



S T A Y I N G  
F O C U S E D

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ANNUAL REPORT 2018



Through proactive asset management and prudent capital management, IREIT Global (IREIT) has fortified its lease and credit profile with the rejuvenation of several key tenant leases and strategic refinancing of the term loans. Supported by a portfolio of high-quality freehold office properties, blue-chip tenant base and healthy financial position, IREIT is continuously laying its foundation for tomorrow's resilience.

**Staying focused** on its strategy based on the four pillars of growth, IREIT will continue to build on its strengths by seeking diversification, adopting a long-term approach, achieving scale and leveraging on Tikehau Capital's local presence. The ability to explore acquisition opportunities across the various sectors in Europe, coupled with a solid investment platform and an experienced management team, holds IREIT in good stead to deliver sustainable long-term returns to its unitholders.

## ABOUT IREIT GLOBAL

IREIT is the first Singapore-listed real estate investment trust (REIT) established with the investment strategy of principally investing, directly or indirectly, in a portfolio of income-producing real estate in Europe which is used for office, retail and industrial (including logistics) purposes, as well as real estate-related assets.

IREIT's current portfolio consists of five freehold properties in Germany.

IREIT is managed by IREIT Global Group Pte. Ltd. (the Manager), a subsidiary of pan-European asset management and investment group Tikehau Capital.



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## KEY OBJECTIVES

The Manager's key financial objectives are to provide unitholders of IREIT (Unitholders) with regular and stable distributions, and the potential for sustainable long-term growth in distribution per Unit (DPU) and net asset value (NAV) per Unit, while maintaining an appropriate capital structure for IREIT.



## ABOUT TIKEHAU CAPITAL

Tikehau Capital is an asset management and investment group which manages €22.0 billion of assets (as at 31 December 2018) and is supported by shareholders' equity of €2.3 billion (as at 30 June 2018). Tikehau Capital has been expanding dynamically through its four business lines – Private Debt, Real Estate, Private Equity and Liquid Strategies (Fixed Income management / Balanced and Equities management), and therefore provides investors with alternative investment opportunities which target long-term value creation. Its diversified real estate portfolio under management was valued at €7.6 billion as at 31 December 2018.

Tikehau Capital's independent positioning has consolidated its value and reputation within the asset management industry year after year. Its independence has enabled it to develop a business model with a flexible approach to allocate capital across all four business lines, clearly differentiating it from the competition.

By deploying its shareholders' equity towards its investment strategies, Tikehau Capital, working alongside leading institutional partners, continues to fortify its culture of aligning its interests with those of its shareholders and investors, thereby establishing a relationship founded on trust. Since its inception, Tikehau Capital has relentlessly focused on its core values of dedication, quality and reliability, which are enhanced by its recognised entrepreneurial driven investment skills.

Founded in Paris in 2004, Tikehau Capital has rapidly expanded in recent years. Today, Tikehau Capital employs 430 employees and partners across its offices in Paris, London, Brussels, Madrid, Milan, New York, Seoul and Singapore.

## CHAIRMAN AND CEO LETTER TO UNITHOLDERS

“

**With the refinancing exercise,  
we have not only locked in  
the interest expenses at  
favourable rates over the long  
term but also significantly  
extended the debt maturity.**

”

### Dear Unitholders,

On behalf of the Board of Directors of the manager of IREIT, we are pleased to present IREIT's annual report for the financial year ended 31 December 2018 (FY2018).

### A Year of Progress

The past 12 months have been a momentous period for IREIT, during which we achieved a few milestones which epitomise the stable long-term growth potential for our Unitholders. On the portfolio front, we have successfully secured lease extensions for the single tenant at Münster South building and also for a key tenant at Concor Park. As a result of the positive leasing activity, we are heartened to report that there is no longer any portfolio lease expiry in 2019, with over 90% of the entire leases due for renewal only in 2022 and beyond.

Another significant achievement since our listing in August 2014 is that our portfolio valuation has surpassed the €500 million mark as at 31 December 2018. This is due to our blue-chip tenant base, further strengthening of the German real estate market and various initiatives implemented at the property level, and represents an increase of 9.0% as compared to our portfolio value of €463.1 million as at 31 December 2017.

