



7 November 2023

Sabana Real Estate Investment Management Pte. Ltd.
(in its capacity as manager of Sabana Industrial Real Estate Investment Trust ("Sabana Industrial REIT")) (the "Manager")

151 Lorong Chuan, #02-03
New Tech Park
Singapore 556741

Attention: Mr Donald Han, Chief Executive Officer

Dear Sirs

UPDATE TO UNITHOLDERS OF SABANA INDUSTRIAL REIT – 7 NOVEMBER 2023

1. We refer to the Trustee's Statement dated 8 August 2023 in relation to the Resolutions (the "**Trustee's Announcement**") and to the Trustee's Statements dated 21 July 2023, 29 August 2023 and 4 October 2023 (collectively, the "**Trustee's Statements**"), all of which were published via SGXNet.
2. In this regard, the Trustee wishes to provide the following update and frequently asked questions (the "**FAQs**") to all Unitholders as set out in the Appendix to this letter.
3. Terms defined in the Trustee's Announcement and the Trustee's Statements shall, unless the context otherwise requires, have the same meanings when used in this letter.
4. Please publish this letter as an announcement via SGXNet.

Yours faithfully

For and on behalf of

HSBC Institutional Trust Services (Singapore) Limited
(in its capacity as trustee of Sabana Industrial Real Estate Investment Trust)

A handwritten signature in blue ink, appearing to read "Rahul Desouza", with a horizontal line extending to the right.

RAHUL DESOUSA
Authorised Signatory

APPENDIX

Trustee's Update to Unitholders of Sabana Industrial REIT

1. As stated in the Trustee's Statement dated 4 October 2023, the Trustee will provide further updates and engage with Unitholders as and when there are material developments.
2. Accordingly, the Trustee provides this update to Unitholders to share further steps that have been taken to implement the Resolutions¹ since the latest Trustee's Statement dated 4 October 2023. A set of FAQs to address key questions from Unitholders are also included in this update.
3. Since the Trustee's last update, in its capacity as the trustee of Sabana Industrial REIT, the Trustee has for the purposes of the implementation of the Resolutions appointed KPMG Services Pte. Ltd. ("**KPMG Services**") as the tax adviser to provide relevant Singapore tax advice² on the transaction options. The Trustee is also in the process of identifying and appointing an executive search firm to advise it on necessary talent retention, assessment and recruitment matters, for the purposes of the implementation of the Resolutions.
4. The Trustee continues to work with its legal advisers, Rajah & Tann Singapore LLP ("**Rajah & Tann**"), to ensure that the implementation of the Resolutions is compliant with applicable laws and regulations. This includes but is not limited to the preparation of the required applications (to be submitted to the Monetary Authority of Singapore ("**MAS**")) for relevant licences and authorisations in respect of the new internal manager of Sabana Industrial REIT.
5. The Trustee has also considered together with Rajah & Tann if amendments to the Trust Deed ("**Trust Deed Amendments**") and subsequent extraordinary general meeting(s) ("**EGM(s)**") are required to implement the Resolutions, having regard to tax considerations, the existing provisions of the Trust Deed, and applicable laws and regulations.³ See FAQ4 and FAQ5 below for further details.
6. The Trustee continues to engage with the Manager on a weekly basis to oversee the ongoing operations of Sabana Industrial REIT.
7. Referring to Sabana Industrial REIT's Q3 2023 Interim Business Update announced on 18 October 2023 via SGXNet, the Manager has reaffirmed its focus on motivating staff, stabilising the portfolio and executing ongoing major capex projects since the passing of the Resolutions⁴.
8. The Trustee would like to reiterate that the nature of this internalisation process, through the establishment of an internalised manager, is complex and unprecedented in the Singapore market. Many of the issues and matters to be considered are interconnected and nuanced, and should not be over-simplified. The Trustee is working closely with its appointed advisers to carry out the implementation of the Resolutions in a compliant and prudent manner to protect the interests of all Unitholders.
9. This also requires the Trustee to engage with a wide range of stakeholders to assess various commercial options to adequately resource and build out a functioning internal management entity. This includes but is not limited to considering the feasibility of the potential acquisition of existing assets and the potential retention of existing staff of the Manager in order to maintain the continuity of Sabana Industrial REIT's operations to implement the Resolutions.

