



SABANA INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

RECEIPT OF REQUISITION NOTICE

Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana Industrial Real Estate Investment Trust (“**Sabana Industrial REIT**”, and the manager of Sabana Industrial REIT, the “**Manager**”), wishes to announce that on 21 December 2023, it received a letter (the “**Requisition Notice**”) from the Sabana Growth Internalization Committee requesting the Manager to convene an extraordinary general meeting of Sabana Industrial REIT to consider certain resolutions, details of which are set out in the copy of the Requisition Notice annexed to this Announcement.

The Manager is considering the Requisition Notice (including the reasoning for the proposed resolutions set out therein) and seeking legal advice. As the Trustee has been directed by unitholders to effect the internalisation exercise, the Manager will be discussing with the Trustee on their next steps. Further announcements will be made on SGXNET in due course.

Unitholders and investors are advised to refrain from taking any action in respect of their units in Sabana Industrial REIT (“**Units**”) which may be prejudicial to their interests, and to exercise caution when dealing in the Units.

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.

(Company Registration No: 201005493K, Capital Markets Services Licence No: CMS100169)

As Manager of Sabana Industrial Real Estate Investment Trust

Han Yong Lee (Donald)

Chief Executive Officer

22 December 2023

For enquiries, please contact:

Low Hooi Hoon

Investor Relations and Corporate Communications

Sabana Real Estate Investment Management Pte. Ltd.

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Sabana Industrial REIT

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2022, Sabana Industrial REIT has a diversified portfolio of 18 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. The total assets of the Group amount to more than S\$0.9 billion as at 31 December 2022. Sabana Industrial REIT is a constituent of the SGX S-REIT Index and MSCI Singapore Micro Cap Index.

Sabana Industrial REIT is managed by Sabana Real Estate Investment Management Pte. Ltd. (in its capacity as the Manager of Sabana Industrial REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended, varied or supplemented from time to time). Sabana Industrial REIT is a real estate investment trust constituted on 29 October 2010 under the laws of Singapore.

For further information on Sabana Industrial REIT, please visit www.sabana-reit.com.

Important Notice

The value of units in Sabana Industrial REIT (“Units”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana Industrial REIT, or any of their respective affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.



APPENDIX



Date: Thursday 21 Dec 2023

Attention: The Board of Directors

Sabana Real Estate Investment Management Pte. Ltd.
(As Manager of Sabana Industrial REIT)
151 Lorong Chuan
2-03 New Tech Park
Singapore 556741

Dear Sirs,

**RE: REQUISITION TO CONVENE AN EXTRAORDINARY GENERAL MEETING
PURSUANT TO PARA 4.1(b) OF APPENDIX 6 OF THE CODE ON COLLECTIVE
INVESTMENT SCHEMES**

1. We are unitholders holding more than 10% of the total units of SGX-listed Sabana Industrial Real Estate Investment Trust (“**Sabana REIT**”, “**Sabana**” or “**Trust**”) managed by Sabana Real Estate Investment Management Pte Ltd (“**Sabana REIT Manager**”, “**SREI**”, “**Manager**” or “**Sabana Manager**”) and are hereby giving notice of requisition to convene an Extraordinary General Meeting (“**EGM**”) and table the following resolutions to unitholders for the purposes of passing the following resolutions:

ORDINARY RESOLUTIONS

RESOLVED:

RESOLUTION 1: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to consider, and if thought fit, to adopt the proposed implementation timeline for the setting up of a new internal manager and the internalization process as set out in the Annex (the “**Implementation Timeline**”) with or without modifications, and to provide the reasons and basis for any modifications of the proposed Implementation Timeline.

RESOLUTION 2: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to ensure that the Implementation Timeline shall concurrently be carried out without delay, notwithstanding any consideration of, or ongoing negotiation for, any potential acquisition of the existing REIT Manager.

RESOLUTION 3: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be put on notice that unitholders reject any proposal to acquire the existing REIT Manager directly or indirectly for a maximum all-in offer price exceeding 10 million Singapore dollars (S\$10,000,000) and any such transaction post 1 month of this resolution.

RESOLUTION 4: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to provide all Sabana unitholders with a written update on the internalization process every 2 weeks, including without limitation, the costs



incurred for advisors, consultants and any deviations or delays from the proposed Implementation Timeline for internalization, etc.

RESOLUTION 5: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed, within 2 weeks of this resolution, to form a committee (“**Internalization Committee**”) comprising of at least 5 individuals to oversee the internalization process according to the Implementation Timeline, of which at least 2 individuals shall be proposed by the Sabana Growth Internalization Committee (SGIC) and the remaining 3 individuals shall be proposed, appointed and/or removed by majority vote of the unitholders.

RESOLUTION 6: That should the Trustee convene an extraordinary general meeting regarding any proposed amendments to the Trust Deed, the Trustee be directed to state, with respect to each proposed amendment (and any consequential amendments required) to the Trust Deed (if any): (a) whether each such proposed amendment (and any consequential amendments required) are strictly necessary to effect internalization; and (b) the Trustee’s opinion, and reasons for such opinion, on whether, each such proposed amendment (and any consequential amendments required) necessary to effect internalization may adversely affect the interests of the Manager and its sponsors, whether directly or indirectly, given that internalization would affect the fee income of the Manager and its sponsors.

RESOLUTION 7: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to consider and confirm whether any proposed amendments to the Trust Deed (if any amendment is required at all) to effect internalization of the REIT management function, “*does not materially prejudice the interests of the Holders and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Holders*” according to Clause 28.2.1 of the Trust Deed, and if not, to provide the basis and reasons for coming to such conclusion.

