2019 (as amended))

We have audited the consolidated financial statements of Lendlease Global Commercial REIT ("**LREIT**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group and the statement of financial position and portfolio statement of LREIT as at 30 June 2023, the consolidated statements of profit or loss and other comprehensive income, consolidated distribution statement, consolidated statement of movements in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of movements in Unitholders' funds of LREIT for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 152 to 218.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of movements in Unitholders' funds of LREIT present fairly, in all material respects, the consolidated financial position and consolidated portfolio statement of the Group and the financial position and portfolio statement of LREIT as at 30 June 2023, and the consolidated statements of profit or loss and other comprehensive income, consolidated distribution statement, consolidated statement of movements in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of movements in Unitholders' funds of LREIT for the year ended 30 June 2023 in accordance with International Financial Reporting Standards ("**IFRS**").

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties
(Refer to Note 5 to the financial statements)

Risk:

As at 30 June 2023, the Group owns a portfolio of investment properties comprising a leasehold interest in one retail mall ("**313@somerset**") and one integrated office and retail development ("**Jem**") located in Singapore (together, the "**Singapore Properties**") and a freehold interest in Sky Complex, comprising three office buildings located in Milan, Italy (the "**Milan Property**").

These investment properties are stated at their fair values based on valuations performed by independent external valuers engaged by the Group. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. These valuations are highly sensitive to the key assumptions made, which may be subject to estimation uncertainties.

Independent Auditors' Report

Unitholders of Lendlease Global Commercial REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 28 January 2019 (as amended))

Our response:

We assessed the Group's process for the selection of the external valuers, the determination of the scope of work of the external valuers, and the review and acceptance of the valuations reported by the external valuers. We evaluated the independence, objectivity and competency of the external valuers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We considered the appropriateness of the valuation methodologies applied against those applied by other valuers for similar property types, and the reasonableness of the key assumptions applied by the external valuers by benchmarking against industry data. Where the rates were outside the expected range, we undertook further procedures, held further discussions with the external valuers to understand the effects of additional factors considered in the valuations and corroborate with other evidence.

Our findings:

The Group has a structured process in appointing and instructing external valuers, and in reviewing and accepting their valuation results. The external valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out the work.

In determining the fair values of the Group's investment properties, the external valuers have adopted the Capitalisation Approach, Discounted Cash Flow Analysis and/or Direct Comparison Approach for the Singapore Properties and Discounted Cash Flow Analysis for the Milan Property. The reported fair values of the Singapore Properties were derived based on an average of the approaches used. The valuation methodologies used were consistent with generally accepted market practices.

The key assumptions applied were generally within the range of market data available as at 30 June 2023. Where the assumptions were outside the expected range, the additional factors considered by the external valuers were consistent with other corroborative evidence.

OTHER INFORMATION

Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

Unitholders of Lendlease Global Commercial REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 28 January 2019 (as amended))

RESPONSIBILITIES OF THE MANAGER FOR THE FINANCIAL STATEMENTS

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal controls as the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

Unitholders of Lendlease Global Commercial REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 28 January 2019 (as amended))

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Lee Chin Siang Barry.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
12 September 2023

Statements of Financial Position

As at 30 June 2023

		Group		LREIT	
	Note	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Non-current assets					
Intangible assets	4	128	–	128	–
Investment properties	5	3,642,854	3,593,332	3,214,000	3,121,000
Investment property under development	6	7,171	6,105	7,171	6,105
Investment in associates	7	7,758	14,511	–	–
Investment in subsidiaries	8	–	–	444,480	448,666
Equity instrument at fair value	9	85,784	–	85,784	–
Trade and other receivables	10	–	1,479	–	–
Other non-current assets	11	2,685	1,294	2,685	1,294
Derivative financial instruments	12	9,880	9,980	9,880	9,980
		3,756,260	3,626,701	3,764,128	3,587,045
Current assets					
Cash and cash equivalents	13	54,224	49,230	37,662	32,373
Trade and other receivables	10	4,049	16,820	2,297	13,153
Other current assets	14	6,888	6,798	6,603	6,481
Derivative financial instruments	12	4,930	2,415	4,930	2,415
		70,091	75,263	51,492	54,422
Total assets		3,826,351	3,701,964	3,815,620	3,641,467
Current liabilities					
Trade and other payables	15	58,135	56,120	52,507	51,824
Loans and borrowings	16	433,611	297,754	433,611	297,754
Lease liability	17	238	234	238	234
Derivative financial instruments	12	369	–	369	–
		492,353	354,108	486,725	349,812
Non-current liabilities					
Trade and other payables	15	22,315	15,146	22,315	15,146
Loans and borrowings	16	1,078,572	1,152,146	1,078,572	1,152,146
Lease liability	17	1,633	1,871	1,633	1,871
Derivative financial instruments	12	713	–	713	–
		1,103,233	1,169,163	1,103,233	1,169,163
Total liabilities		1,595,586	1,523,271	1,589,958	1,518,975
Net assets		2,230,765	2,178,693	2,225,662	2,122,492
Represented by:					
Unitholders' funds		1,829,344	1,775,412	1,826,230	1,723,050
Non-controlling interests	18	1,989	3,839	–	–
Perpetual securities holders	19	399,432	399,442	399,432	399,442
		2,230,765	2,178,693	2,225,662	2,122,492
Units issued at end of financial year ('000)	19	2,323,662	2,277,126	2,323,662	2,277,126
Net asset value per unit attributable to Unitholders (S$)		0.79	0.78	0.79	0.76

The accompanying notes form an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2023

		Group	
	Note	2023 S$'000	2022 S$'000
Gross revenue	20	204,876	101,662
Property operating expenses	21	(50,939)	(26,154)
Net property income		153,937	75,508
Manager's base fee	22	(10,415)	(6,025)
Manager's performance fee	22	(7,705)	(3,949)
Other management fee		(762)	(1,256)
Trustee's fee		(438)	(303)
Other trust expenses	23	(3,761)	(4,339)
Net foreign exchange (loss)/gain	24	(2,732)	39,853
Net finance costs	25	(50,711)	(15,803)
Profit before tax, change in fair value, impairment and share of profit		77,413	83,686
Net change in fair value of investment properties and investment property under development		39,162	49,115
Net change in fair value of equity instrument		579	330
Impairment of investment in associates		(1,067)	(564)
Share of profit of associates		1,052	5,319
Net change in fair value of derivative financial instruments		1,333	14,796
Profit before tax		118,472	152,682
Tax expense	26	–	–
Profit after tax		118,472	152,682
Attributable to:			
Unitholders		99,924	140,386
Non-controlling interests	18	(352)	1,543
Perpetual securities holders		18,900	10,753
		118,472	152,682
Other comprehensive income			
Items that is or may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiary		6,428	(39,409)
Total comprehensive income for the year		124,900	113,273
Attributable to:			
Unitholders		106,352	100,977
Non-controlling interests	18	(352)	1,543
Perpetual securities holders		18,900	10,753
		124,900	113,273
Earnings per unit (cents)			
Basic and diluted	27	4.36	9.83

The accompanying notes form an integral part of these financial statements.

Distribution Statements

Year ended 30 June 2023

	Note	Group 2023 S$'000	Group 2022 S$'000
Amount available for distribution to Unitholders at beginning of the year		29,360	27,583
Profit after tax		99,924	140,386
Net tax and other adjustments	A	8,278	(68,881)
Amount available for distribution to Unitholders from taxable income		137,562	99,088
Distribution to Unitholders during the year			
2.335 Singapore cents per unit for the period from 1 January 2021 – 30 June 2021		–	(27,576)
2.400 Singapore cents per unit for the period from 1 July 2021 – 31 December 2021		–	(28,602)
1.137 Singapore cents per unit for the period from 1 January 2022 – 30 March 2022		–	(13,550)
1.313 Singapore cents per unit for the period from 31 March 2022 – 30 June 2022		(27,756)	–
0.981 Singapore cents per unit for the period from 22 April 2022 – 30 June 2022		(1,597)	–
2.450 Singapore cents per unit for the period from 1 July 2022 – 31 December 2022		(56,029)	–
		(85,382)	(69,728)
Amount available for distribution to Unitholders at end of the year		52,180	29,360

Please refer to note 3.13 for LREIT's distribution policy.

NOTE A – NET TAX AND OTHER ADJUSTMENTS

	Group 2023 S$'000	Group 2022 S$'000
Manager's base fees in units	10,415	5,242
Manager's performance fees in units	7,705	3,435
Property manager's fees in units	5,858	2,004
Amortisation of debt-related transaction costs	12,504	7,190
Net unrealised foreign exchange loss/(gain)	6,155	(39,455)
Impairment of investment in associates	1,067	564
Share of profit of associates	(1,052)	(5,319)
Net change in fair value of investment properties and investment property under development	(39,162)	(49,115)
Net change in fair value of equity instrument	(579)	(330)
Net change in fair value of derivative financial instruments	(1,333)	(14,796)
Temporary differences and other adjustments	4,198	18,105
Non-tax deductible expenses	2,502	3,594
	8,278	(68,881)

The accompanying notes form an integral part of these financial statements.

Statements of Movements in Unitholders' Funds

Year ended 30 June 2023

	Group 2023 S$'000	Group 2022 S$'000	LREIT 2023 S$'000	LREIT 2022 S$'000
Unitholders' Funds				
Balance at beginning of the year	1,775,412	957,902	1,723,050	930,720
Operations				
Profit after tax	99,924	140,386	155,600	75,797
Foreign currency translation reserve				
Translation differences relating to financial statements of foreign subsidiary	6,428	(39,409)	–	–
Unitholders' transactions				
Issuance costs	(422)	(9,556)	(422)	(9,556)
Manager's base fee paid in units	8,367	4,048	8,367	4,048
Manager's performance fee paid in units	3,436	2,923	3,436	2,923
Manager's acquisition fee paid in units	–	20,335	–	20,335
Property manager's fee paid in units	4,125	1,617	4,125	1,617
Consideration units	–	118,079	–	118,079
Private placement units	–	399,999	–	399,999
Preferential offering units	–	248,816	–	248,816
Distribution reinvestment plan	17,456	–	17,456	–
Distributions to Unitholders	(85,382)	(69,728)	(85,382)	(69,728)
Change in Unitholders' funds resulting from Unitholders' transactions	(52,420)	716,533	(52,420)	716,533
Balance at end of the year	1,829,344	1,775,412	1,826,230	1,723,050

	Group 2023 S$'000	Group 2022 S$'000	LREIT 2023 S$'000	LREIT 2022 S$'000
Perpetual securities holders				
Balance at beginning of the year	399,442	198,897	399,442	198,897
Issuance of perpetual securities	–	200,000	–	200,000
Issuance costs	(10)	(1,808)	(10)	(1,808)
Profit after tax attributable to perpetual securities holders	18,900	10,753	18,900	10,753
Distributions	(18,900)	(8,400)	(18,900)	(8,400)
Balance at end of the year	399,432	399,442	399,432	399,442
Non-controlling interests				
Balance at beginning of the year	3,839	–	–	–
Acquisition of subsidiary	–	140,516	–	–
(Loss)/Profit after tax attributable to non-controlling interests	(352)	1,543	–	–
Distributions	(1,498)	(138,220)	–	–
Balance at end of the year	1,989	3,839	–	–

The accompanying notes form an integral part of these financial statements.

Portfolio Statements

As at 30 June 2023

Description of property	Location	Term of land lease	Remaining term of land lease (years)	Existing use	Occupancy rate[1] 2023 %	Occupancy rate[1] 2022 %	Group Carrying value[2] 2023 S$'000	Group Carrying value[2] 2022 S$'000	Group Percentage of total Unitholders' funds 2023 %	Group Percentage of total Unitholders' funds 2022 %	LREIT Carrying value[2] 2023 S$'000	LREIT Carrying value[2] 2022 S$'000	LREIT Percentage of total Unitholders' funds 2023 %	LREIT Percentage of total Unitholders' funds 2022 %
Group and LREIT														
Investment properties in Singapore														
313@somerset	313 Orchard Road, Singapore 238895	99 years	82.4	Commercial	99.0	99.9	1,026,000	987,000	56.1	55.6	1,026,000	987,000	56.2	57.3
Jem	50 and 52 Jurong Gateway Road, Singapore 608549/50	99 years	86.2	Commercial	100	99.5	2,188,000	2,134,000	119.6	120.2	2,188,000	2,134,000	119.8	123.9
Group														
Investment property in Italy														
Sky Complex[3]	Via Luigi Russolo 4 (Building 1 & 2) Via Luigi Russolo 9 (Building 3) 20138 Milan, Italy	Freehold	N.A.	Commercial	100	100	428,854	472,332	23.4	26.6	–	–	–	–
Investment properties, at valuation (note 5)							3,642,854	3,593,332	199.1	202.4	3,214,000	3,121,000	176.0	181.2
Group and LREIT														
Investment property under development in Singapore														
Development site adjacent to 313@somerset	State Land Lots 544N (PT), 789W (PT) and 1313M (PT) of Town Subdivision 21, Singapore	9 years 364 days[4]	7.4	Commercial	N.A.	N.A.	5,300	4,000	0.3	0.2	5,300	4,000	0.3	0.2
Investment property under development, at valuation							5,300	4,000	0.3	0.2	5,300	4,000	0.3	0.2
Investment properties and investment property under development, at valuation							3,648,154	3,597,332	199.4	202.6	3,219,300	3,125,000	176.3	181.4

[1] The occupancy rates shown are on committed basis.
[2] The carrying value of investment properties and investment property under development are stated at valuation.
[3] As at 30 June 2023, the property was valued at €290.5million (equivalent to approximately S$428.9 million) (2022: €324.5 million (equivalent to approximately S$472.3 million)).
[4] The remaining term of lease includes options to renew land leases.