¹ By the Resolutions passed on 7 August 2023, the Trustee is directed by Unitholders to: "Effect the internalisation of the REIT management function by incorporating a subsidiary wholly owned by the Trustee and appointing such a subsidiary to act as the (Internal Manager)".

² Disclaimer: This advice is specific to the transaction and does not consider the particular facts and circumstances of unitholders. Unitholders should consider seeking their own tax advice as necessary.

³ These include requirements prescribed by the Securities and Futures Act 2001 of Singapore, the Code on Collective Investment Schemes and other applicable laws or regulations.

⁴ See page 4, Sabana Industrial REIT 3Q 2023 Interim Business Update dated 18 October 2023 issued by the Manager.

10. The Trustee will provide further updates and engage with Unitholders as and when there are material developments. All updates from the Trustee will be in the form of announcements via SGXNet.
11. In addition to the communication channels established by the Manager for Sabana Industrial REIT, Unitholders may direct their enquiries to sabana.trustee@hsbc.com.sg.

FAQs

1. What is the progress to date and what is the Trustee doing now to protect Unitholders?

To date, the Trustee has taken a number of steps to implement the Resolutions in its capacity as trustee of Sabana Industrial REIT, including:

- Conducting a process to identify and appoint the necessary and appropriate advisers. To this end, the Trustee:
 - has appointed (i) FTI Consulting (Singapore) Limited ("**FTI**") as financial advisers, (ii) Rajah & Tann as legal advisers, and (iii) KPMG Services as tax advisers; and
 - is in the process of identifying and appointing an executive search firm;
- Working with FTI on an analysis of Sabana Industrial REIT and its existing management structure, the current state and cost of operations and responsibilities, with a view to establishing the requirements for the new manager in an internalised management structure;
- Working with Rajah & Tann on all legal and regulatory matters for the purposes of the implementation of the Resolutions to ensure that the implementation of the Resolutions is compliant with applicable laws and regulations. This includes but is not limited to the preparation of the required applications (to be submitted to the MAS) for relevant licences and authorisations in respect of the new internal manager of Sabana Industrial REIT;
- Working with Rajah & Tann to ascertain and determine if Trust Deed Amendments and subsequent EGM(s) are required to implement the Resolutions. See FAQ4 and FAQ5 below for further details;
- Preparing for the incorporation of a corporate entity to serve as the new internal manager of Sabana Industrial REIT in due course, pending relevant approvals to be obtained;
- Working with KPMG Services to analyse and assess potential structures (contemplated by the Trustee with input from its professional advisers) for, and implications of, the internalisation from a Singapore tax perspective;
- Coordinating with the appointed executive search firm on key staffing and resourcing requirements of the new internal manager; and
- Developing and executing a detailed project plan that incorporates financial analyses, licences, operating protocols and other aspects of establishing the internal manager to operate as a licensed entity.

The Trustee is also continuing to engage with the Manager on a weekly basis to oversee the ongoing operations of Sabana Industrial REIT.

2. What are some of the key considerations determining the implementation timeline?

- It is important to note that this is the first time a Singapore domiciled REIT trustee has been tasked with an internalisation transaction of momentous nature, which is outside the ordinary scope of business of professional trustees in Singapore. Furthermore, there is no precedent in the Singapore REIT market of an internalisation transaction of this nature. Examples of internalised managers from other jurisdictions must be considered in this context, as well as under the legal and regulatory framework in which the internalisation took place.

- The establishment of an internalised management structure and associated steps to be completed are unprecedented and complex. Many of the issues and matters to be addressed are interconnected and need to be addressed holistically with a number of stakeholders. To the extent the Trustee's work is governed by a regulatory framework, the Trustee is engaged with its professional advisers and relevant stakeholders to ensure compliance with this framework.
- Accordingly, the Trustee has been and is working to ensure the implementation is orderly, well-considered and advised, in the best interests of all Unitholders. It is important to avoid a case of "more haste, less speed" which could be detrimental to the interests of Sabana Industrial REIT and its Unitholders. As noted in previous updates from the Trustee, the internalisation is expected to take at least 12 months to complete.
- Please refer to Annex A to these FAQs which sets out a summary of the work plan and various supporting workstreams currently identified by the Trustee (the "**Work Plan**"). The Work Plan is subject to ongoing review by the Trustee with input from advisers and subject to change from time to time. The Trustee will update Unitholders as and when material developments and revisions to the Work Plan or various workstreams arise.