RESOLUTION 8: That if any amendments to the Trust Deed referred to in Resolution 7 do not materially prejudice the interests of the Holders and do not operate to release to any material extent the Trustee or the Manager from any responsibility to the Holders, the Trustee be directed to provide such certification referred to in Clause 28.2.1 of the Trust Deed.

RESOLUTION 9: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to incorporate the governance rights which enable unitholders to appoint, vote in, remove and re-elect directors in the constitution of the internal manager to be set up.

RESOLUTION 10: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to incorporate unitholder’s right to approve any change of control in the internal manager in the management agreement with the internal manager.

RESOLUTION 11: That in view that the Trustee has indicated in its statement of 7 November 2023 that “*it is and will remain, neutral and independent of the Manager*”, the Trustee of



Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to disclose a list of all correspondence, emails, letters, meetings, calls, timing and dates with each owner or beneficiary (and/or their related parties) of the Sabana REIT Manager (if any) since 7th August 2023, together with a summary of the matters discussed.

RESOLUTION 12: That if the Trust Deed is proposed to be amended in connection with the internalization, the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to immediately seek written confirmation and guidance from the Monetary Authority of Singapore (MAS) and the Singapore Exchange Securities Trading Limited ("**SGX RegCo**") on (a) whether the Manager and its shareholders and related parties are in a conflict of interest situation where such resolution to amend the Trust Deed, if passed, will impact their fee income from the existing Manager; and (b) consequently, whether they are permitted to vote in relation to such resolution to amend the Trust Deed, and if so, that the fundamental pillar of investor protection, which is to remove the manager and internalize the management function, does not exist.

2. We reiterate that Sabana unitholders' landslide vote for Resolution 2 at the extraordinary general meeting held on 7 August 2023 ("**Last EGM**") has provided HSBC Institutional Trust Services (Singapore) Limited (the "**Trustee**") with an unequivocal mandate to execute, amongst other things, the internalization of the Manager (the "**Internalization**") as fast and efficiently as possible to safeguard the interests of all unitholders. This is also in line with the Trustee's key fiduciary duty to act in the best interest of unitholders and be independent of the manager according to Chapter 2 of the Code on Collective Investment Schemes ("**Code**") issued by the Monetary Authority of Singapore (the "**MAS**") pursuant to section 321 of the Securities and Futures Act 2001 of Singapore ("**SFA**").
3. Sabana unitholders are highly dissatisfied and concerned about the Trustee's lack of progress on the internalization, which was voted in almost five months ago. Unitholders are also highly concerned about and completely disagree with the Trustee's interpretation of the Trust Deed, which potentially jeopardizes the internalization process.
4. The rationale for the EGM requisition is provided for in the Sabana unitholders' letter to MAS and SGX RegCo dated 5 December 2023 below:

To: Tan Boon Gin
Chief Executive Officer

Singapore Exchange Regulation
11 North Buona Vista Drive
06-07 The Metropolis Tower 2
Singapore 138580

Mr Ravi Menon
Managing Director



Ms Ho Hern Shin
Deputy Managing Director

Mr Lim Tuang Lee
Assistant Managing Director
Monetary Authority of Singapore
10 Shenton Way MAS Building
Singapore 079117

Mr Lawrence Wong
Minister for Finance

Ms Indranee Rajah
Second Minister for Finance

Ms Tan Ching Yee
Permanent Secretary

Ministry of Finance
55 Newton Road
Singapore 307987

5 December 2023

Dear Ms Ho, Ms Rajah, Ms Tan, Mr Lim, Mr Menon, Mr Tan, and Mr Wong,

1. The Sabana Growth Internalization Committee (“**SGIC**”) comprises of Sabana Industrial REIT’s (“**Sabana REIT**” or “**Sabana**”) unitholders, who have come together to support the internalization of Sabana’s manager (the “**Internalization**”) to improve corporate governance and unitholders’ rights.
2. **Unitholders of Sabana REIT urgently seek guidance from MAS and SGX RegCo on the 2 key questions below:**
 - **Is Sabana’s Trustee wrong in its interpretation of the Trust Deed and its position on how to proceed with internalization?**
 - **Should the sponsor and its concert/related parties be prohibited from voting on a resolution to amend the Trust Deed to effect internalization as they are interested in the matter as it would directly affect their own fee income?**
3. If MAS and SGX RegCo answer “**YES**” to either or both the questions, both MAS and SGX RegCo affirm the fundamental key pillar of unitholder protection and their strong and continued commitment to corporate governance, accountability, and unitholder protection. This would further increase the confidence of investors in investing in Singapore’s capital market.