The accompanying notes form an integral part of these financial statements.

Portfolio Statements

As at 30 June 2023

	Group				LREIT			
	Carrying value		Percentage of total Unitholders' funds		Carrying value		Percentage of total Unitholders' funds	
	2023 S$'000	2022 S$'000	2023 %	2022 %	2023 S$'000	2022 S$'000	2023 %	2022 %
Investment properties and investment property under development, at valuation	**3,648,154**	3,597,332	**199.4**	202.6	**3,219,300**	3,125,000	**176.3**	181.4
Investment property under development – right-of-use assets (note 6)	**1,871**	2,105	**0.1**	0.1	**1,871**	2,105	**0.1**	0.1
Investment properties and investment property under development	**3,650,025**	3,599,437	**199.5**	202.7	**3,221,171**	3,127,105	**176.4**	181.5
Other assets and liabilities of LREIT (net)					**(995,509)**	(1,004,613)	**(54.5)**	(58.3)
Net assets of LREIT					**2,225,662**	2,122,492	**121.9**	123.2
Perpetual securities holders					**(399,432)**	(399,442)	**(21.9)**	(23.2)
Net assets attributable to Unitholders					**1,826,230**	1,723,050	**100.0**	100.0
Other assets and liabilities of the Group (net)	**(1,419,260)**	(1,420,744)	**(77.6)**	(80.0)				
Net assets of the Group	**2,230,765**	2,178,693	**121.9**	122.7				
Non-controlling interests	**(1,989)**	(3,839)	**(0.1)**	(0.2)				
Perpetual securities holders	**(399,432)**	(399,442)	**(21.8)**	(22.5)				
Net assets attributable to Unitholders	**1,829,344**	1,775,412	**100.0**	100.0				

As at 30 June 2023, the investment properties and investment property under development in Singapore were valued by Cushman & Wakefield VHS Pte. Ltd. and Jones Lang LaSalle Property Consultants Pte Ltd (2022: Cushman & Wakefield VHS Pte. Ltd. and Jones Lang LaSalle Property Consultants Pte Ltd) and the investment property in Milan was valued by Colliers Valuation Italy S.r.l (2022: Colliers Valuation Italy S.r.l.).

The Manager believes that the independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuation of the Singapore investment properties were based on income capitalisation method, discounted cash flow analysis and/or direct comparison method. The valuation of the Milan investment property was based on discounted cash flow analysis. The valuation of the Singapore investment property under development was based on income capitalisation method and discounted cash flow analysis. Refer to notes 5 and 6 of the financial statements for details of the valuation techniques.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows
Year ended 30 June 2023

	Note	Group 2023 S$'000	Group 2022 S$'000
Cash flows from operating activities			
Profit after tax		118,472	152,682
Adjustments for:			
Manager's fees paid/payable in units		18,120	8,677
Property manager's fees paid/payable in units		5,858	2,004
Transaction costs related to purchase of equity instrument		–	54
Finance income	25	(647)	(259)
Interest expense	25	38,537	8,712
Amortisation of debt-related transaction costs		12,504	7,190
Amortisation of intangible assets	4	34	–
Net unrealised foreign exchange loss/(gain)	24	6,155	(39,455)
Impairment of investment in associates		1,067	564
Share of profit of associates		(1,052)	(5,319)
Net change in the fair value of investment properties and investment property under development		(39,162)	(49,115)
Net change in fair value of equity instrument		(579)	(330)
Net change in fair value of derivatives financial instruments		(1,333)	(14,796)
Operating income before working capital changes		157,974	70,609
Changes in:			
Trade and other receivables		14,511	(4,350)
Trade and other payables		3,006	33,281
Other current assets		(90)	(3,888)
Other non-current assets		(1,391)	(425)
Net cash generated from operating activities		174,010	95,227
Cash flows from investing activities			
Dividends received from associates (including net capital returns)		6,925	363,594
Interest received		647	259
Purchase of intangible assets	4	(162)	–
Acquisition of investment property[1]		(1,352)	(1,878,520)
Capital expenditure on investment properties		(4,571)	(2,417)
Capital expenditure on investment property under development		(719)	(2,062)
Purchase of equity instrument		(85,852)	–
Transaction costs related to purchase of equity instrument		(207)	129
Acquisition of investment in associates[1]		(353)	(170,218)
Acquisition of subsidiary[1]		(144)	(158,012)
Net cash used in investing activities		(85,788)	(1,847,247)

[1] Acquisition of investment property, investment in associates, and subsidiary in financial year ended 30 June 2023 relate to acquisition costs. During financial year ended 30 June 2022, the amounts relate to purchase price and acquisition costs.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows
Year ended 30 June 2023

	Note	Group 2023 S$'000	Group 2022 S$'000
Cash flows from financing activities			
Proceeds from issuance of new units		–	648,815
Payment of issue costs for new units		(422)	(9,556)
Proceeds from issue of perpetual securities		–	200,000
Payment of issue costs for perpetual securities		(10)	(1,808)
Payment of financing expenses		(22,935)	(26,305)
Payment of lease liability	17	(270)	(336)
Proceeds from loans and borrowings		220,215	1,221,000
Repayment of loans and borrowings		(153,397)	(255,000)
Distribution to Unitholders		(67,926)	(69,728)
Distribution to perpetual securities holders		(18,900)	(8,400)
Distribution to non-controlling interests		(1,498)	(138,220)
Interest paid		(37,926)	(7,035)
Net cash (used in)/generated from financing activities		(83,069)	1,553,427
Net increase/(decrease) in cash and cash equivalents		5,153	(198,593)
Cash and cash equivalents at beginning of the year		49,230	249,264
Effect of exchange rate changes on balances held in foreign currency		(159)	(1,441)
Cash and cash equivalents at end of the year	13	54,224	49,230

SIGNIFICANT NON-CASH TRANSACTIONS

During the financial year ended 30 June 2023, there were the following significant non-cash transactions:

(i) LREIT issued units amounting to S$11.8 million (2022: S$6.9 million) as payment for the base fee and performance fee elements of the Manager's management fees.

(ii) LREIT issued units amounting to S$17.5 million as part payment for distributions for the period from 1 July 2022 to 31 December 2022, pursuant to distribution reinvestment plan.

(iii) LREIT issued units amounting to S$4.1 million (2022: S$1.6 million) as payment for the property manager's management fee.

In addition to the aforementioned, there were the following significant non-cash transactions during the financial year ended 30 June 2022:

(i) LREIT issued units amounting to S$20.3 million as payment for the acquisition fee element of the Manager's management fees.

(ii) LREIT issued units amounting to S$118.1 million as consideration units issued for the acquisition of 13.05% interest in Lendlease Asian Retail Investment Fund 3 Limited ("**ARIF3**").

(iii) LREIT issued units amounting to S$399.9 million in connection with the private placement exercise to raise funds for the payment in respect of the acquisition of Jem.

(iv) LREIT issued units amounting to S$248.8 million in connection with the preferential offering exercise to raise funds for the payment in respect of the acquisition of Jem.

Refer to note 19 of the financial statements.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 12 September 2023.

1 GENERAL

Lendlease Global Commercial REIT ("**LREIT**") is a Singapore-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 28 January 2019, subsequently amended by the First Amending and Restating Deed dated 10 September 2019, the First Supplemental Deed dated 15 July 2020 and the Supplemental Deed of Retirement and Appointment of Trustee dated 20 May 2022 (collectively, the "**Trust Deed**"), entered into between DBS Trustee Limited (the "**Trustee**") and Lendlease Global Commercial Trust Management Pte. Ltd. (the "**Manager**"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the LREIT held by it or through its subsidiaries in trust for the holders ("**Unitholders**") of units in LREIT (the "**units**").

LREIT was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 2 October 2019 (the "**Listing Date**") and LREIT was declared as an authorised unit trust scheme under the Trustees Act 1967.

The consolidated financial statements relate to LREIT and its subsidiaries (the "**Group**").

The principal activity of LREIT relates to investment strategy of investing, directly or indirectly, in a portfolio of stabilised income-producing real estate assets located globally that are used primarily for retail and/or office purposes as well as real estate-related assets in connection with the foregoing. The principal activities of the subsidiaries are set out in note 8.

LREIT has entered into several service agreements in relation to the management of LREIT and its property operations. The significant fee structures of services are summarised below.

1.1 Trustee's fees

The Trustee's fees shall not exceed 0.015% per annum of the value of all the assets of LREIT (Deposited Property), excluding out-of-pocket expenses and goods and services tax in accordance with the Trust Deed.

The Trustee's fee is accrued and payable out of the value of the Deposited Property on a monthly basis, in arrears.

1.2 Manager's fees

The Manager is entitled to receive base fee, performance fee, acquisition fee, divestment fee, and development management fee, respectively as follows:

Base fee

The Manager is entitled to receive a base fee of 0.3% per annum of the value of the Deposited Property.

The base fee is payable in the form of cash and/or units as the Manager may elect.

Performance fee

The Manager is entitled to receive a performance fee of 5.0% per annum of the net property income.

The performance fee is payable in the form of cash and/or units as the Manager may elect.

Notes to the Financial Statements

1 GENERAL continued

1.2 Manager's fees continued

Acquisition and divestment fee

The Manager is entitled to receive the following fees:

(a) an acquisition fee not exceeding 1.0% of the acquisition price of any properties or investments, acquired directly or indirectly by LREIT; and

(b) a divestment fee not exceeding 0.5% of the sale price of any properties or investments, sold or divested directly or indirectly by LREIT.

The acquisition and divestment fees are payable in the form of cash and/or units.

Development management fee

The Manager is entitled to receive a development management fee equivalent to 3.0% of the total project costs incurred in a development project undertaken on behalf of LREIT.

1.3 Property management fee

Property management fee are payable to the property manager for each property of the Group under its management:

Singapore

The property management fee for the Singapore Properties are charged based on the following formula:

(i) up to 2.0% per annum of the gross revenue of the properties; and

(ii) up to 2.0% per annum of the net property income[1] of the properties.

[1] As defined in the individual property management agreement of each property

Italy

The fees for the Milan Property comprise property management fee of 0.28% per annum of the annual collected rent of the Milan Property, subject to a minimum sum of €20,000 (subjected to annual adjustment where applicable).

1.4 Other management fee

The Manager may appoint, or the Trustee or any entity which is held by LREIT (whether wholly or partially) may, at the recommendation of the Manager appoint asset managers, investment managers or any other entities to provide asset management services or investment management services in respect of any asset of LREIT from time to time and the Manager's fees payable to the Manager will be reduced by the amount of any fees payable to such entities for asset management, acquisition, divestment or development management services.

Notes to the Financial Statements

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"), and the applicable requirements of the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") and the provisions of the Trust Deed.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment properties, investment property under development, equity instrument at fair value, derivative financial instruments and certain financial assets and liabilities, which are stated at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars ("**S$**"), which is the functional currency of LREIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements and estimates made in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 5: Investment properties;
- Note 6: Investment property under development; and
- Note 9: Equity instrument at fair value.

Notes to the Financial Statements

2 BASIS OF PREPARATION continued

2.4 Use of estimates and judgements continued

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Manager has overall responsibility for the appointment of external valuers, where necessary, and all significant fair value measurements and reports directly to the Board of Directors of the Manager.

When measuring the fair value of an asset or a liability, the Manager uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5: Investment properties;
- Note 6: Investment property under development;
- Note 9: Equity instrument at fair value;
- Note 12: Derivatives financial instruments; and
- Note 31: Fair value of assets and liabilities.

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following IFRSs, amendments to and interpretations of IFRS for the first time for the annual period beginning on 1 July 2022:

- *Amendment to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021*
- *Amendments to IFRS 3: Reference to the Conceptual Framework*
- *Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use*
- *Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract*
- *Annual Improvements to IFRSs 2018-2020*

The application of the amendments to standards and interpretations does not have a material effect on the Group's financial statements.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the consideration transferred (generally measured at fair value); plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally measured at fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Non-controlling interests ("**NCI**") that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected for each business combination. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by IFRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Business combinations and property acquisitions

At the time of acquisition, the Group considers whether each acquisition represents an acquisition of business or an acquisition of an asset. An acquisition is accounted for as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the Manager considers whether significant processes such as strategic management and operational processes, are acquired.

Where significant processes are acquired, the acquisition is considered an acquisition of business and accounted for as stated above. Where the acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.1 Basis of consolidation continued

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its investment in associates, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by LREIT

Investment in subsidiaries in LREIT's statement of financial position are stated at cost less accumulated impairment losses.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Foreign currencies

Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "**functional currency**").