Over the past year, we have also made good progress on our capital management strategy. Driven by a prudent approach and long-term view, the management team initiated discussions with several banks early to explore the refinancing of its existing term loans. In December 2018, IREIT, through its subsidiaries, entered into a loan facility agreement with UniCredit Bank AG for an aggregate principal amount of €200.8 million maturing on 30 January 2026. The new loan facilities were successfully drawn down in

**Mr Lim Kok Min, John**  
**CHAIRMAN**

**Mr Aymeric Thibord**  
**CHIEF EXECUTIVE OFFICER**



February 2019 and the loan proceeds were substantially used to repay the entire existing bank borrowings. With the refinancing exercise, we have not only locked in the interest expenses at favourable rates over the long term but also significantly extended the debt maturity to approximately seven years.

## Delivering Stable Financial Performance

Bolstered by firm rental income from the investment properties, IREIT continued to demonstrate resilience in its financial performance for FY2018. Group revenue was relatively stable at €34.8 million compared to €35.0 million in FY2017, notwithstanding a drop in rental income at Münster South building after the tenant vacated one floor with effect from April 2017. For the year, net property income declined by 2.8% to €30.6 million, while distributable income was 3.2% lower at €25.1 million due to higher operating expenses. However, distribution per unit (DPU) was at 5.80 Singapore cents, in line with FY2017 DPU of 5.77 Singapore cents, lifted by more favourable average SGD/EUR exchange rates arising from the hedging undertaken to manage the currency risks for IREIT's distributions. Based on IREIT's closing unit price of S\$0.725 on 31 December 2018, FY2018 DPU represents an attractive yield of 8.0%.

IREIT's financial position has also remained sound, with net asset value (NAV) rising 11.6% year-on-year to €0.48 per unit on the back of higher appraised values of IREIT's portfolio properties. This has led to an improvement in the aggregate leverage from 40.3% a year ago to 36.6%<sup>1</sup> as at 31 December 2018, and is well below the 45% aggregate leverage ceiling permitted by the Monetary Authority of Singapore (MAS) for real estate investment trusts (REITs) in Singapore.

## Expecting Healthy Real Estate Demand in 2019

In 2019, the European economic growth is expected to be moderated compared to 2018, but is still expected to be higher than its 15-year average growth rate. Unemployment rate in the Eurozone, on the other hand, has fallen by five consecutive years since 2013 to 8.2% in 2018.<sup>2</sup> Coupled with low office vacancy rate (now standing at 6.4% for the main 15 European markets<sup>3</sup>) and muted new development completion, this is expected to herald another year of healthy demand for commercial real estate space.<sup>4</sup>

## Mounting Risks to Growth

However, on a cautious note, there are lingering worries over a potential escalation of United States-China trade tensions, a sharp slowdown in Chinese economy and the impact of rising interest rates. In Europe, the negative repercussions of the Brexit process, weakness in the automotive industry in Germany and sovereign risks in Italy have resulted in

uncertainties and poorer market sentiment. As such, we see mounting risks in the European economy, which may potentially skew growth to the downside.

## Staying Focused

Against the backdrop of an uncertain business climate, it is imperative that we stay nimble and vigilant. While our disciplined and prudent asset management and capital management approach has thus far placed IREIT in a position of strength in terms of lease and credit profiles, we will remain steadfast in our strategy as we build on our long-term efforts to maintain a resilient and sustainable portfolio. In this respect, we will continue to stay focused on executing our four pillars of growth, namely seeking diversification, taking a long-term approach, achieving scale, and leveraging on Tikehau Capital's local presence in Europe.

To better position the properties for the long term, we will also continue to undertake various initiatives to upkeep the properties as they age. This will involve the incurrence of repair and maintenance costs, as well as appropriate capital expenditure on an ongoing basis. In addition, we will consider other initiatives in line with market practices to ensure the continuity of leases through retaining existing tenants or securing new tenants. In our view, these measures are necessary towards maintaining sustainable long-term income to Unitholders.