4. If MAS and SGX RegCo answer “**NO**” to both questions, the regulators essentially confirm that in practice, the removal of the manager and internalization of the REIT management function is impossible in the entire S-REIT sector and the fundamental key pillar of unitholder protection does not exist.
5. This is as all the Trust Deeds of S-REITs are structured similarly to that of Sabana REIT.
6. About 80% of sponsors and their concert/related parties hold ~21% or more unitholdings in the S-REITs they manage. If the sponsor and their concert parties are permitted to vote in an extraordinary resolution to amend the Trust Deed to effect internalization (if any) despite them being interested in the matter as it would directly impact their fee income, it is clear that they would vote against this resolution.
7. Due to the impossibly high threshold to pass this resolution if they vote (requires more than 80% of all remaining unitholders to both turn up and vote for the resolutions), this will mean that the removal of the external manager by unitholders and Internalization is effectively impossible. There is essentially no fundamental pillar of protection for unitholders.
8. If this is so, it will send a shocking signal to all investors: External managers of S-REITs are fully “entrenched” however bad their performance is, with zero accountability and no recourse for unitholders. This will represent a severe regression in corporate governance standards and unitholder protection in S-REITs to a level which is substantially below international norms and will consequently make the entire sector ‘uninvestable’.
9. As such, unitholders urgently seek answers and guidance from MAS and SGX RegCo on the above. With every day of delay, the regulators are prolonging the continued wastage of unitholders’ monies and erosion of investors’ returns. This is as the Trustee continues to spend unitholders’ monies to engage numerous advisors with zero clarity from MAS and SGX RegCo on whether internalization is possible in practice (which will require a “Yes” answer from the regulators to either or both of the questions above). This situation is highly detrimental to Sabana unitholders' interests and the Singapore REIT market overall.
10. Unitholders urge MAS and SGX RegCo to exercise their supervisory powers and provide firm and positive guidance to market participants to safeguard and uphold international standards of investor protection, corporate governance and accountability of managers. This is necessary and urgently needed to avoid setting a severe and negative precedent in the Singapore REIT market.
11. In the subsequent sections, we provide further details on the background and circumstances surrounding this critical issue facing Sabana unitholders.

Background regarding the Internalization

12. The SGIC was set up following the **successful and overwhelming vote of unitholders of Sabana in favor of removing the external manager and internalizing the REIT management function** (“**Resolution 2**”) in two resolutions tabled at an extraordinary general meeting held on 7 August 2023 (“**EGM**”). Other than the internalization of the manager, part 2 iv), v) and vi) of Resolution 2 also increase corporate governance through specific governance rights for unitholders, including providing for unitholders the right to vote in, remove and re-elect directors and the right to approve any change of control in the internal manager (the “**Specific Governance Rights**”).

13. Nearly 90% of all unitholders (excluding the sponsor who owns the external manager and its concert parties), voted for Internalization at the EGM. This is an unequivocal mandate for the Trustee, whose main fiduciary duty is to act in the best interest of unitholders and to be independent of the manager (which would also include its sponsor), to execute the Internalization as fast, efficiently and with as little hurdles as possible in the best interest of all unitholders.

Trustee’s Statement on 7 November 2023

14. However, in the statement by Sabana’s Trustee, HSBC Institutional Trust Services (Singapore) Limited (“**Trustee**”) released on 7 November 2023 (the “**Trustee’s Statement**”), the Trustee stated, amongst other things, that:
 - a. certain amendments to the Sabana REIT Trust Deed as amended and restated as of 6 May 2019 (“**Trust Deed**”) are necessary to effect the Internalization (“**Trust Deed Amendments**”);
 - b. the Trust Deed Amendments are subject to an extraordinary resolution of unitholders, unless the Trustee provides a **certification** in relation to the Trust Deed Amendments pursuant to Clause 28.2.1 of the Trust Deed (“**Certification**”) or paragraph 3.2(f) of Chapter 3 of the Code on Collective Investment Schemes (“**CIS Code**”); and
 - c. the Trustee is now of the view that it would not be appropriate for it to provide the Certification; and therefore, the Trust Deed may not be amended (and consequently, the Internalization may not be implemented) without the sanction of an extraordinary resolution of the unitholders.

15. Unitholders totally disagree and are highly concerned with the Trustee’s position. The position of the Trustee, as set out in the Trustee’s Statement and summarized above, will not only have a serious and negative impact on the interest of Sabana unitholders, but will also completely remove investor protection and recourse, resulting in serious and negative implications on the ‘investability’ of the whole Singapore REIT sector.

Purpose of this letter:



16. The purpose of this letter is to seek MAS and SGX RegCo's guidance on the critical issues below:
- A. that, contrary to the Trustee's Statement, the Internalization and the implementation of the Specific Governance Rights do not necessitate any Trust Deed Amendments;
 - B. that, even if Trust Deed Amendments are necessary, the conditions for the Trustee to provide the Certification are met as the internalization is not prejudicial to the interest of unitholders;
 - C. that, even if an extraordinary resolution of the unitholders is required for the Trust Deed Amendments, the sponsor and its concert/related parties are prohibited to vote on a resolution concerning any Trust Deed Amendments for the purposes of effecting Internalization. The clear reason is their inherent conflict of interest as their fee income is directly affected by the outcome.
17. **Specifically, Sabana unitholders seek answers from MAS and SGX RegCo on the 2 key questions below:**
- **Is Sabana Trustee wrong in its interpretation of the Trust Deed and its position on how to proceed with internalization?**
 - **Should the sponsor and its concert/related parties be prohibited from voting on a resolution to amend the Trust Deed to effect internalization as they are interested in the matter as it would directly affect their own fee income?**

INTERNALIZATION AS A FUNDAMENTAL PILLAR OF UNITHOLDER PROTECTION

18. Most of Sabana REIT's more than 10,000 unitholders (including SGIC committee members) are Singaporeans and retirees who have invested their retirement savings including CPF savings in Sabana.
19. They, together with other investors, have invested in Sabana with the assurance that the Singapore regulators will enforce the key pillar of unitholders' protection in the Singapore REIT sector, which is the removal of the manager and internalization by a simple majority of unitholders.
20. This is also a key tenet of accountability in the REIT sector to ensure that external managers always act in the best interest of all unitholders as otherwise they can be removed, and the management function internalized.