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rate at the date of the transactions. The functional currencies of the Group's entities are Singapore dollars ("**S$**") and Euro ("**€**"). Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currencies at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates prevailing at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at average exchange rates for the reporting period.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve. However, if the foreign operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.3 Intangible assets

Renewable energy certificates

The Group recognises renewable energy certificates as intangible assets. Renewable energy certificates purchased on the trading platform are initially measured at costs. Subsequent to initial recognition, the renewable energy certificates are measured at cost less accumulated amortisation and any accumulated losses.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life is as follows:

- Renewable energy certificates 3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Investment properties

Investment properties and investment property under development

Investment properties are properties held either to earn rental income or capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property under development is a property being constructed or developed for future use as investment properties. Investment properties and investment property under development are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties or investment property under development. Transaction costs shall be included in the initial measurement. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Fair value is determined in accordance with the Trust Deed, which requires investment properties and investment property under development to be valued by independent registered valuers in the following events:

(i) in such manner and frequency as required under the CIS Code issued by MAS; and

(ii) at least once in each period of twelve months following the acquisition of each real estate property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.5 Financial instruments

(a) **Recognition and initial measurement**

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) **Classification and subsequent measurement**

Non-derivative financial assets

On initial recognition, the Group classifies its non-derivative financial assets as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income ("**FVOCI**") as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Non-derivative financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Manager. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Manager; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.5 Financial instruments continued

(b) **Classification and subsequent measurement** continued

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised interest-bearing borrowings, trade and other payables (excluding rental received in advance) and lease liabilities.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.5 Financial instruments continued

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which either substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. No immediate gain or loss is recognised.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications to the additional changes.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.5 Financial instruments continued

(f) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group has not designated its derivative financial instruments as hedging instruments in qualifying hedging relationships.

3.6 Impairment

(a) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") on financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.6 Impairment continued

(a) **Non-derivative financial assets** continued

Measurement of ECLs

ECLs are probability-weighted estimates or credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or being more than 90 days past due; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(b) **Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("**CGU**") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflow of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.7 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

For right-of-use assets that meet the definition of investment property, the Group applies the fair value model in IAS 40 *Investment Property* to these assets with any change therein being recognised in the statement of total return and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group leases out its investment properties. The Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.8 Unitholders' funds

Unitholders' funds represent mainly the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental cost, directly attributable to the issuance, offering and placement of units in LREIT are deducted directly against Unitholders' funds.

3.9 Dividend and distribution income

Dividend and distribution income are recognised in profit or loss on the date that the Group's or LREIT's right to receive payment is established.

3.10 Finance income and cost

Finance income comprises interest income which is recognised using the effective interest method.

Finance costs comprise interest expense on borrowings, including amortisation of transaction costs which are recognised in profit or loss using the effective interest method over the period for which the borrowings are granted and similar charges.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

3.11 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grants. Grants that compensate the Group for expenses incurred are recognised in profit or loss as a deduction to the related expenses on a systematic basis in the same periods in which the expenses are recognised. Grants that are related to revenue and for LREIT are recognised within 'gross revenue' on a systematic basis.

3.12 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in Unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.12 Income tax expense continued

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience with tax authorities. The assessment of these factors relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Group has certain tax rulings/confirmations from the Inland Revenue Authority of Singapore ("**IRAS**")/Ministry of Finance ("**MoF**") in relation to Singapore income tax treatment of certain income from its properties.

Tax Transparency Treatment

The IRAS has granted tax transparency treatment to LREIT in respect of certain taxable income ("**Specified Taxable Income**"). Broadly, subject to meeting the terms and conditions that the Trustee and the Manager have undertaken to comply with for purposes of the application for the tax transparency treatment, which includes a distribution of at least 90% of the Specified Taxable Income of LREIT, LREIT is not subject to tax on the Specified Taxable Income distributed to the Unitholders in the same period in which the Specified Taxable Income was derived, and for this purpose, a distribution made within three months from the end of the financial year is regarded as being distributed in the same period. In other words, for Specified Taxable Income of LREIT relating to the financial year ended 30 June 2023, such Specified Taxable Income would have to be distributed by 30 September 2023 to meet the 90% requirement. Instead, the Trustee and the Manager would deduct income tax at the prevailing corporate tax rate (currently at 17%) from distributions made to Unitholders out of such Specified Taxable Income, except:

(i) where the beneficial owners are Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax;

(ii) where the beneficial owners are Qualifying Non-Resident Non-Individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made on or before 31 December 2025; or

(iii) where the beneficial owners are Qualifying Non-Resident Funds, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions during the period 1 July 2019 to 31 December 2025.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.12 Income tax expense continued

Tax Transparency Treatment continued

A "**Qualifying Unitholder**" is a Unitholder who is:

- an individual;
- a company incorporated and tax resident in Singapore;
- a Singapore branch of a company incorporated outside Singapore;
- a body of persons other than a company or a partnership, registered or constituted in Singapore (e.g. a town council, a statutory board, a registered charity, a registered cooperative society, a registered trade union, a management corporation, a club or a trade industry association);
- an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act 1948; or
- a real estate investment trust exchange-traded fund which has been accorded the tax transparency treatment (but only in respect of Specified Taxable Income distributions made on or before 31 December 2025).

A Qualifying Non-Resident Non-Individual Unitholder is a person other than an individual who is not resident in Singapore for Singapore income tax purposes and who:

- does not have a permanent establishment in Singapore; or
- carries on an operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire units of LREIT are not obtained from that operation.

A Qualifying Non-resident Fund is a non-resident fund that qualifies for tax exemption under Section 13D, 13U or 13V of the Income Tax Act 1947 and who:

- does not have a permanent establishment in Singapore (other than a fund manager in Singapore); or
- carries on an operation through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used by that qualifying fund to acquire units of LREIT are not obtained from that operation.

The tax transparency treatment does not apply to income other than Specified Taxable Income including gains or profits from the disposal of any investments such as immovable properties and shares that are determined by the IRAS to be revenue gains chargeable to tax as well as Specified Taxable Income derived by LREIT but not distributed to the Unitholders in the same period in which the Specified Taxable Income is derived.

Where tax transparency treatment does not apply to any gains, profits or income, such gains, profits or income will be subject to tax at the level of the Trustee. Distributions made out of the after-tax amount will not be subject to any deduction of tax at source nor further tax in the hands of Unitholders. Where the disposal gains are regarded as capital in nature, they will not be subject to tax at the level of the Trustee and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

Foreign-sourced Income Tax Exemption

Pursuant to the Foreign-sourced Income Tax Exemption granted by the MoF and subject to the meeting of certain conditions, the distributions received from Lendlease Global Commercial Italy Fund by LREIT's wholly-owned subsidiary, Lendlease Global Commercial (IT) Pte. Ltd., will be exempt from Singapore income tax. The dividends paid out by Lendlease Global Commercial (IT) Pte. Ltd. are exempt from Singapore income tax in the hands of LREIT.

Any distributions made by LREIT to Unitholders out of income which is tax-exempt for Singapore income tax purposes as well as income which has been subject to Singapore income tax at the level of the Trustee would not be subject to Singapore income tax in the hands of all Unitholders.

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.13 Distribution policy

LREIT makes distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Under the Trust Deed, the Manager shall pay distributions no later than 90 days after the end of each distribution period.

3.14 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers ("**CODMs**") which comprise mainly the Board of Directors including the Chief Executive Officer ("**CEO**") of the Manager to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise fees, other trust expenses, foreign exchange gain/loss, finance costs, finance and other income and fair value of derivative financial instruments as these are centrally managed by the Group.

3.15 Perpetual securities

Proceeds from the issuance of perpetual securities in LREIT are recognised as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or exchange financial assets or liabilities with another person or entities that are potentially unfavourable to the issuer. Expenses relating to the issuance of the perpetual securities are deducted from the net assets attributable to the perpetual securities balance.

3.16 New accounting standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Group's consolidated financial statements and the Trust's statement of financial position.

- Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 1: *Classification of Liabilities as Current or Non-Current*
- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*
- Amendments to IAS 8: *Definition of Accounting Estimates*

Notes to the Financial Statements

4 INTANGIBLE ASSETS

	Renewable energy certificates S$'000
Group and LREIT	
Cost	
At 1 July 2022	–
Additions	162
At 30 June 2023	162
Accumulated amortisation	
At 1 July 2022	–
Amortisation for the year	(34)
At 30 June 2023	(34)
Carrying amounts	
At 1 July 2022	–
At 30 June 2023	128

5 INVESTMENT PROPERTIES

	Group		LREIT	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
At 1 July	3,593,332	1,419,857	3,121,000	983,000
Purchase price for new acquisition[1]	–	2,079,000	–	2,079,000
Acquisition costs[1]	1,042	78,697	1,042	78,697
Capital expenditure	3,277	2,648	1,986	2,597
Currency translation differences	6,715	(38,033)	–	–
Net change in fair value of investment properties	38,488	51,163	89,972	(22,294)
At 30 June	3,642,854	3,593,332	3,214,000	3,121,000

[1] Relates to the acquisition of a 99-year leasehold interest in Jem.

Notes to the Financial Statements

5 INVESTMENT PROPERTIES continued

Measurement of fair value

(i) **Fair value hierarchy**

Investment properties are stated at fair value as at 30 June and are based on the valuations performed by independent professional valuers, Cushman & Wakefield VHS Pte. Ltd., Jones Lang LaSalle Property Consultants Pte Ltd and Colliers Valuation Italy S.r.l. (2022: Cushman & Wakefield VHS Pte. Ltd., Jones Lang LaSalle Property Consultants Pte Ltd and Colliers Valuation Italy S.r.l.).

The fair value measurement for investment properties has been categorised as Level 3 based on inputs to the valuation techniques used (see note 2.4).

(ii) **Valuation techniques**

The fair values take into consideration the market values of the properties, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. The specific condition and characteristics inherent in each of the properties are taken into consideration in arriving at the property valuations.

In determining the fair value, the external valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market-corroborated discount rate, terminal capitalisation rate, capitalisation rate and/or adjusted price per square metre. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions and the valuation reports are prepared in accordance with recognised appraisal and valuation standards.

The external valuers have considered valuation techniques including the discounted cash flow analysis, income capitalisation method and/or direct comparison method in arriving at the open market value as at the reporting date.

The discounted cash flow analysis involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value. The discounted cash flow analysis requires the external valuers to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. The income capitalisation method is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) has been adjusted against anticipated operating costs to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised at an appropriate investment yield. Thereafter, various adjustments including assumed vacancy allowance are made, where appropriate, for the income capitalisation method. The direct comparison method provides an indication of value by comparing the investment property with identical or similar properties where reliable sales evidence is available.

(iii) **Key unobservable inputs**

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow analysis	• Discount rate of 6.50% to 8.18% (2022: 5.65% to 7.00%)	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Terminal capitalisation rate of 3.50% to 5.75% (2022: 3.50% to 5.00%)	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
Income capitalisation method	• Capitalisation rate of 3.50% to 4.50% (2022: 3.50% to 4.50%)	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).
Direct comparison method	• Adjusted price per square metre	The estimated fair value would increase (decrease) if adjusted price per square metre was higher (lower).

Notes to the Financial Statements

6 INVESTMENT PROPERTY UNDER DEVELOPMENT

	Group		LREIT	
	2023 S$'000	**2022** S$'000	**2023** S$'000	**2022** S$'000
At 1 July	**6,105**	5,521	**6,105**	5,521
Development expenditure capitalised	**625**	3,048	**625**	3,048
Net change in fair value of investment property under development recognised in profit or loss	**674**	(2,048)	**674**	(2,048)
Net change in fair value of right-of-use asset	**(233)**	(416)	**(233)**	(416)
At 30 June	**7,171**	6,105	**7,171**	6,105

Measurement of fair value

(i) **Fair value hierarchy**

Investment property under development is stated at fair value as at 30 June and is based on the valuation performed by independent professional valuer, Jones Lang LaSalle Property Consultants Pte Ltd (2022: Jones Lang LaSalle Property Consultants Pte Ltd), who has the appropriate recognised professional qualifications and experience in the location and category of property being valued.

The fair value measurement for investment property under development has been categorised as Level 3 based on inputs to the valuation techniques used (see note 2.4).

	Group		LREIT	
	2023 S$'000	**2022** S$'000	**2023** S$'000	**2022** S$'000
Fair value of investment property under development (based on valuation report)	**5,300**	4,000	**5,300**	4,000
Add: carrying amount of lease liability	**1,871**	2,105	**1,871**	2,105
Investment property under development	**7,171**	6,105	**7,171**	6,105

(ii) **Reconciliation of movements in Level 3 fair value measurement**

The reconciliation of Level 3 fair value measurements for investment property under development is presented in the table above.

(iii) **Valuation techniques**

In determining the fair value of investment property under development, the valuer has considered valuation techniques including the income capitalisation method and discounted cash flow analysis in arriving at the open market value as at the reporting date (see note 5).

The key assumptions include market-corroborated discount rate and capitalisation rate.