Tikehau Capital's acquisition of additional stakes in the Manager and units of IREIT in July 2018 have certainly strengthened its long-term commitment to grow IREIT and shown a greater alignment of interest with Unitholders over the long run. Given Tikehau Capital's proven track record, extensive network and financial strength, we remain positive on IREIT's prospects. Notably, Tikehau Capital's real estate business is now its second largest operating segment by asset under management, catapulted by the launch of new funds and acquisitions. We believe this will further enhance IREIT's market position and technical know-how in the European real estate space.

## Appreciation and Acknowledgments

On behalf of the Board of Directors and management team, we would like to take this opportunity to thank our valued tenants, business partners, financiers and Unitholders for their unwavering support and trust in our strategy and management team. We would also like to express our heartfelt gratitude to our Board of Directors and management team for their tireless commitment and guidance. Finally, we would like to thank all our employees for their relentless hard work and commitment in helping to steer IREIT towards our mission of bringing sustainable long-term value to our Unitholders.

<sup>1</sup> Pro-forma aggregate leverage would be 37.8% if refinancing of existing borrowings has taken place on 31 December 2018  
<sup>2</sup> Eurostat  
<sup>3</sup> BNP Paribas Real Estate Main Office Markets in Europe 4Q2018  
<sup>4</sup> CBRE EMEA Real Estate Market Outlook 2019

## 主席与总裁 至单位持有者之信函

尊敬的单位持有者，

谨代表 IREIT Global Group Pte. Ltd. (IREIT 房地产信托基金管理公司) 董事会，我们很高兴为大家呈现截至 2018 年 12 月 31 日 (2018 财年) IREIT Global (IREIT) 的年度报告。

### 进展之年

过去一年对于 IREIT 而言意义非凡，这一年中，我们实现里程碑式进展，为单位持有者实现未来长期稳定增长打下了坚实基础。地产组合方面，我们已争取到明斯特 (Münster) 南大楼的整租租户和康科园 (Concor Park) 的一位主要租户，成功完成续租。在此良好租赁投资表现的基础上，我们很欣慰地向各位宣布，2019 年里将不会出现租约到期的情况，约 90% 以上的租约都将持续到 2022 年或之后。

另一项重大成就就是自 2014 年 IREIT 上市以来，截止 2018 年 12 月 31 日地产组合估值已超过 5 亿欧元。这得益于我们的蓝筹租户基群，德国房地产市场的稳步回暖以及我们在 IREIT 地产方面实施的各种利好政策，这比 2017 年 12 月 31 日的 4.631 亿欧元地产组合估值增长了 9%。

过去一年，我们在资产管理政策方面也取得良好进展。本着谨慎投资、利计长远的原则，公司管理层主动提前联络好几家银行进行洽谈，探讨针对现有中长期贷款再融资的事宜。至 2018 年 12 月，IREIT，通过其有关子公司，与联合信贷银行 (UniCredit Bank AG) 成功达成贷款协议，贷款总额为 2.008 亿欧元，至 2026 年 1 月 30 日到期。这项贷款已于 2019 年 2 月下放，此项贷款资金主要用于支付现有银行借款偿还。通过此次再融资操作，我们不仅及时锁定长期贷款优惠利率，并且还大幅延长贷款到期时间约 7 年。

### 保持稳定的财务表现

由于其投资物业方面租金收入稳定，IREIT 在 2018 财年展现出富有韧性的财务表现。尽管明斯特 (Münster) 南大楼的整租租户自 2017 年 4 月起未再续租其中一层楼，导致该大楼的租金收入因此有所下降，但与 2017 财年的 3500 万欧元相比，集团总收入仍相对稳定地维持在 3480 万欧元。2018 财年，净房产收入减少 2.8%，降至 3060 万欧元，同时可支配收入由于运营成本增加也下降 3.2%，为 2510 万欧元。尽管如此，为管理 IREIT 可分配股息的汇率风险，采取对冲措施实现了更有利的新元与欧元汇率均价。受惠于此举，每单位派息额 (DPU) 增至 5.80 新分，与 2017 财年 5.77 新分相对持平。基于 2018 年 12 月 31 日为 2018 财年最后的交易日，IREIT 的收盘价为 0.725 新元，相当于 8.0% 的可派发股息率，极为可观。