3. Has the Trustee identified a new management team for the internal manager?

- In preparation for the submission of the capital markets services (CMS) licence for the new internal manager, the designated appointments for the new internal manager's (i) board of directors and (ii) management team will need to be identified. Proposed appointments of directors and the chief executive officer of the internal manager will need to be submitted to the MAS for approval in accordance with applicable laws.
- The Trustee will look to its appointed executive search firm to advise on identifying, hiring/appointing and retaining qualified directors and management team members for the new internal manager, including but not limited to considering the feasibility of the potential retention of existing staff of the Manager in order to maintain the continuity of Sabana Industrial REIT's operations to implement the Resolutions.

4. Will there be amendments to the Trust Deed?

- Having considered the existing provisions of the Trust Deed with its legal advisers, based on the work done to date under the Work Plan, the Trustee is of the view that Trust Deed Amendments will be required to expressly provide for certain matters pertaining to an internalised management structure and to implement the Resolutions for a number of reasons.
- For example, Resolution (2)(I) envisages the internalisation to be effected by incorporating a subsidiary wholly-owned by the Trustee to act as the internal manager. This means that the internal manager will be held by the Trustee on behalf of Sabana Industrial REIT as part of the deposited property of Sabana Industrial REIT for the benefit of all Unitholders. However, such an internalisation structure is currently not permitted under various provisions of the Trust Deed, including:
 - the definition of "Authorised Investments" under the Trust Deed, which sets out the categories of investments that Sabana Industrial REIT is allowed to hold and does not currently include the holding of shares of an internalised manager; and
 - Clause 16.4 of the Trust Deed, which prohibits Sabana Industrial REIT from, amongst others, investing monies into the securities of the manager or its related corporations for so long as it is listed.
- Further, under Resolutions (2)(IV), (V) and (VI), the Trustee has been specifically directed by Unitholders to amend certain provisions of the Trust Deed to, in summary, give Unitholders the power to appoint, remove and/or endorse director appointments of the internal manager and to approve any change of control in the internal manager.

HSBC Institutional Trust Services (Singapore) Limited

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Company Registration No : 194900022R

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- Apart from the above, the Trustee is also working closely with its advisers to ascertain whether any additional Trust Deed Amendments will be required to implement the Resolutions. This analysis is dependent on certain concurrent workstreams, including the tax advisers' assessment of the internalisation structure from a Singapore tax perspective, the operational requirements and financial model of the internal manager and regulatory applications for the licences and authorisations of the internal manager. The Trustee will provide material updates on this matter to all Unitholders as and when appropriate.

5. **Will the Trust Deed Amendments be subject to Unitholders' approval by way of an extraordinary resolution?**