21. Recent events in the S-REIT sector have resulted in serious investors' concerns regarding corporate governance and accountability in the REIT market. Despite only 42 listed REITs and Trusts, the last 12 S-REIT IPOs are down by an average of more than ~50%¹.
22. Just a few weeks ago, concerns over the external manager and corporate governance issues led unitholders of Dasin Retail Trust (with more than 1,000 unitholders) to requisition an EGM to remove the external Manager and internalize the management function. Its unit price is down more than 90% since its IPO.
23. Eagle Hospitality Trust which raised US\$566 million (S\$770million) of proceeds, saw its unit price collapse by 100% and its units suspended less than 10 months after its IPO. The sponsor of Manulife US REIT attempted to divest its manager after the unit price of the REIT collapsed by ~65%. Its unit price has almost gone to zero.
24. With an increasing number of severely underperforming S-REITs, which can be partly attributed to their external managers, it is very likely that more unitholders will continue to push for internalization to protect their interests.
25. As a reference, while Singapore has only one internally managed Trust currently (NetLink Trust, which has substantially outperformed the entire sector, Croesus Retail Trust was taken private at a premium of 23% to NAV), more than ~90% of all REITs and Trusts in the US and Australia are internally managed due to the obviously stronger corporate governance, accountability, and alignment of interest with unitholders.
26. Strong enforcement of this key pillar of investor protection is therefore critical to solidify Singapore's reputation as a global financial center and increase investors' confidence in investing in our local stock market. This will in turn drive a deeper pool of investors and liquidity and result in a more attractive and vibrant stock market.
27. Ms Rajah said, "Poor corporate governance not only impacts businesses adversely but can cause great hardship to employees and their families if salaries cannot be paid, or worse, jobs are lost. Financial losses are easy to quantify, but what is less quantifiable, yet undeniable, is the suffering caused to individuals and the destruction of trust and the damage to society²".
28. Mr Ravi Menon said, "without trust in the capital markets, investment to support growth and enterprise will diminish. Investors' perception of risk will be high, and they will demand high returns or much collateral, thereby raising the cost of capital for business³".

¹ Data from Bloomberg

² Address by Ms Indranee Rajah, Minister in the Prime Minister's Office, Second Minister for Finance and National Development, at Singapore Institute of Directors 25th Anniversary Gala Dinner on 30 November 2023

³ "Doing Well, Doing Right, Doing Good" - Opening Address by Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at SIAS Corporate Governance Conference on 6 November 2023



29. Unitholders have serious concerns and completely disagree with the Trustee's interpretations of the Trust Deed and position on Internalization. The Trustee's position will potentially result in the complete failure of the Internalization process and effectively undermine MAS' often affirmed key pillar of investor protection, which is the removal of the manager and internalization.

(A) THE IMPLEMENTATION OF THE INTERNALIZATION AND THE SPECIFIC GOVERNANCE RIGHTS DO NOT NECESSITATE ANY TRUST DEED AMENDMENTS

30. Sabana unitholders are shocked and totally disagree with the content of the Trustee's Statement regarding the necessity of the Trust Deed Amendments to effect the Internalization.

31. Unitholders and their legal advisors have extensively and on their own time and dime, reviewed the Trust Deed and concluded that there is no need for the Trust Deed to be amended to effect the Internalization for the detailed reasons set out below.

Multiple avenues to implement Internalization:

32. First, some of the internalizations effected in other REIT markets, include:

- stapling of the new securities of the manager, which is set up as a separate entity, to units of the REIT. Effectively, this means that shares of the internal manager are issued to unitholders directly in proportion to their unitholdings in the REIT.
- having the trustee hold the shares of the internal manager for the benefit of unitholders in proportion to such unitholders' respective percentage of units held in the REIT.

33. The above measures as well as other alternatives can be executed by the Trustee without affecting the structure and set-up of Sabana REIT and without changes to the Trust Deed.

34. **Second**, it is also clear that the existing provisions of Sabana's Trust Deed are built to accommodate an Internal Manager and an External Manager, without the need for any amendments:

- The Sabana REIT Trust Deed does not distinguish between an External or Internal Manager and hence does not preclude the possibility of an Internal Manager. Clause 1.1 of the Trust Deed explicitly states that "Manager" means "Sabana Real Estate Investment Management Pte. Ltd. and its successors as manager of the Trust".
- Other provisions of the Trust Deed are similarly capable of applying to a situation where there is an Internal Manager instead of an External Manager. For example, Clause 15 of

the Trust Deed expressly provides the (internalized) manager with discretion to receive a lower fee as stipulated in the Trust Deed, as evidenced by the following extracts from the Trust Deed:

Clause 15.1.1 Base Fee: "The Manager shall be entitled to alter the rate of the Base Fee to some percentage smaller than the prevailing rate by notice to the Trustee in writing..."

Clause 15.1.2 Performance Fee: "For so long as the Trust is Listed, the Manager shall be entitled to receive for its own account from the Deposited Property in arrears a fee equal to a rate of 0.5% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of Net Property Income..."

15.2.1 Acquisition Fee and Divestment Fee

15.2.1 i) an acquisition fee ("**Acquisition Fee**") at the rate of 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) ...

15.2.1ii) a divestment fee ("**Divestment Fee**") at the rate of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion)..."

35. As such, any changes to the fees for the Internal Manager do not require the amendment of the Trust Deed.

Example: Internalization by Croesus Retail Trust without any extraordinary resolution

36. The Trustee's claim in the Trustee Statement that the internalization of Croesus Retail Trust required an extraordinary resolution to amend the Trust Deed to implement the internalization is wrong and misleading.

37. On 30 June 2016, unitholders of Croesus Retail Trust voted in an Ordinary Resolution (simple majority vote) to internalize the external manager. The Sponsor and its concert parties of the manager had to abstain from the vote as they were considered related parties, whose income are directly affected by the vote.