IREIT 财务状况仍保持良好，资产净值 (NAV) 为每单位 0.48 欧元，与 2017 年同比增长 11.6%，紧随 IREIT 地产组合的高评估值。由此带来总杠杆比率有所缓解，由去年的 40.3% 下降到 2018 年 12 月 31 日的 36.6%<sup>1</sup>，远远低于新加坡金融管理局 (MAS) 针对新加坡房地产投资信托 (REITs) 设定的总杠杆率上限 45%。

### 预计 2019 年房地产需求稳健

相对 2018 年，2019 年欧洲经济增长将有所放缓，但预计增长值仍将高于其 15 年来平均增长数值。另一方面，欧元区失业率自 2013 年以来已经连续 5 年有所下降，2018 年下降到 8.2%<sup>2</sup>。此外，办公楼板块空置率低 (目前欧洲主要的 15 个市场空置率为 6.4%<sup>3</sup>)，完成新开发办公楼速度相对迟缓，这预示着新一年针对商业地产空间的需求将保持稳健的势头<sup>4</sup>。

## 增长面临风险

然而, 谨慎起见, 目前中美贸易之间的紧张局势可能升级, 中国经济增速可能大幅下滑, 利率上升可能带来诸多影响, 这些担忧仍挥之不去。欧洲方面, 英国退出欧盟造成负面震荡, 德国汽车工业发展呈现弱势, 意大利政坛动荡, 导致对于市场不信任和看空市场的情绪蔓延。由此, 我们认为欧洲经济风险日益增长, 可能导致经济下行风险。

## 保持专注

由于商业环境存在各种不确定因素, 我们必须时刻保持灵活和警惕。得益于公司训练有素的稳健资产管理和资本管理策略, IREIT 在租约和信用状况方面存在一定的优势, 我们应坚定实施战略, 长期努力发展有韧性且可持续的资产组合。在这一点上我们应保持专注, 实现四大支柱的稳步增长, 即寻求多样化、采用长期方案、实现规模化, 并运用 Tikehau Capital 在欧洲的当地业务优势。

为维持长期资产优势, 我们将继续针对年龄较老地产实施多种维护保养。由此将产生维修保养成本, 以及适当的资本支出。此外, 我们还将推出符合市场惯例的其他政策以保障现有租户持续续租并争取更多的新租户加入。在我们看来, 这些都是为了保障单位持有人实现可持续长期收益所必需采用的措施。

Tikehau Capital 在 2018 年 7 月认购了更多 IREIT 管理公司股份以及 IREIT 单位, 这一举动加强了其帮助 IREIT 实现增长的长期承诺, 同时也巩固了与单位持有人的长期利益关系。鉴于 Tikehau Capital 的良好记录、广泛的关系网络和雄厚的财力资源支持, 我们对 IREIT 的前景持乐观态度。尤其值得注意的是, Tikehau Capital 不断推出新的基金和收购项目, 其房地产业务就资产管理规模而言现为第二大

运营业务。我们相信这也将成为 IREIT 的市场优势、以及欧洲房地产市场中的实际技术能力。

## 由衷感谢

谨代表董事会和管理团队, 借此机会, 向我们宝贵的租户、商业合作伙伴、融资人和单位持有人表示感谢, 感谢大家一如既往坚定支持我们的管理团队以及推出的政策。在此, 我们还要由衷地感谢董事会和管理团队, 感谢他们一直以来为 IREIT 发展孜孜不倦的贡献并提出睿智的指导意见。最后, 我们想要感谢全体员工, 感谢他们坚持不懈的努力和奉献精神, 感谢一直帮助 IREIT 向着目标稳步前行、为单位持有人实现可持续长期价值增长作出的卓越贡献。

**林国鸣先生**  
主席

**Aymeric Thibord 先生**  
总裁

- 1 在备考的基础上, 如果现有借款于 2018 年 12 月 31 日再融资, 则总杠杆率将为 37.8%。
- 2 欧盟统计局
- 3 法国巴黎银行房地产公司 2018 年第四季度欧洲主要的写字楼市场
- 4 世邦魏理仕 2019 年欧洲、中东及非洲房地产市场展望