- Paragraph 3.2(f) of Chapter 3 of the Code on Collective Investment Schemes ("**CIS Code**") is clear that for any modifications to the Trust Deed, an extraordinary resolution of Unitholders is to be obtained unless the Trustee certifies that, *inter alia*, such amendments "does not materially prejudice the interests of [Unitholders] and does not operate to release to any material extent the manager from any responsibility to [Unitholders]". Correspondingly similar provisions are found under Clause 28.2.1 of the Trust Deed.
- Having consulted legal advisers on the issue of certification and while the full extent of the Trust Deed Amendments are still being ascertained and determined, the Trustee takes the preliminary view at this stage that it would not be appropriate for the Trustee to provide a certification in relation to the Trust Deed Amendments pursuant to Clause 28.2.1 of the Trust Deed or paragraph 3.2(f) of Chapter 3 of the CIS Code.
- In coming to this preliminary view, the Trustee has considered, amongst other things:
 - the Trust Deed Amendments are being proposed to effect the internalisation, which is novel and unprecedented in the Singapore market;
 - the Trust Deed Amendments are significant and they would change the structure of Sabana Industrial REIT and expand the investment mandate given to Sabana Industrial REIT;
 - in the current situation, the division of roles and responsibilities between the Manager and Trustee has been disrupted because the Unitholders have already passed a Resolution for the Manager to be removed as soon as practicable, and the Manager is now essentially an out-going interim manager. At the same time, the incoming internal manager has not yet been established and licensed. This in turn leaves the Trustee as the main driver of the Trust Deed Amendments and it may not be appropriate for it to certify the very amendments that it is proposing; and
 - it cannot be said with certainty that no rational Unitholder would vote against the Trust Deed Amendments.
- The Trustee has also looked at the approaches taken in relation to the amendments (if any) to the trust deed of an internalised business trust in Singapore and the trust deeds/constitutions of internalised real estate investment trusts in certain foreign jurisdictions such as Australia. The Trustee notes from publicly available records that:
 - where amendments were made to the trust deeds or the constitutions (as the case may be) to facilitate the internalisation, such amendments were approved by way of an extraordinary resolution of unitholders. This is in addition to and separate from the unitholders' approval for the internalisation itself. By way of an example, while the proposed internalisation of Croesus Retail Trust was approved by ordinary resolution at an EGM on 30 June 2016, a subsequent EGM was convened on 27 October 2016 to approve the amendments to the trust deed of Croesus Retail Trust by way of extraordinary resolution (as required under the Business Trust

Act 2004). Accordingly, these market precedents are consistent with the Trustee's preliminary view, notwithstanding that they were implemented under a different regulatory framework or jurisdiction; and

- where no amendments were made to the trust deeds or the constitutions (as the case may be) to facilitate the internalisation at the time the internalisation was proposed, the Trustee has noted that the existing trust deeds or constitutions already allowed for the internalisation structure at the initial public offering stage or prior to the internalisation, and no additional amendments were made. The only unitholders' approval obtained was in relation to the internalisation itself, which was by way of an ordinary resolution.
- The Trustee further notes as a factual matter that although Resolution 2 (being the internalisation resolution) was passed at the EGM held on 7 August 2023, the number of votes cast in favour of Resolution 2 is below the extraordinary resolution threshold required for the Trust Deed Amendments as referred to under paragraph 3.2(f) of Chapter 3 of the CIS Code, read together with the Trust Deed.

Accordingly, the Trustee is mindful not to be too quick to draw conclusions on this matter based on the previous level of support from Unitholders on Resolution 2. Unitholders are advised to read this statement and any further announcements by the Trustee carefully.

6. Are there going to be any more EGM(s)?

- As set out in FAQ4 and FAQ5 above, Trust Deed Amendments will be required to implement the Resolutions, and the Trustee's preliminary view is that these amendments will be subject to Unitholders' approval by way of an extraordinary resolution at an EGM to be convened in accordance with the Trust Deed and the CIS Code. The Trustee is working closely with its advisers to ascertain and determine the extent of the Trust Deed Amendments, having regard to the tax considerations, the existing provisions of the Trust Deed, and applicable laws and regulations. In addition to the foregoing, the Trustee is also engaging with the relevant stakeholders and consulting its professional advisers to ascertain whether there are any further approvals from Unitholders that are needed to implement the Resolutions.
- All material updates to Unitholders will be shared in the form of announcements via SGXnet.

7. Is the Trustee open to feedback from Unitholders?

- The Trustee's focus is on acting in the best interest of all Unitholders and to support Unitholders through the period of transition.
- The Trustee is committed to addressing all relevant questions and concerns from Unitholders in an efficient and transparent manner. Unitholders may direct their enquiries to: sabana.trustee@hsbc.com.sg in addition to the communication channels established by the Manager for Sabana Industrial REIT.
- It is imperative that the Trustee is, and will remain, neutral and independent of the Manager, any particular group of Unitholders and the lenders of Sabana Industrial REIT in the discharge of its duties. The Trustee will share periodic updates and material developments to all Unitholders in the form of announcements via SGXnet.

Annex A
Summary of Work Plan