38. The internalization was fully completed on 31 Aug 2016, when the transaction to purchase the manager was completed. Croesus functioned with an internal manager. No extraordinary resolutions for amendments to the Trust Deed were necessary to effect the internalization.

39. The extraordinary resolution to amend the Trust Deed on 27 Oct 2016 was not relevant to the internalization as it had already been completed before. As the circular dated 5 October 2016 states, the amendments were to allow unitholders to appoint more than 2 proxies at meeting of unitholders, extend the cut-off timing for submission of proxy forms, update for meetings to be carried out by way of poll, compliance with Personal Data Protection, compliance with applicable law and regulation and so on.

40. One of the amendments was to enable Croesus to lend money and guarantee the obligation of the internal manager. This was due to the management's preference and choice to operate



the internal manager in a certain way. As clearly stated above, Internalization has already been completed before this amendment. The internal manager was already fully functioning and did not require the passing of the amendment. Given the limited scope of the internal manager of Sabana and the fact that it will operate on a cost recovery basis (sending bills to be paid by the REIT), there is clearly no need for such amendment above.

41. In fact, the Internalization of Croesus by an ordinary resolution also incorporated the rights of unitholders' to vote in, remove and appoint directors to the internal manager. This again confirms unitholders' repeated reiteration to the Trustee that there is no need to amend the Trust Deed to implement the right of unitholders to vote in, remove and re-elect directors to the Internal Manager.
42. The internalization of the manager of Croesus Retail Trust therefore provides another strong confirmation that there is no need for any amendment of the Trust Deed for the internalization process to be completed.

Implementation of the Specific Governance Rights

43. Additionally, as unitholders have clearly and repeatedly communicated to the Trustee, the Specific Governance Rights aimed at improving corporate governance and ensuring the protection and alignment of unitholders' interests and rights with the manager can be implemented in the manner described below without the need for any amendments to the Trust Deed.
44. **First**, unitholders' right to vote in, remove and re-elect directors can be implemented quite simply by prescribing such rights of the unitholders in the constitution of the internal manager.
45. **Second**, unitholders' right to approve any change of control in the internal manager can be achieved by simply stipulating such requirement in the new management agreement with the Internal Manager.

Trustee's rationale for Trust Deed Amendments cannot be supported

46. On the other hand, the Trustee's Statement cites the definition of 'Authorized Investments' in the Trust Deed (i.e. does not include holding of shares of an internalized manager) and Clause 16.4 of the Trust Deed (i.e. prohibition against investing monies in the securities of the manager or its related corporations) to support the Trustee's position that the current provisions of the Trust Deed does not permit Internalization as envisaged above.
47. We respectfully and strongly disagree with the Trustee's interpretations above.

- There is clearly a misinterpretation of what constitutes an “investment”. The common understanding and definition of an ‘investment’ is that it is ‘the action or process of investing money for profit’. Since the new internal manager is solely intended to manage Sabana REIT and function on a cost recovery basis only, the holding of the securities of an internalized manager by the REIT is clearly not in the nature of an “investment”. The internal manager is not intended to nor expected to generate any profits for Sabana REIT.

 - Similarly, it follows that the Trustee’s interpretation of Clause 16.4 of the Trust Deed cannot be supported as well, as the REIT is clearly not “investing” monies into the securities of the manager (i.e., with a view to profit).
48. Purely for argument’s sake, even if we accepted the Trustee’s interpretation above, the Internalization could still be effected by alternative methods which will not require any Trust Deed Amendments as envisaged by the Trustee in the Trustee’s Statement. For example, the shares of the internal manager can be distributed to unitholders in proportion to their unitholdings in the REIT. As such, there is also no need for the REIT to own the internal manager. There are also other methods to fund the manager, such as the issuance of preference shares by the internal manager to unitholders to finance the capital required for the internal manager.
49. Given the multitude of possibilities and alternative avenues to effect the Internalization, which would clearly require no amendment of the Trust Deed, unitholders are deeply troubled that the Trustee has been seemingly unable to provide efficient and effective solutions that serve the best interest of the unitholders. This is clearly unsatisfactory to unitholders given that the Trustee is availed of substantial resources funded by unitholders to support the Trustee in implementing the Internalization.

(B) EVEN IF TRUST DEED AMENDMENTS ARE NECESSARY, THE CONDITIONS FOR THE TRUSTEE TO PROVIDE THE CERTIFICATION ARE MET

50. As a starting point, Sabana’s Trustee is obligated to act in the best interest of and according to the wishes of the unitholders, and must provide its Certification for any proposed amendments to the Trust Deed (if any amendments are required at all to implement Resolution 2), where such amendments do not materially prejudice the interest of the unitholders, according to Clause 28.2.1 of the Trust Deed or paragraph 3.2(f) of Chapter 3 of the CIS Code (relevant provisions of which are reproduced below for reference).
51. Clause 3.2 f of the Code on Collective Investment Schemes, provides:
- “the manager should obtain an extraordinary resolution of participants for any modification of the trust deed unless the trustee certifies that:*
- f) *the modification does not materially prejudice the interest of participants and does not release to any material extent the manager from any responsibility to the participants:*
- “... ”*

52. Clause 28.2 of the Trust Deed, provides that:

"the Trustee and the manager shall be entitled by deed supplemental hereto (including by way of an amending and restating deed), subject to the prior approval of the relevant authorities if so required by then Relevant Laws, Regulations and Guidelines, to modify, alter or add to the provisions of this Deed in such manner and to such extent as they may consider expedient for any purpose PROVIDED THAT unless the Trustee shall certify in writing that in its opinion such modification, alteration or addition:

28.2.1 does not materially prejudice the interests of the Holders and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Holders"

No prejudice to interests of unitholders:

53. First, the Internalization was overwhelmingly voted in by unitholders. Clearly, unitholders would not have supported the Internalization unless it was in their interests to do so. It follows that if any amendments to the Trust Deed are necessary for the purposes of putting into effect the Internalization, such amendments would be in the interests of the unitholders, and not prejudicial to the interests of the unitholders.