# FOCUSED ON DIVERSIFICATION

BUILDING A STABLE AND RESILIENT PORTFOLIO



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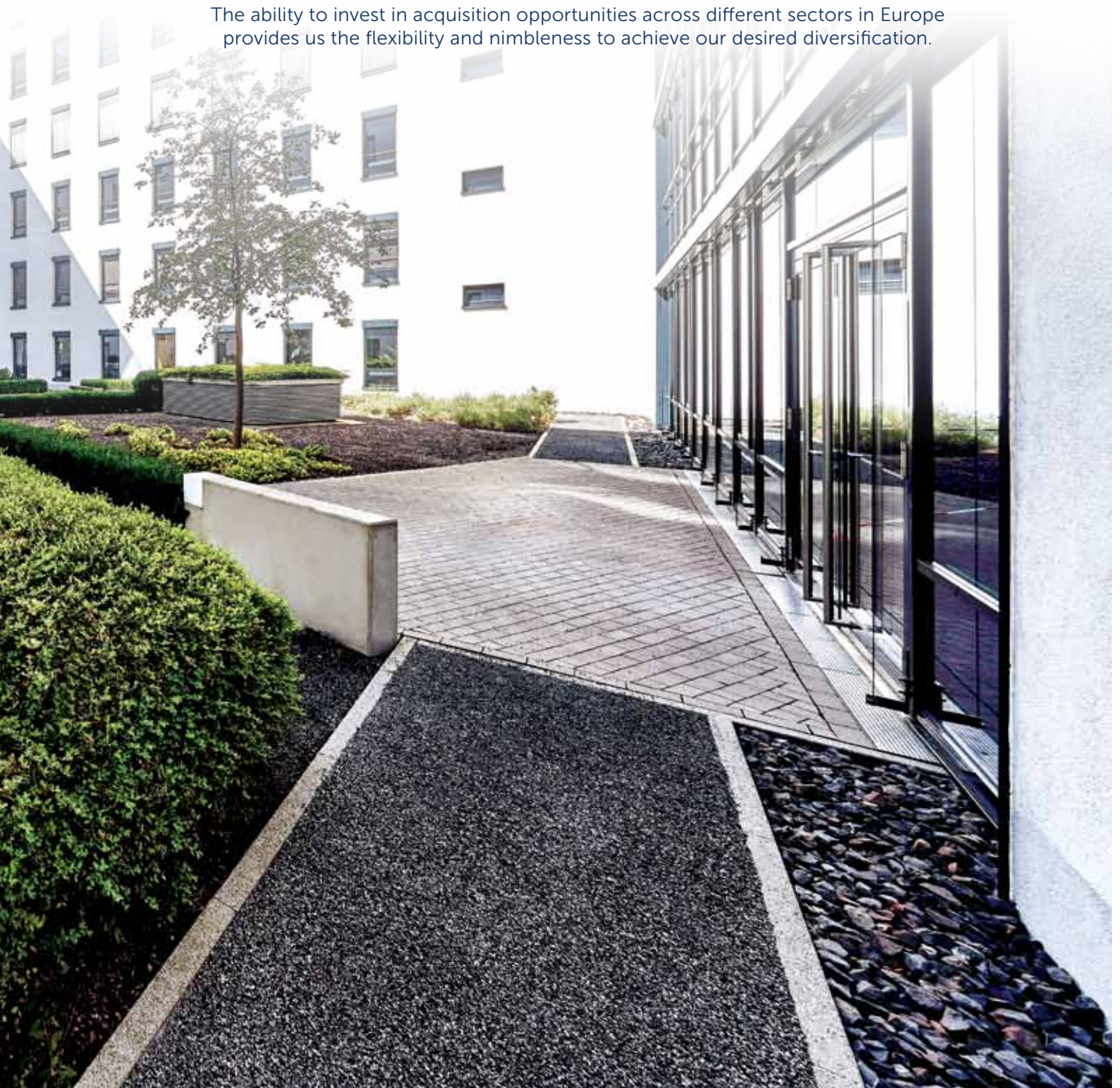
NET PROPERTY  
INCOME

€30.6m

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Against the current backdrop of uncertain and fluid macroeconomic environment, we intend to step up our efforts to diversify IREIT's income streams and market exposure via disciplined investments into the various asset classes and geographical markets to reinforce the portfolio from any market gyrations.