Notes to the Financial Statements

6 INVESTMENT PROPERTY UNDER DEVELOPMENT continued

Measurement of fair value continued

(iv) **Key unobservable inputs**

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow analysis	• Discount rate of 7.50% (2022: 7.50%)	The estimated fair value would increase (decrease) if discount rate was lower (higher).
Income capitalisation method	• Capitalisation rate of 5.00% (2022: 5.00%)	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).

7 INVESTMENT IN ASSOCIATES

	Group		LREIT	
	2023 S$'000	**2022** S$'000	**2023** S$'000	**2022** S$'000
Investment in associates	**7,758**	14,511	**–**	–

The investment in associates relates to LREIT's 37.8% indirect interest in ARIF3 and 25.0% indirect interest held through a subsidiary, Lendlease Jem Partners Fund Limited ("**LLJP**") which the Group has 53.0% interest in. The 25.0% interest held by LLJP are in two entities, LL JV Ltd ("**LLJV**") and Triple Eight JV Limited ("**TEJV**"). Prior to the Group's acquisition of Jem, ARIF3 and LLJP had 75.0% and 25.0% indirect interest in Jem, respectively.

On 4 August 2021, the Group acquired 53.0% of the shares in LLJP which holds 25.0% direct interest in LLJV and TEJV with a net purchase consideration of approximately S$158.0 million.

On 9 September 2021, 17 September 2021 and 21 September 2021, the Group acquired a total of additional 19.8% of the shares in ARIF3 with a purchase consideration of approximately S$169.3 million. With the acquisition, the Group's equity interest in ARIF3 increased from 5.0% to 24.8% and ARIF3 was reclassified as "investment in associates" from "equity instrument at fair value".

On 22 April 2022, the Group acquired an additional 13.05% of the shares in ARIF3 with a purchase consideration of approximately S$118.1 million.

As at 30 June 2023, the Group assessed the carrying amount of its investment in associates and recognised an impairment loss of approximately S$1,067,000 (2022: S$564,000) on its investment in associates, where the recoverable amounts of the relevant associates were estimated based on the Group's share of the net assets of the associates as at the date of statement of financial position which approximates their fair values. The fair value measurement is categorised as Level 3 on the fair value hierarchy.

Notes to the Financial Statements

7 INVESTMENT IN ASSOCIATES continued

Details of the associates are as follows:

Name of associates	Country of constitution/ Principal place of business	Principal activity	Equity interest held by the Group 2023 %	2022 %
Lendlease Asian Retail Investment Fund 3 Limited[1]	Bermuda	Investment holding	37.8	37.8
LL JV Ltd	Mauritius	Investment holding	25.0	25.0
Triple Eight JV Limited	Mauritius	Investment holding	25.0	25.0

The following table summarises the financial information of each of the Group's material associates based on their respective consolidated financial statements prepared in accordance with IFRS.

	ARIF3[1] S$'000	LLJV S$'000	TEJV S$'000	Total S$'000
30 June 2023				
Revenue	1,444	(12)	1,456	
Profit/(Loss) after tax/total comprehensive income	1,871	(161)	2,377	
Attributable to NCI	554	–	–	
Attributable to investee's shareholders	1,317	(161)	2,377	
Current assets	31,191	6,853	22,994	
Current liabilities	(8,582)	(1,382)	(7,129)	
Net assets	22,609	5,471	15,865	
Attributable to NCI	5,334	–	–	
Attributable to investee's shareholders	17,275	5,471	15,865	
Group's interest in net assets of investee at beginning of the period	5,779	2,200	6,532	14,511
Acquisition costs and other adjustments	43	41	103	187
Group's share of total comprehensive income	498	(40)	594	1,052
Dividends paid	(4,425)	(375)	(2,125)	(6,925)
Impairment of investment in associates	–	(269)	(798)	(1,067)
Group's interest in net assets of investee at 30 June 2023	1,895	1,557	4,306	7,758

1 ARIF3 consolidates and holds 75.0% direct interest in both LLJV and TEJV.

Notes to the Financial Statements

7 INVESTMENT IN ASSOCIATES continued

	ARIF3[1] S$'000	LLJV S$'000	TEJV S$'000	Total S$'000
30 June 2022				
Revenue from date of acquisition[2] to period ended 30 June 2022	73,982	15,626	69,412	
Profit after tax/total comprehensive income from date of acquisition[2] to period ended 30 June 2022	13,701	1,623	19,583	
Attributable to NCI	3,893	–	–	
Attributable to investee's shareholders	9,808	1,623	19,583	
Current assets	85,074	21,957	56,917	
Current liabilities	(50,144)	(14,825)	(34,929)	
Net assets	34,930	7,132	21,988	
Attributable to NCI	7,280	–	–	
Attributable to investee's shareholders	27,650	7,132	21,988	
Group's interest in net assets of investee at beginning of the period, excluding goodwill	–	–	–	–
Transfer from equity instrument at fair value	44,921	–	–	44,921
Carrying amount of interest in associates acquired as part acquisition of subsidiary	–	85,581	212,958	298,539
Acquisition costs and other adjustments	4,049	(1,167)	510	3,392
Acquisition during the period	287,434	–	–	287,434
Group's share of total comprehensive income	17	406	4,896	5,319
Dividends paid	(188,356)	(63,975)	(106,600)	(358,931)
Return of share capital[3]	(142,286)	(19,062)	(106,268)	(267,616)
Impairment of investment in associates	–	(162)	(402)	(564)
Group's interest in net assets of investee at end of the period, excluding goodwill	5,779	1,621	5,094	12,494
Goodwill	–	579	1,438	2,017
Group's interest in net assets of investee at 30 June 2022	5,779	2,200	6,532	14,511

1 ARIF3 consolidates and holds 75.0% direct interest in both LLJV and TEJV.
2 Date of acquisition relates to 9 September 2021 and 4 August 2021 for ARIF3 and LLJV/TEJV respectively.
3 Return of share capital consists of non-cash promissory notes of approximately S$262,953,000 for the purchase of Jem.

Notes to the Financial Statements

8 INVESTMENT IN SUBSIDIARIES

	LREIT	
	2023 S$'000	**2022** S$'000
Unquoted equity, at cost		
At 1 July	**448,666**	435,245
(Reduction)/Addition	**(4,186)**	17,249
Impairment loss	**–**	(3,828)
At 30 June	**444,480**	448,666

During the financial year ended 30 June 2023, the reduction was mainly due to the redemption of redeemable preference shares in wholly-owned subsidiary, Lendlease Global Commercial (SGP) Pte. Ltd. ("**LGCSGP**") in relation to the return of capital from LLJP and ARIF3. During the financial year ended 30 June 2022, the addition was due to the additional subscription of shares in wholly-owned subsidiary, LGCSGP to acquire 53.0% of the shares in LLJP and 37.8% shares in ARIF3.

As at 30 June 2023, LREIT undertook an impairment assessment of its investment in subsidiaries for indicators of impairment. Based on the assessment, LREIT recognised an impairment loss of Nil (2022: S$3,828,000) on its investment in a subsidiary. The recoverable amount of the subsidiary was determined using the fair value less costs to sell approach and was estimated taking into consideration the fair values of the underlying assets and fair values of the liabilities to be settled of the subsidiary. The fair value measurement was categorised as Level 3 based on the inputs in the valuation techniques used.

Details of the subsidiaries directly or indirectly held by LREIT are as follows:

		Ownership interest held by LREIT	
Name of subsidiaries	**Principal place of business/ Country of incorporation**	**2023** %	**2022** %
Lendlease Global Commercial (IT) Pte. Ltd.[1]	Singapore	**100**	100
Lendlease Global Commercial (SGP) Pte. Ltd.[1]	Singapore	**100**	100
Lendlease Global Commercial Italy Fund[2]	Italy	**100**	100
Lendlease Jem Partners Fund Limited	Bermuda	**53.0**	53.0

1 Audited by KPMG LLP Singapore.
2 Audited by KPMG S.p.A..

Notes to the Financial Statements

8 INVESTMENT IN SUBSIDIARIES continued

Lendlease Global Commercial (IT) Pte. Ltd.

Lendlease Global Commercial (IT) Pte. Ltd., a wholly-owned subsidiary, was incorporated on 15 February 2019. Its principal activity is that of an investment holding company.

Lendlease Global Commercial (SGP) Pte. Ltd.

Lendlease Global Commercial (SGP) Pte. Ltd., a wholly-owned subsidiary, was incorporated on 25 May 2021. Its principal activity is that of an investment holding company.

Lendlease Global Commercial Italy Fund

Lendlease Global Commercial Italy Fund, a wholly-owned fund, was incorporated on 2 July 2019. Its principal activity is to acquire and hold Italian property-related investments.

Lendlease Jem Partners Fund Limited

Lendlease Jem Partners Fund Limited, a partially-owned fund, was acquired on 4 August 2021. Its principal activity is that of an investment holding company.

9 EQUITY INSTRUMENT AT FAIR VALUE

	Group		LREIT	
	2023 S$'000	**2022** S$'000	**2023** S$'000	**2022** S$'000
At 1 July	**–**	44,591	**–**	44,591
Acquisition of equity instrument	**85,205**	–	**85,205**	–
Net change in fair value	**579**	330	**579**	330
Transfer to investment in associate	**–**	(44,921)	**–**	(44,921)
Equity instrument – at FVTPL	**85,784**	–	**85,784**	–

Equity instrument at fair value as at 30 June 2023 relates to LREIT's 10.0% stake in Parkway Parade Partnership Pte. Ltd. (2022: 5.0% stake in ARIF3 prior to the reclassification to investment in associates).

On 9 September 2021, 17 September 2021 and 21 September 2021, the Group acquired additional 19.8% of the shares in ARIF3 with a purchase consideration of approximately S$169.3 million. With the acquisition, the Group's equity interest in ARIF3 increased from 5.0% to 24.8% and ARIF3 was reclassified as "investment in associates" from "equity instrument at fair value".

Information about the equity instrument's fair value measurement is included in note 31.

Notes to the Financial Statements

10 TRADE AND OTHER RECEIVABLES

	Note	Group 2023 S$'000	Group 2022 S$'000	LREIT 2023 S$'000	LREIT 2022 S$'000
Current					
Trade receivables		3,312	4,938	3,312	4,938
Impairment losses		(1,662)	(2,079)	(1,662)	(2,079)
Net trade receivables		1,650	2,859	1,650	2,859
Non-trade receivables due from related parties	(a)	–	7,734	–	7,734
Non-trade receivables due from subsidiary	(a)	–	–	–	1,742
Net VAT/GST receivables	(b)	1,346	6,084	–	818
Other receivables		1,053	143	647	–
		4,049	16,820	2,297	13,153
Non-current					
Net VAT/GST receivables	(b)	–	1,479	–	–

(a) The non-trade receivables due from related parties and subsidiary are recharges which are unsecured, interest-free and repayable on demand.

(b) Net VAT/GST receivables relate to value-added tax ("**VAT**") and goods and services tax ("**GST**") to be claimed from the relevant tax authorities.

The Group's and LREIT's exposures to credit and foreign currency risks for trade and other receivables, are disclosed in note 30.

Impairment losses

The movements in impairment losses recognised in respect of trade receivables during the year are as follows:

	Group 2023 S$'000	Group 2022 S$'000	LREIT 2023 S$'000	LREIT 2022 S$'000
At 1 July	2,079	2,375	2,079	2,375
Reversal of impairment	(417)	(296)	(417)	(296)
At 30 June	1,662	2,079	1,662	2,079

The Manager believes that no allowance for impairment losses is necessary in respect of the remaining trade receivables as the rest of these balances mainly arise from tenants who have good payment records and have placed sufficient security with the Group in the form of bankers' guarantees or cash security deposits.

Notes to the Financial Statements

11 OTHER NON-CURRENT ASSETS

	Group 2023 S$'000	Group 2022 S$'000	LREIT 2023 S$'000	LREIT 2022 S$'000
Prepaid lease incentives	2,685	1,294	2,685	1,294

12 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2023 S$'000	Group 2022 S$'000	LREIT 2023 S$'000	LREIT 2022 S$'000
Current assets				
Foreign currency forward contracts	202	2,330	202	2,330
Interest rate derivatives[1]	4,728	85	4,728	85
	4,930	2,415	4,930	2,415
Non-current assets				
Foreign currency forward contracts	–	103	–	103
Interest rate derivatives[1]	9,880	9,877	9,880	9,877
	9,880	9,980	9,880	9,980
Current liability				
Foreign currency forward contracts	369	–	369	–
Non-current liabilities				
Foreign currency forward contracts	145	–	145	–
Interest rate derivatives[1]	568	–	568	–
	713	–	713	–

[1] Includes interest rate swaps and options.

(i) **Foreign currency forward contracts**

The Group uses foreign currency forward contracts to manage its exposure to foreign currency fluctuation by contracting the currency rate forward for expected foreign currency payments or receipts in future.

As at 30 June 2023, the Group had foreign currency forward contracts with total notional amount of approximately S$25,982,000 (2022: S$36,826,000). Under the foreign currency forward contracts, the Group contracted to pay fixed rate for Euro to receive Singapore Dollar. The contracted exchange rates range from 1.42 to 1.50 (2022: 1.48 to 1.64).