54. Against this background, it is impossible for the Trustee to come to the conclusion that any proposed Trust Deed Amendments for the purposes of the Internalization would be prejudicial to the interests of the unitholders. To the contrary, it is obviously the case that unitholders have already determined by their votes in the EGM that Internalization is in their best interest, and by implication, that any Trust Deed Amendments required to implement the Internalization would also be in their best interest.

No release of Trustee or Manager from any responsibility to the unitholders

55. Second, there is also nothing to suggest that any Trust Deed Amendments would have the effect of releasing the Trustee or manager from any responsibility to the unitholders.

56. Therefore, it is plain to see that there is no good reason for the Trustee not to provide the Certification. In fact, it is objectively clear that both criteria (not materially prejudicing the interest of the unitholders and not operating to release to any material extent the Trustee or the manager from any responsibility to the unitholders) for providing the Certification are fulfilled. Unitholders reiterate that the Internalization clearly confers additional value and increases corporate governance and alignment of interest with unitholders. This is evident by the overwhelming vote by unitholders in favor of Internalization.

Trustee's rationale for not providing the Certification is untenable and arbitrary:

57. There appears to be no consideration at all by the Trustee on whether the necessary conditions for the Trustee to provide the Trust Deed Amendments are met in accordance with the provisions of the Trust Deed.

58. Instead, per the Trustee's Statement, the following reasons were given by the Trustee for not providing the Certification:

- the Trust Deed Amendments are being proposed to effect the Internalization, 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.

(1) Novelty of Trust Deed Amendments is completely irrelevant and not mentioned in the Trust Deed

59. It is clear that the Trustee has the necessary duty and responsibility to discharge its duties towards the unitholders and to comply with the provisions of the Trust Deed. The novelty (or not) of the Trust Deed Amendments is completely irrelevant to whether the necessary conditions for the Trustee to provide the Certification are met.

60. As the facts show, the Trust Deed Amendments are intended for the purposes of implementing the Internalization that is unequivocally mandated by the unitholders, and it is impossible for any rational person to conclude the Trust Deed Amendments would be prejudicial to the unitholders or release the Trustee or manager from responsibility to the unitholders.

(2) 'Non-Significance' of Trust Deed Amendments

61. The Trust Deed Amendments are intended to be limited to those which are necessary for implementing the Internalization. It is difficult to see how such Trust Deed Amendments would, in the Trustee's words, "change the structure of Sabana Industrial REIT" and "expand the investment mandate given to Sabana Industrial REIT", where:

- any changes to the "structure" of Sabana REIT will be limited to what is necessary for in order to implement the Internalization; i.e. what has already been implicitly approved by the unitholders in the EGM.

- there will be no change to the “investment mandate” of Sabana REIT at all! Sabana REIT is by no means deploying its funds to acquire securities of the internal manager for the purpose of making a profit.

62. By stark comparison, the Trustee had no issues in providing certification under Clause 28.2.1 of the Trust Deed for previous amendments of the Trust Deed, where there were clearly drastic changes to the investment mandate of Sabana REIT and to the rights of unitholders:

Example: Removal of Shari’ah compliance:

63. With effect from 21 Oct 2021, the investment mandate of the Sabana REIT was fundamentally changed simply based on Clause 10.2.4 of the Trust Deed, so that the requirement for Shari’ah compliance and for Sabana REIT’s business to be managed in compliance with Shari’ah investment principles and procedures (including investing in Shari’ah compliant real estate and real estate-related assets) was removed.

64. In connection with the said change in investment mandate, the Trustee provided the certification under Clause 28.2.1 of the Trust Deed for the change of name of “Sabana Shari’ah Compliant Industrial REIT” to “Sabana Industrial REIT”, which effectively facilitated the external manager to completely change the investment mandate from being Shari’ah compliant, to not being Shari’ah compliant.

65. The above changes were made to the Trust Deed even though it is undeniably the case that ‘Shari’ah compliance’ of Sabana REIT was an important distinguishing feature for Sabana REIT, a fundamental tenet of its investment mandate and strategy, and was extensively featured in Sabana REIT’s 2010 IPO prospectus. In fact, the term ‘Shari’ah Compliant’ was mentioned more than 1900 times with extensive detailing and confirmation provided of how being ‘Shari’ah Compliant’ will be an essential and integral part of Sabana REIT and its investment mandate and strategy. A FinanceAsia article⁴ stated that the total Shari’ah-compliant demand for Sabana IPO was close to 50%, with 65% of the demand being generated out of Asia (a big chunk from Islamic interest from Malaysia) and 25% from the Middle East.

66. Against the above background, it is quite clear that there will be a substantial number of unitholders who have bought into Sabana REIT due to it being a Shari’ah compliant REIT.

67. However, quite shockingly, the Trustee did not raise any concerns in this instance about the removal of Shari’ah compliance for Sabana REIT being “novel and unprecedented”, or that the changes were “significant” and would “change the investment mandate”, or that “it cannot be said with certainty that no rational unitholders would not vote against it”.