The ability to invest in acquisition opportunities across different sectors in Europe provides us the flexibility and nimbleness to achieve our desired diversification.



## BOARD OF DIRECTORS



**Mr Lim Kok Min, John**

Chairman and Independent Non-Executive Director

Date of First Appointment as Director  
14 July 2014

Length of Service as Director (as at 31 December 2018)  
4 years and 5 months

Mr Lim has more than 45 years of senior corporate experience in both the private and public sectors, and has worked in various countries in Southeast Asia, holding board appointments in these countries and in Australia and New Zealand. He has been the Chief Executive Officer of Cold Storage Holdings, President and Executive Deputy Chairman of LMA International NV, and Group Managing Director of Pan-United Corporation Ltd and JC-MPH Ltd.

Mr Lim is currently the Non-Executive Chairman of Boustead Projects Limited and an Independent Non-Executive Director of Silverlake Axis Limited, as well as a director of several private companies in education, retail and corporate services. He also serves as an Adviser to a European private equity fund.

He is the Immediate Past Chairman of Gas Supply Pte Ltd. He is a former Chairman of the Singapore Institute of Directors, Senoko Power Ltd and the Building & Construction Authority, and a former Deputy Chairman of NTUC FairPrice Cooperative, the Agri-Food & Veterinary Authority and the Singapore Institute of Management. He is also a former member of the Securities Industry Council and a former Chairman of the OECD-Asia Network on Corporate Governance of State-Owned Enterprises.

Mr Lim was awarded the Public Service Medal by the President of Singapore in 2006.

### Academic & Professional Qualifications

Bachelor of Economics (Honours), University of Malaya  
Honorary Fellow of the Singapore Institute of Directors

### Membership of Board Committee

Member of Audit and Risk Committee  
Member of Nominating and Remuneration Committee

### Present Directorships and Chairmanship in Other Listed Companies

Boustead Projects Limited  
Silverlake Axis Limited

### Present Principal Commitments (other than directorships in other listed companies)

In.Corp Global Pte Ltd (Non-Executive Chairman)  
TWG Tea Company Pte Ltd (Director)  
Nexus International School Pte Ltd (Director)  
Taylors Education Pte Ltd (Director)

### Past Directorships and Chairmanship in

Other Listed Companies held over the preceding three years  
Boustead Singapore Limited



**Mr Tan Wee Peng, Kelvin**

Independent Non-Executive Director and  
Chairman of Audit and Risk Committee

Date of First Appointment as Director  
14 July 2014

Length of Service as Director (as at 31 December 2018)  
4 years and 5 months

Mr Tan has more than 30 years of professional experience in the private and public sector. He has held senior management positions, serving as President of AETOS Security Management Pte Ltd from 2004 to 2008 and as Global Head of Business Development at PSA International from 2003 to 2004. From 1996 to 2003, he was with Temasek Holdings Pte. Ltd, where his last held position was as Managing Director of its Private Equity Funds Investment Unit. He also sits on the boards of Sabana Real Estate Investment Management Pte.Ltd. as manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust, Unusual Limited, and Viking Offshore and Marine Limited, which are listed on the Singapore Exchange Trading Limited (SGX-ST).

### Academic & Professional Qualifications

Bachelor of Accountancy (First Class Honours),  
National University of Singapore  
Master of Business Administration, National University of Singapore  
Programme for Management Development,  
Harvard Business School  
Member, Singapore Institute of Directors  
Member, Institute of Management Consultants (Singapore)  
Fellow of the Institute of Singapore Chartered Accountants

### Membership of Board Committee

Chairman of Audit and Risk Committee

### Present Directorships and Chairmanship in Other Listed Companies

Unusual Ltd  
Viking Offshore and Marine Limited

### Present Principal Commitments (other than directorships in other listed companies)

Golden Equator Capital Pte. Ltd. (Director)  
Sabana Real Estate Investment Management Pte. Ltd. (Director)  
Institute of Singapore Chartered Accountants Pte. Ltd. (Director)  
Association of Taxation Technicians (S) Limited (Director)  
Adjunct Associate Professor, NUS Business School