Notes to the Financial Statements

12 **DERIVATIVE FINANCIAL INSTRUMENTS** continued

(ii) **Interest rate derivatives**

The Group uses interest rate derivatives to manage the exposure to interest rate movements on floating rate interest-bearing bank borrowings by hedging the interest expense on a portion of interest-bearing bank borrowings from floating rates to fixed rates.

As at 30 June 2023, the Group had interest rate swaps and options with total notional amount of approximately S$949,734,000 (2022: S$972,431,000). Under the interest rate derivatives, the Group contracted to pay fixed interest rates of 0.08% to 3.57% (2022: 0.06% to 2.41%) and receive interest at floating rate.

13 **CASH AND CASH EQUIVALENTS**

	Group		LREIT	
	2023 S$'000	**2022** S$'000	**2023** S$'000	**2022** S$'000
Cash at banks and on hand	**41,224**	49,230	**24,662**	32,373
Fixed deposit with financial institution	**13,000**	–	**13,000**	–
	54,224	49,230	**37,662**	32,373

The weighted average effective interest rate relating to fixed deposit for the year ended 30 June 2023 for the Group and LREIT is 3.97% (2022: 0.48%) per annum.

14 **OTHER CURRENT ASSETS**

	Group		LREIT	
	2023 S$'000	**2022** S$'000	**2023** S$'000	**2022** S$'000
Deposits	**1,772**	1,362	**1,772**	1,362
Prepayments	**699**	1,867	**414**	1,550
Prepaid lease incentives	**2,133**	1,646	**2,133**	1,646
Others	**2,284**	1,923	**2,284**	1,923
	6,888	6,798	**6,603**	6,481

Notes to the Financial Statements

15 **TRADE AND OTHER PAYABLES**

	Note	Group		LREIT	
		2023 S$'000	**2022** S$'000	**2023** S$'000	**2022** S$'000
Current					
Trade payables		**210**	393	**188**	334
Trade amount due to related parties		**19,611**	12,203	**19,611**	12,212
Non-trade payables due to related parties	(a)	**2,153**	1,700	**2,153**	1,700
Non-trade payables due to subsidiary	(a)	**–**	–	**–**	100
Accrued expenses		**10,329**	14,006	**10,261**	13,829
Rental received in advance		**8,930**	8,924	**5,764**	5,932
Deposits		**8,691**	14,789	**8,691**	14,771
Interest payable		**3,436**	2,818	**3,436**	2,818
Other payables		**4,775**	1,287	**2,403**	128
		58,135	56,120	**52,507**	51,824
Non-current					
Deposits		**22,315**	15,146	**22,315**	15,146

(a) The non-trade payables due to related parties and subsidiary are recharges and expenses incurred for services which are unsecured, interest-free and repayable on demand.

The Group's and LREIT's exposures to liquidity and foreign currency risks related to trade and other payables are disclosed in note 30.

Notes to the Financial Statements

16 LOANS AND BORROWINGS

	Group 2023 S$'000	Group 2022 S$'000	LREIT 2023 S$'000	LREIT 2022 S$'000
Current				
Unsecured interest-bearing bank borrowings	**434,734**	299,297	**434,734**	299,297
Less: Unamortised transaction costs	**(1,123)**	(1,543)	**(1,123)**	(1,543)
	433,611	297,754	**433,611**	297,754
Non-current				
Unsecured interest-bearing bank borrowings	**1,118,115**	1,180,837	**1,118,115**	1,180,837
Less: Unamortised transaction costs	**(39,543)**	(28,691)	**(39,543)**	(28,691)
	1,078,572	1,152,146	**1,078,572**	1,152,146

The contractual terms of the Group's and LREIT's borrowings, which are measured at amortised cost are disclosed below. The Group's and LREIT's exposures to interest rate, foreign currency and liquidity risks are disclosed in note 30.

Terms and debt repayment schedule

Terms and conditions of the interest-bearing bank borrowings are as follows:

	Nominal interest rate %	Financial year of maturity	Group and LREIT Face value S$'000	Group and LREIT Carrying amount S$'000
2023				
S$ floating rate bank borrowings	**SORA[1] + margin**	**2025 – 2028**	**1,100,400**	**1,077,464**
S$ fixed rate bank borrowings	**5.34%[2]**	**2024**	**14,000**	**14,000**
€ floating rate bank borrowings[3]	**EURIBOR[4] + margin**	**2024 – 2028**	**420,734**	**403,066**
€ fixed rate bank borrowings	**4.82%[2]**	**2025**	**17,715**	**17,653**
			1,552,849	**1,512,183**
2022				
S$ floating rate bank borrowings	SOR[5] + margin	2023 – 2025	109,297	108,903
S$ floating rate bank borrowings	SORA[1] + margin	2023 – 2027	956,000	931,744
€ floating rate bank borrowings	EURIBOR[4] + margin	2024	414,837	409,253
			1,480,134	1,449,900

1 Singapore Overnight Rate Average.
2 The rates are based on cost of funds determined by the banks.
3 Loan facility has been obtained, to be drawn down for the refinancing of the Euro loan maturing in the financial year ending 30 June 2024.
4 Euro Interbank Offered Rate.
5 Swap Offer Rate.

Notes to the Financial Statements

16 LOANS AND BORROWINGS continued

Reconciliation of changes in liabilities arising from financing activities

		Financing cash flows				Non-cash changes			
	At 1 July 2022 S$'000	Proceeds from loans and borrowings S$'000	Repayment of loans and borrowings S$'000	Payment of lease liability S$'000	Payment of financing expenses S$'000	Borrowing costs expensed S$'000	Foreign exchange movement S$'000	Other changes S$'000	At 30 June 2023 S$'000
Unsecured interest-bearing bank borrowings	1,449,900	220,215	(153,397)	–	(22,935)	12,504	5,896	–	1,512,183
Lease liability	2,105	–	–	(270)	–	–	–	36	1,871
Interest payable	2,818	–	–	–	(37,926)	38,537	7	–	3,436
	1,454,823	220,215	(153,397)	(270)	(60,861)	51,041	5,903	36	1,517,490

		Financing cash flows				Non-cash changes			
	At 1 July 2021 S$'000	Proceeds from loans and borrowings S$'000	Repayment of loans and borrowings S$'000	Payment of lease liability S$'000	Payment of financing expenses S$'000	Borrowing costs expensed S$'000	Foreign exchange movement S$'000	Other changes S$'000	At 30 June 2022 S$'000
Unsecured interest-bearing bank borrowings	542,573	1,221,000	(255,000)	–	(26,305)	7,190	(39,558)	–	1,449,900
Lease liability	2,521	–	–	(336)	–	–	–	(80)	2,105
Interest payable	1,141	–	–	–	(7,035)	8,712	–	–	2,818
	546,235	1,221,000	(255,000)	(336)	(33,340)	15,902	(39,558)	(80)	1,454,823

Notes to the Financial Statements

17 LEASES

Leases as lessee

Information about leases for which the Group is a lessee is presented below.

(i) **Amounts recognised in the statements of financial position**

	Note	Group and LREIT 2023 S$'000	Group and LREIT 2022 S$'000
Right-of-use asset			
– Included within investment property under development	6	**1,871**	2,105
Lease liability			
– Non-current		**1,633**	1,871
– Current		**238**	234
		1,871	2,105

(ii) **Amounts recognised in the statements of profit or loss and other comprehensive income**

	Note	Group and LREIT 2023 S$'000	Group and LREIT 2022 S$'000
Net change in fair value of right-of-use assets (included within net change in fair value of investment property under development)	6	**(233)**	(416)

(iii) **Amounts recognised in the consolidated statements of cash flows**

	Group 2023 S$'000	Group 2022 S$'000
Payment of lease liability	**(270)**	(336)

The Group leases land in respect of the investment property under development from Singapore Land Authority. The lease has an initial tenancy term of 3 years, which may be renewed for a further two tenancy terms of 3 years each, and a final tenancy term not exceeding 364 days.

The renewable options are exercisable only by the Group and up to one year before the end of the non-cancellable contract period. The Group has included all renewable options in the lease liability as it assessed at lease commencement date that it is reasonably certain to exercise all renewable options.

The lease provides for variable rent payments which are linked to profit generated from the site.

Notes to the Financial Statements

17 LEASES continued

Leases as lessor

The Group leases out its investment properties (see note 5). The Group has classified these leases as operating leases.

The Group leases out its investment properties to tenants with lease tenures of 1 to 30 years, with certain leases with options to renew at negotiated terms. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income from investment properties recognised by the Group for the year ended 30 June 2023 was S$187,163,000 (2022: S$95,354,000) respectively.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group 2023 S$'000	Group 2022 S$'000
Operating leases under IFRS 16		
Less than one year	**191,295**	172,742
One to two years	**165,665**	136,538
Two to three years	**115,374**	106,045
Three to four years	**77,936**	65,349
Four to five years	**66,623**	55,086
More than five years	**453,627**	502,132
	1,070,520	1,037,892

Notes to the Financial Statements

18 NON-CONTROLLING INTERESTS

On 4 August 2021, the Group acquired 53.0% equity interest in LLJP, and LLJP became a subsidiary from that date. The following subsidiary of the Group has material NCI.

	Ownership interest held by NCI	
	2023 %	2022 %
Lendlease Jem Partners Fund Limited[1]	47.0	47.0

[1] Held by Lendlease Global Commercial (SGP) Pte. Ltd..

The following table summarises the financial information of the Group's subsidiary with material NCI based on their respective financial statements prepared in accordance with IFRS.

	LLJP	
	2023 S$'000	2022 S$'000
Revenue[1]	–	–
Profit after tax[1]	318	3,847
Profit attributable to NCI[1]	**(352)**	**1,543**
Non-current assets	5,334	7,280
Current assets	581	1,632
Current liabilities	(51)	(180)
Net assets	5,864	8,732
Net assets attributable to NCI	**1,989**	**3,839**
Cash flows used in operating activities	(348)	(1,082)
Cash flows generated from investing activities	2,500	175,267
Cash flows used in financing activities[2]	(3,187)	(173,447)
Net (decrease)/increase in cash and cash equivalents	**(1,035)**	**738**

[1] For the financial year ended 30 June 2022, the amount is in relation to the period from date of acquisition to 30 June 2022.
[2] Includes dividends paid to NCI.

Notes to the Financial Statements

19 UNITS IN ISSUE AND PERPETUAL SECURITIES

(i) Units in issue

		Group and LREIT	
	Note	2023 No. of units '000	2022 No. of units '000
Units issued:			
Units issued at 1 July		2,277,126	1,180,996
Issue of new units:			
Units issued as payment of Manager's base fees	(a)	11,029	4,829
Units issued as payment of Manager's performance fees	(a)	4,330	3,611
Units issued as payment of Manager's acquisition fees	(d)	–	25,699
Units issued under distribution reinvestment plan	(b)	25,713	–
Units issued as payment of property management fees	(c)	5,464	1,824
Consideration units	(e)	–	162,867
Private placement units	(f)	–	551,723
Preferential offering units	(g)	–	345,577
At the end of the financial year		**2,323,662**	**2,277,126**
Units to be issued:			
Manager's base fees		7,768	3,999
Manager's performance fees		11,639	4,330
Manager's acquisition fees[1]		1,287	–
Property management fees[1]		4,394	1,534
Issued and issuable units at end of the financial year		**2,348,750**	**2,286,989**

[1] Estimated based on the 10-day volume weighted average price as at 31 March 2023 and 30 June 2023 as relevant.

During the financial year ended 30 June 2023, there were the following issuances of units:

(a) 15,359,230 (2022: 8,439,368) units at an issue price ranging from S$0.7018 to S$0.7934 (2022: S$0.7996 to S$0.8746) per unit as payment of the base fee of the Manager's fees incurred for the period from January 2022 to December 2022 (2022: January 2021 to December 2021) and the performance fee of the Manager's fees for the period from July 2021 to June 2022 (2022: July 2020 to June 2021);

(b) 25,712,783 units at an issue price of S$0.6788 per unit in respect of the distribution reinvestment plan for the period 1 July 2022 to 31 December 2022; and

(c) 5,463,895 (2022: 1,823,885) units at an issue price ranging from S$0.7018 to S$0.7934 (2022: S$0.8710 to S$0.9000) per unit as payment for property management services provided by the property manager in respect of the Singapore Properties for the period from January 2022 to December 2022 (2022: January 2021 to December 2021).

Notes to the Financial Statements

19 UNITS IN ISSUE AND PERPETUAL SECURITIES continued

(i) Units in issue continued

In addition to the aforementioned, there were the following issuances of units during the financial year ended 30 June 2022:

(d) 3,683,816 and 22,014,961 units at an issue price of S$0.8891 and S$0.7749 per unit as payment of the acquisition fee of the Manager's fees in respect of the acquisition of 53.0% interest in LLJP and 19.8% interest in ARIF3, and the acquisition of 13.05% interest in ARIF3 and Jem respectively;

(e) 162,867,300 units at an issue price of S$0.7250 per unit as consideration units in respect of the acquisition of 13.05% interest in ARIF3;

(f) 551,723,000 units at an issue price of S$0.7250 per unit in connection with the private placement exercise to raise funds for the payment of the purchase consideration in respect of the acquisition of Jem; and

(g) 345,577,449 units at an issue price of S$0.7200 per unit in connection with the preferential offering exercise to raise funds for the payment of the purchase consideration in respect of the acquisition of Jem.