68. Instead, the Trustee went ahead to certify the changes to the Trust Deed without any unitholder vote. It is almost certain that there are unitholders who invested in Sabana REIT due to it fulfilling the Shari'ah compliant criteria which has now been changed.

69. This plainly contradicts the reasoning that the Trustee is currently using to not certify the Trust Deed amendments for internalization despite unitholders having overwhelmingly voted for Internalization.

(3) Appropriateness for Trustee to certify the very amendments that it is proposing:

70. The Trustee claims that it cannot certify the very amendments that it is proposing to the Trust Deed since the current manager is essentially an out-going interim manager and cannot assist the Trustee in this endeavor.

71. By stating this, the Trustee seems to imply that the Manager is more important than unitholders as it claims that it must rely on the Manager and cannot proceed without having the go ahead from the manager. This is when unitholders have already overwhelmingly voted for Internalization and provided the Trustee with an unequivocal mandate to do all that is necessary to implement the Internalization.

72. The Trustee's statement is in full contradiction to its main responsibility as stipulated in Chapter 2 of the Code of Collective Investment Scheme which clearly states that the Trustee's main fiduciary duty is to act in the best interest of unitholders and to be independent of the manager (which would also include its sponsor).

73. That said, as previously mentioned, amendments to the Trust Deed are not even necessary to implement the Internalization for reasons set out earlier. Unitholders cannot help but wonder why the Trustee insists on taking the view that Trust Deed Amendments are necessary? Why does the Trustee seem to set up additional roadblocks by refusing to provide Certification and further (1) delaying implementation of the internalization and (2) incurring additional (and unnecessary) costs by requiring further unitholders' approval through extraordinary resolution in order to effect the Internalization?

74. Why does the Trustee come up with all these arbitrary rationales and additional requirements, in the face of unitholders' expressed wishes to implement the Internalization? There are clearly better alternatives which would not involve any amendments to the Trust Deed and work in the best interests of unitholders.

75. Unitholders' vote in the EGM in favour of Resolution 2 is an unmistakable confirmation of the wishes of the majority of the unitholders and a direction to the Trustee to implement the Internalization. As a fiduciary, isn't it the paramount duty of the Trustee to safeguard the interests of unitholders by using the most time and cost-efficient method to implement the Internalization?

76. Given the Trustee's statement and actions above, unitholders are highly concerned whether the Trustee is in fact acting and executing Internalization to the best interest of unitholders and seek the support of MAS and SGX RegCo to intervene in this aspect.

(4) No certainty that no rational Unitholder would vote against the Trust Deed Amendments:

77. This was something that certainly wasn't considered previously when the Trustee provided its certification so that the Trust Deed could be amended to remove Shari'ah-compliance. This was also similarly not considered in several other certifications done by the Trustee.

78. Sabana unitholders question why the Trustee is raising this as a rationale for not providing the Certification now? Why was this consideration not applicable previously in the previous exercise to remove Shari'ah-compliance as well as other certifications? Why are there seemingly different and inconsistent approaches by the Trustee?

79. Is the Trustee implying that it will only provide the Certification if there is 100% certainty that no rational unitholder would vote against the Trust Deed Amendments? Why was it not applied previously? This is an impossible threshold which the Trustee is arbitrarily setting, for which there is totally no basis at all in the Trust Deed.

(C) EVEN IF AN EXTRAORDINARY RESOLUTION OF THE UNITHOLDERS IS REQUIRED FOR THE TRUST DEED AMENDMENTS, THE SPONSOR AND ITS CONCERT/RELATED PARTIES SHOULD BE PROHIBITED TO VOTE ON A RESOLUTION CONCERNING ANY TRUST DEED AMENDMENTS FOR THE PURPOSES OF EFFECTING INTERNALIZATION DUE TO THEIR INHERENT CONFLICT OF INTEREST AS IT WILL DIRECTLY RESULT IN THE CHANGE OF ITS FEE INCOME

80. Unitholders seek MAS and SGX RegCo's guidance to confirm that the sponsor and its related parties have to abstain from voting in any extraordinary resolution to amend the Trust Deed to effect the Internalization as the amendments would directly affect the fee income of the Sponsor, which is the sole shareholder of the external manager.

81. It is very clear that the sponsor is required to abstain from such a vote as they are interested in the outcome of the vote. This has strong legal precedence in common law countries such as Singapore and Australia where sponsors are not allowed to vote in resolutions which have a direct impact on their fee income.

82. This is also similar to the sponsor having to abstain from voting in any resolutions relating to a change in fee income. When Keppel Infrastructure REIT voted to amend its fees, the sponsor and its concert parties had to abstain from the vote. When Croesus Retail Trust voted to internalize, which would affect the fee income and provide payment to the sponsor, its sponsor too abstained from the vote.

83. If the sponsor and its concert parties are allowed to vote despite them being interested and related parties, it is obvious that they would vote against any amendment of the Trust Deed for Internalization as it will directly affect the sponsor's fee income.
84. The practical implication is that so long as the sponsor has a unitholding of more than 21% in the REIT, more than 80% of all remaining unitholders must both turn up and vote for the resolution to amend the Trust Deed. This is an extraordinarily high threshold, and far exceeds the at least 75% threshold needed to pass an extraordinary resolution. This is surely not intended or desirable from a regulatory or corporate governance viewpoint. In the present case, Sabana's sponsor and its concert party have a >24% stake in the REIT. This would mean that nearly 100% of all remaining unitholders must both turn up and vote for the resolution for it to pass, which is an impossible undertaking.
85. As about 80% of sponsors and their concert parties hold more than 21% stakes in the S-REITs they manage, the option of removal of manager and Internalization as "fundamental pillar of protection" for investors is practically rendered ineffective if they are allowed to vote.

REQUEST FOR CLARITY FROM MAS AND SGX REGCO

86. Unitholders respectfully request MAS and SGX RegCo to clarify their position regarding the Trustee's Statement and the need (or not) for an amendment of the Trust Deed, and further, (if relevant) whether the sponsor and their concert parties are permitted to vote in an extraordinary resolution where they are clearly interested and related parties as it would directly affect their fee income.
87. If the sponsor and their concert parties are permitted to vote against the background and in the circumstances outlined, this will mean that removal of the external manager by unitholders and Internalization is effectively impossible - external managers are then fully "entrenched" with no recourse for unitholders.
88. If this is so, this will send a severe and negative precedent to all investors that there is no protection for unitholders in the S-REIT sector which would make the sector 'highly uninvestable' - whatever the REIT manager does, they can never be removed and internalized due to the impossibly high threshold that will never be achieved.
89. This will result in a substantially de-rating in the sector as investors will have to re-assess the increased risk due to the inferior corporate governance standards vis-à-vis other jurisdictions which allow for internalization and the protection of investors' rights.
90. Unitholders urge MAS and SGX RegCo to exercise their supervisory powers and provide firm and positive guidance to market participants to safeguard and uphold international standards of investor protection, corporate governance and accountability of managers. This is



necessary and urgently needed to avoid setting a negative precedent in the Singapore REIT market.

91. Every day of delay in implementing the Internalization results in the unnecessary wastage of unitholders' monies and erosion of investor returns as the Trustee continues to spend unitholders' monies to engage numerous and costly advisors, and with zero clarity on whether MAS and SGX RegCo allows for internalization at all. This is highly detrimental to unitholders' interests and the Singapore REIT market overall.
92. The Singapore REIT market will not exist without investors, and investors will not invest their hard earned savings and monies without clarity that there is corporate governance, investor protection and accountability.
93. Sabana unitholders appreciate and seek the prompt response of the SGX RegCo and MAS in the critical matter which also has far-reaching implications and importance for all investors in the Singapore capital markets.

Thank you.

Yours faithfully,

SGIC

Sabana Growth Internalization Committee (SGIC)

Execution Timeline to Set Up Internal Manager and Submit Application for REIT Management License (The Trustee has been tasked since 7 Aug 2023 (~5 months ago) to work on the Internalization)

No.	Activity	Jan-24	Feb-24
		1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28
Human Resource (HR)			
1	Obtain legal confirmation from key members of current management team who want to join the Internal Manager (2 weeks). Key members → CEO, CFO, Head of Asset Management / Compliance		
2	Draft employment contracts for key management team; hiring will only be done once MAS provides approval-in-principle for the license (6 weeks)		
3	Draft Employee handbook and HR policies (recruitment, employment records, salary, performance, payroll, training/development, cessation) - (6 weeks)		
4	Fill vacant key management role at Internal Manager with external hires (6 weeks)		
5	Shortlist directors of Internal Manager Company (4 weeks)		
6	Hire Directors of Internal Manager Company (3 weeks)		
Setup of Internal Manager			
7	Shortlist; hire; confirm service providers (e.g. lawyers, application specialists, compliance support, tax etc) - (3 weeks)		
8	Incorporate Internal Manager company(1-2 weeks)		
9	Draft necessary policies and handbooks for Internal Manager (e.g. risk management, compliance, best practice, board duties and responsibilities, remuneration, AML, whistle blowing) - (6 weeks)		
10	Work on application form and documents for license and all other tasks - (7weeks)		
11	Submission of license application to MAS (mid- end February)		

ANNEX

Explanatory Notes

- The HR firm shall support Trustee in the 2 stage HR process - Stage 1) pre submission of license application, Stage 2) post MAS approval in principle (where the staff will be hired). We are currently at Stage 1. The license application requires the names of the individuals who will take up the key management positions in the Internal Manager.
- The HR firm shall support the Trustee in confirming which key members of the current management team intends to join the Internal Manager. Key members have to sign and provide a legal confirmation that they intend to join the Internal Manager and allow their names to be used in the license application.
- The HR firm shall assist the Trustee in drafting new employment contract for key management members of Internal Manager with better alignment to unitholders' interest (compensation package link to long term unit price and DPU).
- The HR firm shall support the Trustee in drafting employee handbook and HR policies (recruitment, employment records, whistleblowing, salary, performance review, payroll, training/development, cessation of employment, insurance and workmen compensation etc) as well as processes.
- The HR firm shall undertake a recruitment process to fill the necessary key management positions for the new Internal Manager. The Committee can provide a number of candidates and REIT professionals who have indicated their strong interest in joining the Internal Manager and contribution to Sabana REIT.
- Directors shall have representation from key unitholders who voted for the internalization to ensure broad representation from unitholders.
- Directors can be onboarded initially to support the internalization process. The directors will be put up for unitholders' endorsement at Sabana's upcoming AGM.
- Shortlist and hire service providers such as lawyer, license application specialist, compliance support who have prior experience in the setup of new REIT managers. As most of the service providers have already been appointed, 2 weeks should be sufficient.
- Incorporation of the Internal Manager company.
- Service providers shall draft all necessary policies, handbooks for the Internal Manager (e.g. risk management, compliance, best practice, board duties and responsibilities, remuneration, AML, whistle blowing).
- Service providers shall complete the application forms and compile all documentation required for the submission and application for the license for REIT management.
- The application shall be submitted by mid-end of February 2024 to MAS.