(ii) Perpetual securities

On 4 June 2021, LREIT issued S$200.0 million perpetual securities ("**Perpetual Securities Series 001**"). On 11 April 2022, LREIT issued S$200.0 million perpetual securities ("**Perpetual Securities Series 002**"), (collectively, the "**Perpetual Securities**"), under the S$1.0 billion Multicurrency Debt Issuance Programme. The key terms and conditions of the Perpetual Securities are as follows:

- the Perpetual Securities 001 will confer a right to receive distribution payments at a rate of 4.20% per annum with the first distribution rate reset date falling on 4 June 2026 and resets occurring every five years thereafter;
- the Perpetual Securities 002 will confer a right to receive distribution payments at a rate of 5.25% per annum with the first distribution rate reset date falling on 11 April 2025 and resets occurring every three years thereafter;
- the Perpetual Securities may be redeemed at the option of LREIT after the first distribution rate reset date and on each distribution payment date thereafter;
- the distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative; and
- the Perpetual Securities will constitute direct, unconditional, subordinated and unsecured obligations of LREIT and rank pari passu and without any preference among themselves and with any Parity Obligations (as defined in the terms and conditions) of the S$1.0 billion Multicurrency Debt Issuance Programme.

Accordingly, the Perpetual Securities are classified as equity. The expenses relating to the issue of the Perpetual Securities are deducted against the proceeds from the issue.

As at 30 June 2023, the S$399.4 million (2022: S$399.4 million) presented in the statements of financial position of the Group and LREIT represent the carrying value of the S$400.0 million (2022: S$400.0 million) Perpetual Securities issued, net of issue costs and includes the profit attributable to the Perpetual Securities holders from the last distribution date.

Notes to the Financial Statements

20 GROSS REVENUE

	Group	
	2023 S$'000	**2022** S$'000
Rental income	**187,163**	95,354
Turnover rent	**6,114**	1,583
Other property income	**11,599**	4,725
	204,876	101,662

For the year ended 30 June 2023, grant income of Nil (2022: S$54,000) has been recognised in relation to the relief for eligible tenants from the Singapore government as part of the COVID-19 relief measures.

Turnover rent is contingent rent derived from operating leases.

Other property income mainly comprises S$6,365,000 (2022: S$2,059,000) of car park income and S$1,830,000 (2022: S$1,443,000) of electricity income.

21 PROPERTY OPERATING EXPENSES

	Group	
	2023 S$'000	**2022** S$'000
Property maintenance expenses	**10,066**	5,227
Property management fees	**5,937**	2,378
Property management reimbursements[1]	**3,925**	2,174
Property related tax	**15,834**	9,414
Marketing	**4,101**	1,999
Utilities	**5,938**	2,241
Others	**5,138**	2,721
	50,939	26,154

[1] Relates to reimbursement of staff costs paid/payable to the property manager.

Others mainly comprise S$1,581,000 (2022: S$928,000) of leasing fees expenses.

Notes to the Financial Statements

22 MANAGER'S BASE AND PERFORMANCE FEE

	Group	
	2023 S$'000	2022 S$'000
Base fee[1]	10,415	6,025
Performance fee[2]	7,705	3,949
	18,120	9,974

1 Relates to amounts in cash of Nil (2022: S$783,000) and in units of S$10,415,000 (2022: S$5,242,000) paid/payable for Manager's base fee.
2 Relates to amounts in cash of Nil (2022: S$514,000) and in units of S$7,705,000 (2022: S$3,435,000) paid/payable for Manager's performance fee.

23 OTHER TRUST EXPENSES

	Group	
	2023 S$'000	2022 S$'000
Auditor's remuneration		
– audit fees	273	284
– non-audit fees[1]	6	–
Valuation fees	99	183
Consultancy and other professional fees	211	239
Other expenses[2]	3,172	3,633
	3,761	4,339

1 For the financial year ended 30 June 2022, non-audit fees amounting to S$901,000 have been capitalised as transaction costs into the respective investments acquired during the financial year and included in non-audit fees are S$465,000 of audit-related fees.
2 Other expenses for the financial year ended 30 June 2023 comprise mainly acquisition costs for equity instrument at fair value (2022: acquisition costs for investment in associates, investment in subsidiary and the acquisition of Jem).

Notes to the Financial Statements

24 NET FOREIGN EXCHANGE (LOSS)/GAIN

	Group	
	2023 S$'000	2022 S$'000
Realised foreign exchange gain	3,423	398
Unrealised foreign exchange (loss)/gain	(6,155)	39,455
	(2,732)	39,853

25 NET FINANCE COSTS

	Group	
	2023 S$'000	2022 S$'000
Finance income		
Interest income	647	259
Finance expenses		
Interest expense on bank borrowings	(38,537)	(8,712)
Financing fees[1]	(12,821)	(7,350)
Total finance expenses	(51,358)	(16,062)
Net finance cost	(50,711)	(15,803)

1 Includes amortisation of debt-related transaction costs and other finance costs.

Notes to the Financial Statements

26 TAX EXPENSE

	Group	
	2023 S$'000	**2022** S$'000
Current tax expense	**–**	–
Reconciliation of effective tax rate		
Profit before tax	**118,472**	152,682
Less: Share of profit of associates	**(1,052)**	(5,319)
Profit before share of profit of associates and tax	**117,420**	147,363
Tax using Singapore tax rate of 17% (2022: 17%)	**19,961**	25,052
Income not subject to tax	**(21,859)**	(27,975)
Non-tax deductible items	**19,805**	11,042
Others	**(582)**	(68)
Tax transparency	**(17,325)**	(8,051)
	–	–

27 EARNINGS PER UNIT

Basic earnings per unit is calculated by dividing the total profit for the financial year after tax, before distribution, by the weighted average number of units during the financial year.

	Group	
	2023 S$'000	**2022** S$'000
Profit after tax attributable to Unitholders	**99,924**	140,386
Basic and diluted earnings per unit		
Weighted average number of units during the financial year ('000)	**2,293,129**	1,428,170
Basic earnings per unit (cents)	**4.36**	9.83

Diluted earnings per unit is the same as basic earnings per unit as there is no potential dilutive units during the financial year.

Notes to the Financial Statements

28 CAPITAL COMMITMENTS

As at the reporting date, the Group and LREIT had the following commitments:

	Group and LREIT	
	2023 S$'000	**2022** S$'000
Capital expenditure contracted but not provided for in the financial statements	**380**	1,639

29 RELATED PARTIES

In the normal course of the operations of LREIT, the Manager's fees and Trustee's fee have been paid or are payable to the Manager and the Trustee respectively. Other management fees have been paid or are payable to related parties.

In addition to the related party information disclosed elsewhere in the financial statements, significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the financial year were as follows:

	Group	
	2023 S$'000	**2022** S$'000
Property management fees paid and payable to property manager	**5,858**	2,304
Property management reimbursements paid and payable to property manager	**3,925**	2,174
Leasing commission paid and payable to property manager	**3,851**	1,360
Tenancy design review fees paid and payable to property manager	**386**	167
Acquisition of investment property from related parties	**–**	2,079,000
Acquisition fees paid and payable to the Manager	**852**	20,335

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT

Overview

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager of LREIT continually monitors LREIT's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and LREIT's activities.

The Manager of LREIT continually monitors LREIT's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by LREIT.

As at 30 June 2023, the Group's aggregate leverage was 40.6% (2022: 40.0%) with an interest coverage ratio ("**ICR**") of 4.2 times (2022: 9.2 times) in accordance with the requirements in the interest-bearing bank borrowing facilities. The Group has an ICR of 2.7 times (2022: 4.2 times) and an adjusted ICR of 2.0 times (2022: 2.5 times) in accordance with Appendix 6 of the CIS Code issued by MAS. The Group had complied with the aggregate leverage limit during the financial year.

There were no changes in the Group's approach to capital management during the financial year.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Trade receivables

Credit evaluations are performed by the Manager before lease agreements are entered into with the lessees. Rental deposits as a multiple of monthly rent are received either in cash or bank guarantees to reduce credit risk. The Manager also monitors the amount owing by the lessees on an ongoing basis.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statements of financial position.

Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants and credit policy of obtaining security deposits, banker's guarantees or other forms of collateral from tenants. These tenants comprise tenants engaged in a wide variety of trades. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Expected credit loss assessment for individual tenants

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual tenants, which comprise a very large number of balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off based on actual credit loss experience.

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT continued

Credit risk continued

Trade receivables continued

Expected credit loss assessment for individual tenants continued

The ageing of trade receivables at the reporting date was:

	Group		LREIT	
	Gross S$'000	Impairment loss S$'000	Gross S$'000	Impairment loss S$'000
2023				
Not past due	**11**	**–**	**11**	**–**
Past due 1 – 30 days	**818**	**(152)**	**818**	**(152)**
Past due 31 – 90 days	**707**	**(161)**	**707**	**(161)**
Past due more than 90 days	**1,776**	**(1,349)**	**1,776**	**(1,349)**
	3,312	**(1,662)**	**3,312**	**(1,662)**
2022				
Not past due	11	–	11	–
Past due 1 – 30 days	2,563	(207)	2,563	(207)
Past due 31 – 90 days	681	(482)	681	(482)
Past due more than 90 days	1,683	(1,390)	1,683	(1,390)
	4,938	(2,079)	4,938	(2,079)

Cash and cash equivalents

Cash and cash equivalents are placed with financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of its counterparties. The ECL on cash and cash equivalents is negligible.

Derivative financial instruments

Transactions involving derivative financial instruments are entered into only with counterparties that are regulated.

Other receivables

The Group assesses on a forward-looking basis the ECLs associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers that the credit risk of these counterparties has not increased, and determines that the 12-month ECL on outstanding balances is negligible as at the reporting date.

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its debt maturity profile and operating cash flows to ensure that refinancing, repayment and funding needs are met. As part of liquidity management, the Group invests primarily in bank deposits and finances its operations mainly through the use of mid to long term financing transactions.

Exposure to liquidity risk

The following are the expected contractual undiscounted cash inflows/(outflows) of financial liabilities, at amortised cost, including contractual interest payments and excluding the impact of netting agreements.

		Cash flows			
	Carrying amount S$'000	Contractual cash flows S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000
Group					
30 June 2023					
Non-derivative financial liabilities					
Unsecured interest-bearing bank borrowings[1]	**1,512,183**	**(1,687,644)**	**(493,907)**	**(1,193,737)**	**–**
Trade and other payables[2]	**68,084**	**(68,084)**	**(45,770)**	**(22,254)**	**(60)**
Lease liability	**1,871**	**(2,002)**	**(270)**	**(1,080)**	**(652)**
Derivative financial (assets)/liabilities, at fair value					
Interest rate derivatives (net-settled)	**568**	**(942)**	**263**	**(1,205)**	**–**
Interest rate derivatives (net-settled)	**(14,608)**	**18,869**	**13,136**	**5,733**	**–**
Forward currency exchange contracts (gross-settled)	**514**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(15,206)**	**(9,891)**	**(5,315)**	**–**
– inflow	**–**	**14,665**	**9,502**	**5,163**	**–**
Forward currency exchange contracts (gross-settled)	**(202)**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(10,777)**	**(10,777)**	**–**	**–**
– inflow	**–**	**10,950**	**10,950**	**–**	**–**
	1,568,410	**(1,740,171)**	**(526,764)**	**(1,212,695)**	**(712)**
30 June 2022					
Non-derivative financial liabilities					
Unsecured interest-bearing bank borrowings[1]	1,449,900	(1,596,101)	(329,492)	(1,266,609)	–
Trade and other payables[2]	59,524	(59,524)	(44,378)	(15,145)	(1)
Lease liability	2,105	(2,272)	(270)	(1,080)	(922)
Derivative financial (assets)/liabilities, at fair value					
Interest rate derivatives (net-settled)	(9,962)	12,949	4,291	8,658	–
Forward currency exchange contracts (gross-settled)	(2,433)	–	–	–	–
– (outflow)	–	(36,826)	(26,200)	(10,626)	–
– inflow	–	39,678	28,728	10,950	–
	1,499,134	(1,642,096)	(367,321)	(1,273,852)	(923)

1 The contractual cash flows assume no interest savings from sustainability-linked bank borrowings of S$980.4 million (2022: S$836.0 million).
2 Excludes interest payable and rental received in advance.

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT continued

Liquidity risk continued

Exposure to liquidity risk continued

		Cash flows			
	Carrying amount S$'000	Contractual cash flows S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000
LREIT					
30 June 2023					
Non-derivative financial liabilities					
Unsecured interest-bearing bank borrowings[1]	**1,512,183**	**(1,687,644)**	**(493,907)**	**(1,193,737)**	**–**
Trade and other payables[2]	**65,622**	**(65,622)**	**(43,308)**	**(22,254)**	**(60)**
Lease liability	**1,871**	**(2,002)**	**(270)**	**(1,080)**	**(652)**
Derivative financial (assets)/liabilities, at fair value					
Interest rate derivatives (net-settled)	**568**	**(942)**	**263**	**(1,205)**	**–**
Interest rate derivatives (net-settled)	**(14,608)**	**18,869**	**13,136**	**5,733**	**–**
Forward currency exchange contracts (gross-settled)	**514**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(15,206)**	**(9,891)**	**(5,315)**	**–**
– inflow	**–**	**14,665**	**9,502**	**5,163**	**–**
Forward currency exchange contracts (gross-settled)	**(202)**	**–**	**–**	**–**	**–**
– (outflow)	**–**	**(10,777)**	**(10,777)**	**–**	**–**
– inflow	**–**	**10,950**	**10,950**	**–**	**–**
	1,565,948	**(1,737,709)**	**(524,302)**	**(1,212,695)**	**(712)**
30 June 2022					
Non-derivative financial liabilities					
Unsecured interest-bearing bank borrowings[1]	1,449,900	(1,596,101)	(329,492)	(1,266,609)	–
Trade and other payables[2]	58,220	(58,220)	(43,074)	(15,145)	(1)
Lease liability	2,105	(2,272)	(270)	(1,080)	(922)
Derivative financial (assets)/liabilities, at fair value					
Interest rate derivatives (net-settled)	(9,962)	12,949	4,291	8,658	–
Forward currency exchange contracts (gross-settled)	(2,433)	–	–	–	–
– (outflow)	–	(36,826)	(26,200)	(10,626)	–
– inflow	–	39,678	28,728	10,950	–
	1,497,830	(1,640,792)	(366,017)	(1,273,852)	(923)

1 The contractual cash flows assume no interest savings from sustainability-linked bank borrowings of S$980.4 million (2022: S$836.0 million).
2 Excludes interest payable and rental received in advance.

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT continued

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings, where feasible. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The Group also uses derivative financial instruments such as interest rate derivatives and forward currency exchange contracts to minimise its exposure to interest rate volatility, where feasible. These derivative financial instruments are classified as derivative asset or liability on the statements of financial position.

As at 30 June 2023, the Group had S$980.4 million (2022: S$836.0 million) sustainability-linked loans where the sustainability targets are linked with emissions reductions. Upon meeting the targets, the Group will be awarded interest savings.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("**IBORs**") with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives.

The Group's main IBOR exposure as at 30 June 2023 was indexed to EURIBOR. The calculation methodology of EURIBOR changed in 2019, allowing market participants to continue to use EURIBOR for both existing and new contracts and the Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

As at 30 June 2022, the Group had exposures to SOR on its financial liabilities and derivatives. These have been repaid during the financial year ended 30 June 2023.

The Group's exposure to interest rate risk for changes in interest rates relates mainly to the interest-bearing financial assets and financial liabilities.

	Notional amount Group and LREIT	
	2023 S$'000	2022 S$'000
Fixed rate instruments		
Unsecured interest-bearing bank borrowings	**(31,715)**	–
Interest rate derivatives	**(949,734)**	(873,134)
	(981,449)	(873,134)
Variable rate instruments		
Unsecured interest-bearing bank borrowings	**(1,521,134)**	(1,480,134)
Interest rate derivatives	**949,734**	873,134
	(571,400)	(607,000)

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT continued

Interest rate risk continued

Sensitivity analysis

The Group does not account for any fixed rate instruments at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect the statements of profit or loss and other comprehensive income.

Cash flow sensitivity analysis for variable rate instruments

A 100 basis point ("**bp**") movement in interest rate at the reporting date would increase/(decrease) profit or loss (before any tax effect) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group S$'000	LREIT S$'000
2023		
100 bp increase	**(5,714)**	**(5,714)**
100 bp decrease	**5,714**	**5,714**
2022		
100 bp increase	(6,070)	(6,070)
100 bp decrease	6,070	6,070

Foreign currency risk

The Group's exposure to foreign currency risk relates to transactions that are denominated in currencies other than the respective functional currencies of the Group's entities.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country where its property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

In relation to its overseas investments in its foreign subsidiary whose net assets are exposed to currency translation risks and which is held for long term investment purposes, the differences arising from such translation are recorded under the foreign currency translation reserve, in net assets attributable to Unitholders. These translation differences are reviewed and monitored on a regular basis.

Notes to the Financial Statements

30 FINANCIAL RISK MANAGEMENT continued

Foreign currency risk continued

As at reporting date, the Group's and LREIT's exposure to foreign currencies in relation to financial assets and liabilities was as follows:

	Euro			
	Group		LREIT	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Cash and cash equivalents	**18,310**	15,902	**2,487**	746
Trade and other receivables[1]	**406**	144	**–**	–
Trade and other payables[2]	**(2,383)**	(1,201)	**–**	–
Derivative financial instruments	**6,887**	6,307	**6,887**	6,307
Loans and borrowings	**(438,449)**	(414,837)	**(438,449)**	(414,837)
Net exposure	**(415,229)**	(393,685)	**(429,075)**	(407,784)

1 Excludes net VAT receivable.
2 Excludes rental received in advance.

Sensitivity analysis

At the reporting date, a 5% strengthening/weakening of the Euro, as indicated below, against the Singapore dollar at the reporting date would have increased/(decreased) total profit or loss by the amounts shown below for the Group's and LREIT's financial assets and financial liabilities. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group S$'000	LREIT S$'000
2023		
5% strengthening	**(20,761)**	**(21,454)**
5% weakening	**20,761**	**21,454**
2022		
5% strengthening	(19,684)	(20,389)
5% weakening	19,684	20,389

Notes to the Financial Statements

31 FAIR VALUE OF ASSETS AND LIABILITIES

The following methods and assumptions are used to estimate fair values of the following significant classes of financial instruments:

(i) **Derivative financial instruments**

Interest rate derivatives are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present valuation calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate and forward rate curves.

The fair value of the foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date and present value calculation based on high credit quality yield curves in the respective currencies.

(ii) **Non-derivatives financial instruments**

Financial instruments that are not measured at fair value

Fair value of loans and borrowings, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted using the market rate of interest at the reporting date.

Interest rates used in determining fair values

The weighted average interest rates used to discount estimated cash flows, where applicable, are based on forward rates as at 30 June plus a credit spread, and are as follows:

	Group		LREIT	
	2023 %	2022 %	2023 %	2022 %
Unsecured interest-bearing bank borrowings	**4.37**	1.85	**4.37**	1.85

Financial instruments for which fair value is equal to the carrying value

These financial instruments include cash and cash equivalents, trade and other receivables, other current assets, other non-current assets, trade and other payables and lease liability. The carrying amounts of these financial instruments are approximations of their fair values because they are either short term in nature or the effect of discounting is immaterial.

Equity instrument at fair value

The fair value measurement for equity instrument at fair value has been categorised as Level 3 based on inputs to the valuation techniques used.

The fair value of the equity instrument is calculated using the net asset value of the unquoted entity adjusted for the fair value of the underlying property. The estimated fair value would increase/(decrease) if the net asset value was higher/(lower).

Notes to the Financial Statements

Notes to the Financial Statements

31 FAIR VALUE OF ASSETS AND LIABILITIES continued

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	At amortised cost S$'000	FVTPL S$'000	Other financial liabilities S$'000	Total carrying amount S$'000	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group									
30 June 2023									
Financial assets not measured at fair value									
Trade and other receivables[1]	10	2,703	–	–	2,703				
Other non-current assets	11	2,685	–	–	2,685				
Cash and cash equivalents	13	54,224	–	–	54,224				
Other current assets[2]	14	4,417	–	–	4,417				
		64,029	–	–	64,029				
Financial assets measured at fair value									
Equity instrument at fair value	9	–	85,784	–	85,784	–	–	85,784	85,784
Derivative financial assets	12	–	14,810	–	14,810	–	14,810	–	14,810
		–	100,594	–	100,594				
Financial liabilities not measured at fair value									
Trade and other payables[3]	15	–	–	(69,105)	(69,105)				
Loans and borrowings	16	–	–	(1,512,183)	(1,512,183)	–	(1,670,845)	–	(1,670,845)
Lease liability	17	–	–	(1,871)	(1,871)				
		–	–	(1,583,159)	(1,583,159)				
Financial liabilities measured at fair value									
Derivative financial liabilities	12	–	(1,082)	–	(1,082)	–	(1,082)	–	(1,082)
30 June 2022									
Financial assets not measured at fair value									
Trade and other receivables[1]	10	10,736	–	–	10,736				
Other non-current assets	11	1,294	–	–	1,294				
Cash and cash equivalents	13	49,230	–	–	49,230				
Other current assets[2]	14	3,569	–	–	3,569				
		64,829	–	–	64,829				
Financial assets measured at fair value									
Derivative financial assets	12	–	12,395	–	12,395	–	12,395	–	12,395
Financial liabilities not measured at fair value									
Trade and other payables[3]	15	–	–	(62,342)	(62,342)				
Loans and borrowings	16	–	–	(1,449,900)	(1,449,900)	–	(1,586,023)	–	(1,586,023)
Lease liability	17	–	–	(2,105)	(2,105)				
		–	–	(1,514,347)	(1,514,347)				

1 Excludes net VAT receivables. (2022: Excludes net GST/VAT receivables.)
2 Excludes deposits and prepayments.
3 Excludes net GST payables and rental received in advance. (2022: Excludes rental received in advance.)

Notes to the Financial Statements

Notes to the Financial Statements

31 FAIR VALUE OF ASSETS AND LIABILITIES continued

Accounting classifications and fair values continued

		Carrying amount				Fair value			
	Note	At amortised cost S$'000	FVTPL S$'000	Other financial liabilities S$'000	Total carrying amount S$'000	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
LREIT									
30 June 2023									
Financial assets not measured at fair value									
Trade and other receivables	10	**2,297**	**–**	**–**	**2,297**				
Other non-current assets	11	**2,685**	**–**	**–**	**2,685**				
Cash and cash equivalents	13	**37,662**	**–**	**–**	**37,662**				
Other current assets[1]	14	**4,417**	**–**	**–**	**4,417**				
		47,061	**–**	**–**	**47,061**				
Financial assets measured at fair value									
Equity instrument at fair value	9	**–**	**85,784**	**–**	**85,784**	**–**	**–**	**85,784**	**85,784**
Derivative financial assets	12	**–**	**14,810**	**–**	**14,810**	**–**	**14,810**	**–**	**14,810**
		–	**100,594**	**–**	**100,594**				
Financial liabilities not measured at fair value									
Trade and other payables[2]	15	**–**	**–**	**(66,643)**	**(66,643)**				
Loans and borrowings	16	**–**	**–**	**(1,512,183)**	**(1,512,183)**	**–**	**(1,670,845)**	**–**	**(1,670,845)**
Lease liability	17	**–**	**–**	**(1,871)**	**(1,871)**				
		–	**–**	**(1,580,697)**	**(1,580,697)**				
Financial liabilities measured at fair value									
Derivative financial liabilities	12	**–**	**(1,082)**	**–**	**(1,082)**	**–**	**(1,082)**	**–**	**(1,082)**
30 June 2022									
Financial assets not measured at fair value									
Trade and other receivables[3]	10	12,335	–	–	12,335				
Other non-current assets	11	1,294	–	–	1,294				
Cash and cash equivalents	13	32,373	–	–	32,373				
Other current assets[1]	14	3,569	–	–	3,569				
		49,571	–	–	49,571				
Financial assets measured at fair value									
Derivative financial assets	12	–	12,395	–	12,395	–	12,395	–	12,395
Financial liabilities not measured at fair value									
Trade and other payables[2]	15	–	–	(61,038)	(61,038)				
Loans and borrowings	16	–	–	(1,449,900)	(1,449,900)	–	(1,586,023)	–	(1,586,023)
Lease liability	17	–	–	(2,105)	(2,105)				
		–	–	(1,513,043)	(1,513,043)				

1 Excludes deposits and prepayments.
2 Excludes net GST payables and rental received in advance. (2022: Excludes rental received in advance.)
3 (2022: Excludes net GST receivables.)

Notes to the Financial Statements

32 OPERATING SEGMENT

For segment reporting purpose, the primary segment is by geography and it comprises Singapore and Italy. The Group's reportable operating segments are as follows:

(i) Singapore – leasing of retail and office buildings in Singapore.

(ii) Italy – leasing of Sky Complex, comprising three office buildings in Milan, Italy.

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of different economic and regulatory environments in which they operate in. For the purpose of making resource allocation and the assessment of segment performance, the Group's CODMs have focused on its investment properties. For each of the reporting segments, the Manager reviews internal management reports on a monthly basis. This forms the basis of identifying the operating segments of the Group under IFRS 8 *Operating Segments*.

	Singapore S$'000	Italy S$'000	Total S$'000
For the year ended 30 June 2023			
Gross revenue	179,790	25,086	204,876
Property operating expenses	(48,249)	(2,690)	(50,939)
Total segment net property income	131,541	22,396	153,937
Unallocated items:			
Manager's base fees			(10,415)
Manager's performance fees			(7,705)
Other management fee			(762)
Trustee's fee			(438)
Other trust expenses			(3,761)
Net foreign exchange loss			(2,732)
Finance income			647
Finance cost			(51,358)
Profit before tax, change in fair value, impairment and share of profit			77,413
Fair value gains/(losses) of investment properties & investment property under development	90,646	(51,484)	39,162
Share of profit of associates	1,052	–	1,052
Fair value gains of equity instrument	579	–	579
Impairment of investment in associates	(1,067)	–	(1,067)
Unallocated item:			
Fair value gains of derivative financial instruments			1,333
Profit before tax			118,472
Segment assets	3,379,582	446,769	3,826,351
Segment liabilities	1,590,023	5,563	1,595,586

Notes to the Financial Statements

32 OPERATING SEGMENT continued

	Singapore S$'000	Italy S$'000	Total S$'000
For the year ended 30 June 2022			
Gross revenue	76,278	25,384	101,662
Property operating expenses	(23,585)	(2,569)	(26,154)
Total segment net property income	52,693	22,815	75,508
Unallocated items:			
Manager's base fees			(6,025)
Manager's performance fees			(3,949)
Other management fee			(1,256)
Trustee's fee			(303)
Other trust expenses			(4,339)
Net foreign exchange gain			39,853
Finance income			259
Finance cost			(16,062)
Profit before tax, change in fair value, impairment and share of profit			83,686
Fair value (losses)/gains of investment properties & investment property under development	(24,342)	73,457	49,115
Share of profit of associates	5,319	–	5,319
Fair value gains of equity instrument	330	–	330
Impairment of investment in associates	(564)	–	(564)
Unallocated item:			
Fair value gains of derivative financial instruments			14,796
Profit before tax			152,682
Segment assets	3,207,221	494,743	3,701,964
Segment liabilities	1,519,082	4,189	1,523,271

Major tenants

Two major tenants (2022: one major tenant) contributed approximately S$47.0 million (2022: approximately S$25.4 million) of the Group's gross revenue from Singapore and Italy (2022: Italy).

Notes to the Financial Statements

33 FINANCIAL RATIOS

	Group 2023 %	Group 2022 %
Expenses to weighted average net assets[1]		
– Expense ratio including performance-related fee	1.05	0.99
– Expense ratio excluding performance-related fee	0.70	0.74
Portfolio turnover rate[2]	–	–

1 The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property related expenses, borrowing costs, changes in fair value of financial derivatives, investment properties and investment property under development and foreign exchange gains/(losses).

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

34 ACQUISITION OF SUBSIDIARY

On 4 August 2021, the Group acquired 53.0% of the shares in LLJP which held 25.0% indirect interest in Jem.

The cash outflows and net assets of subsidiary acquired are provided below:

	2022 S$'000
Investment in associates	298,539
Cash and cash equivalents	877
Prepayments	11
Trade and other payables	(457)
Non-controlling interests	(140,516)
Net assets acquired	158,454
Goodwill arising from acquisition allocated to investment in associates	2,017
Total purchase consideration, including acquisition fees	160,471
Acquisition fees settled by way of issuance of Units	(1,582)
Cash of subsidiary acquired	(877)
Cash outflow on acquisition of subsidiary	158,012

35 SUBSEQUENT EVENTS

On 7 August 2023, the Manager announced a distribution of 2.2453 Singapore cents per unit, amounting to approximately S$52.2 million in respect of the period from 1 January 2023 to 30 June 2023.

Interested Person Transactions

The transactions entered into with interested persons during the financial year which fall under the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "**Property Funds Appendix**") are as follows:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) FY2023 S$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)[1] FY2023 S$'000
Lendlease Corporation Limited and its subsidiaries or associates	Lendlease Corporation Limited is a "controlling Unitholder" of LREIT and a "controlling shareholder" of the Manager under the Listing Manual and the Property Funds Appendix		
– Manager's management fees		18,120	N.A.
– Acquisition fee		859[2]	N.A.
– Property management and leasing fees and reimbursable amounts		19,193[3]	N.A.
– Management fees in respect of Lendlease Global Commercial Italy Fund		707	N.A.
– Portal licence fees for access to the Lendlease Plus rewards portal and related recharges		303	N.A.
– Project and construction management fees (Grange Road property)		173	N.A.
– Project and construction management fees (Jem)[4]		146	N.A.
– Investment advisory and administrative services in respect of Lendlease Asian Retail Investment Fund 3 Limited, Lendlease Jem Partners Fund Limited, Lendlease Retail Investments 3 Pte Ltd and Lendlease Commercial Investments Pte Ltd[4]		452	N.A.
– Bookkeeping services in respect of Lendlease Retail Investments 3 Pte Ltd and Lendlease Commercial Investments Pte Ltd		210	N.A.
– Acquisition of 10.0% interest in Parkway Parade Partnership Pte. Ltd.		85,852[2]	N.A.
DBS Trustee Limited	Trustee of LREIT		
– Trustee's fees		416	N.A.

1 LREIT does not have a Unitholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.

2 Subject to post-completion adjustments.

3 Includes the property management fees paid under the property management agreement signed between Lendlease Retail Pte. Ltd., Lendlease Retail Investments 3 Pte. Ltd. and Lendlease Commercial Investments Pte. Ltd. in relation to the property management of Jem. The property management agreement has since been superseded by a new property management agreement entered into between the Trustee, the Manager and Lendlease Retail Pte. Ltd. after LREIT acquired the remaining interest in Jem which was approved by Unitholders on 7 March 2022.

4 Unitholder's approval was obtained on 26 July 2021 in connection with the acquisition of 37.6% interest in Lendlease Asian Retail Investment Fund 3 Limited which held Jem. Development management fees and project and construction management fees in relation to Jem, and investment advisory and administrative services fees in relation to Lendlease Asian Retail Investment Fund 3 Limited, Lendlease Jem Partners Fund Limited and their subsidiaries are not directly payable by LREIT and there will be no double-counting of fees.

Interested Person Transactions

The payments of the Manager's management fees and acquisition fees, payments of property management fees, leasing fees and reimbursements to Lendlease Retail Pte. Ltd. (the "**Property Manager**") in respect of payroll and related expenses, payment of management fees to Lendlease Italy SGR S.p.A. as well as payments of the Trustee's fees and reimbursements pursuant to the Trust Deed are deemed to have been specifically approved by the Unitholders upon subscription for the Units on the listing of Lendlease Global Commercial REIT ("**LREIT**") on 2 October 2019, and are therefore not subject to Rules 905 and 906 of the Listing Manual. Such payments are not to be included in the aggregate value of total interested person transactions as governed by Rules 905 and 906 of the Listing Manual.

Save as disclosed above, there were no other interested person transactions (excluding transactions less than S$100,000 each) entered into during FY2023 nor any material contracts entered into by LREIT that involved the interests of the Chief Executive Officer, any Director or controlling Unitholder of LREIT. Please also see significant related party transactions in Note 29 to the financial statements.

ISSUANCE OF LREIT UNITS

During FY2023, LREIT issued:

(i) an aggregate of 11,029,128 new Units ("**Management Base Fee Units**") amounting to S$8.4 million as payment for the base fee element of the Manager's management base fees;

(ii) an aggregate of 4,330,102 new Units ("**Management Performance Fee Units**") amounting to S$3.4 million as payment for the performance fee element of the Manager's management performance fees;

(iii) an aggregate of 5,463,895 new Units ("**Property Management Fee Units**") amounting to S$4.1 million as payment for the Property Manager's management fees; and

(iv) an aggregate of 25,712,783 new Units amounting to S$17.5 million pursuant to LREIT's Distribution Reinvestment Plan in respect of the distribution of 2.4499 cents per Unit for the period from 1 July 2022 to 31 December 2022.

Lendlease GCR Investment Holding Pte. Ltd. has been nominated by each of the Manager and the Property Manager to receive the Management Base Fee Units, Management Performance Fee Units and the Property Management Fee Units in accordance with the Trust Deed and the master property management agreement relating to the properties of LREIT respectively.

Statistics of Unitholdings

As at 7 September 2023

ISSUED AND FULLY PAID UNITS

2,323,661,727 Units issued in LREIT as at 7 September 2023 (voting rights: 1 vote per unit).

There is only one class of Units in LREIT. There are no treasury units and no subsidiary holdings held.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	29	0.19	968	0.00
100 – 1,000	998	6.62	852,985	0.03
1,001 – 10,000	8,310	55.13	41,763,850	1.80
10,001 – 1,000,000	5,697	37.79	255,789,959	11.01
1,000,001 and above	40	0.27	2,025,253,965	87.16
Total	**15,074**	**100.00**	**2,323,661,727**	**100.00**

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE. LTD.	642,195,127	27.64
2	CITIBANK NOMINEES SINGAPORE PTE. LTD.	313,190,576	13.48
3	DBS NOMINEES (PRIVATE) LIMITED	299,930,606	12.91
4	HSBC (SINGAPORE) NOMINEES PTE. LTD.	205,946,876	8.86
5	RAFFLES NOMINEES (PTE.) LIMITED	174,551,377	7.51
6	DBSN SERVICES PTE. LTD.	131,990,996	5.68
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	33,780,529	1.45
8	HPL INVESTERS PTE. LTD.	29,238,753	1.26
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	27,586,724	1.19
10	IFAST FINANCIAL PTE. LTD.	27,320,323	1.18
11	PHILLIP SECURITIES PTE. LTD.	19,232,854	0.83
12	DB NOMINEES (SINGAPORE) PTE. LTD.	14,709,367	0.63
13	TIGER BROKERS (SINGAPORE) PTE. LTD.	9,916,268	0.43
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	9,719,301	0.42
15	UOB KAY HIAN PRIVATE LIMITED	9,444,170	0.41
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	9,364,077	0.40
17	MAYBANK SECURITIES PTE. LTD.	7,909,304	0.34
18	OCBC SECURITIES PRIVATE LIMITED	6,825,954	0.29
19	ABN AMRO CLEARING BANK N.V.	6,459,118	0.28
20	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE. LTD.	5,707,351	0.25
	Total	**1,985,019,651**	**85.44**

Statistics of Unitholdings

As at 7 September 2023

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholders as at 7 September 2023)

	Direct Interest		Deemed Interest		Total Interest	
Name of Substantial Unitholders	No. of Units	%[1]	No. of Units	%[1]	No. of Units	%[1]
Lendlease SREIT Pty Limited (as trustee of Lendlease SREIT Sub Trust)	546,788,462	23.53	–	–	546,788,462	23.53
Lendlease LLT Holdings Pty Limited (as trustee of Lendlease LLT Holdings Sub Trust)[2]	–	–	546,788,462	23.53	546,788,462	23.53
Lendlease Responsible Entity Limited (as trustee of Lendlease Trust)[3]	–	–	546,788,462	23.53	546,788,462	23.53
Lendlease Corporation Limited[4]	–	–	625,175,997	26.91	625,175,997	26.91

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 July 2023)

	Direct Interest		Deemed Interest	
Directors	No. of Units	%[5]	No. of Units	%[5]
Mr Justin Marco Gabbani	568,890	0.024	–	–
Ms Ng Hsueh Ling[6]	2,509,050	0.108	–	–
Dr Tsui Kai Chong	668,278	0.029	–	–
Mrs Lee Ai Ming	645,000	0.028	–	–
Mr Simon John Perrott	118,787	0.005	–	–

1 The percentage of unitholding is calculated based on the total number of 2,323,661,727 Units in issue as at 7 September 2023.

2 Lendlease LLT Holdings Pty Limited (as trustee of Lendlease LLT Holdings Sub Trust) holds all of the units of Lendlease SREIT Sub Trust ("**LLT Sub-Trust**"). Lendlease LLT Holdings Sub Trust is therefore deemed interested in LLT Sub-Trust's direct interest of 546,788,462 Units.

3 Lendlease Responsible Entity Limited (as trustee of Lendlease Trust) ("**LLT**") holds all of the units of Lendlease LLT Holdings Sub Trust. LLT is therefore deemed interested in Lendlease LLT Holdings Sub Trust's deemed interest of 546,788,462 Units.

4 Lendlease Responsible Entity Limited is a wholly-owned subsidiary of Lendlease Corporation Limited ("**LLC**"). LLC is therefore deemed interested in LLT's deemed interest of 546,788,462 Units. LLC is also deemed interested in 38,696,844 Units which are held directly by its indirect wholly-owned subsidiary, Lendlease GCR Investment Holding Pte. Ltd., and 39,690,691 Units which are held directly by the Manager, which is also an indirect wholly-owned subsidiary of LLC.

5 The percentage of unitholding is calculated based on the total number of 2,323,661,727 Units in issue as at 21 July 2023.

6 Ms Ng Hsueh Ling stepped down as Chairperson and Director of the Manager since 8 August 2023.

FREE FLOAT

Based on information available to the Manager as at 7 September 2023, approximately 73.0% of the Units in LREIT were held in the hands of public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

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Lendlease Global Commercial Trust Management Pte. Ltd.

2 Tanjong Katong Road
#05-01 PLQ 3
Paya Lebar Quarter
Singapore 437161

Tel: +65 6671 7374
Fax: +65 6671 7372

enquiry@lendleaseglobalcommercialreit.com
www.lendleaseglobalcommercialreit.com

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