### Past Directorships and Chairmanship in

Other Listed Companies held over the preceding three years  
WE Holdings Ltd  
Shanghai Turbo Enterprises  
Transcorp Holdings Limited



### Mr Nir Ellenbogen

Independent Non-Executive Director and Chairman of  
Nominating and Remuneration Committee

Date of First Appointment as Director  
5 December 2013

Length of Service as Director (as at 31 December 2018)  
5 years

Mr Ellenbogen has more than 20 years of leadership and experience in the fields of medical technology and IT systems & software. He is the Managing Director of Eye-Lens Pte. Ltd., a multidisciplinary medical devices distributor, and the Chief Executive Officer of CeePro Pte. Ltd., a medical devices manufacturer. He is also the Managing Director of Focalpoint Asia, a sole proprietorship that provides medical consultancy services.

From 2000 to 2009, Mr Ellenbogen held senior management positions and directorships at NeuroVision, a medical devices manufacturer specialising in a visual improvement programme. While there, he served as Vice-President of R&D and Chief Operating Officer, and his last held positions were as Chief Executive Officer and Director.

#### Academic & Professional Qualifications

Bachelor of Science, The Technion – Israel Institute of Technology

Master of Business Administration, Tel Aviv University

#### Membership of Board Committee

Chairman of Nominating and Remuneration Committee

Member of Audit and Risk Committee

#### Present Directorships and Chairmanship in Other Listed Companies

Nil

#### Present Principal Commitments (other than directorships in other listed companies)

Eye-Lens Pte. Ltd. (Director)

Shinagawa Eye Centre Pte. Ltd. (Director)

#### Past Directorships and Chairmanship in Other Listed Companies held over the preceding three years

Nil



### Mr Bruno De Pampelonne

Non-Executive Director

Date of First Appointment as Director  
11 November 2016

Length of Service as Director (as at 31 December 2018)  
2 years 1 month

Mr de Pampelonne has 33 years of experience in various segments of the financial markets, from debt and real estate to equity, and from banking to asset management. He is currently a Senior Partner at Tikehau Capital and Chairman of Tikehau Investment Management SAS.

He started his career at Crédit Lyonnais in 1983 in the United States. In 1985, he joined Goldman Sachs International Corp in London, where he became an Executive Director at its proprietary European trading desk. In 1990, he joined Credit Suisse First Boston as Managing Director to establish its Paris operations and was in charge of equity and debt sales and trading. In April 1993, he joined Merrill Lynch France as Managing Director and was appointed as the Country Head for France from 2003 to 2006.

Currently the Chairman of the Board of Governors of EDHEC Business School, he also serves on the International Advisory Board of the EDHEC Risk Institute.

#### Academic & Professional Qualifications

Master of Finance, EDHEC Business School

#### Membership of Board Committee

Member of Nominating and Remuneration Committee

#### Present Directorships and Chairmanship in Other Listed Companies

Nil

#### Present Principal Commitments (other than directorships in other listed companies)

Tikehau Investment Management SAS (Director)

#### Past Directorships and Chairmanship in Other Listed Companies held over the preceding three years

Nil

## BOARD OF DIRECTORS



**Mr Tong Jinquan**  
Non-Executive Director

**Date of First Appointment as Director**  
14 July 2014

**Length of Service as Director (as at 31 December 2018)**  
4 years and 5 months

Mr Tong has more than 20 years of experience in property investment, development and management in the People's Republic of China. He is the founder and Chairman of the Summit Group, which he established in 1994 and whose growth he has been responsible for overseeing.

His experience with the Summit Group encompasses industrial, commercial and residential investments, investment management, trading, property development, hotel management, property management, business consultancy, convention and exhibition services, goods export and technology import, software services and maintenance of office equipment.

The Summit Group holds and operates commercial properties in Shanghai, Shenyang and Chengdu. Its portfolio includes hotels, serviced apartments, office buildings and a shopping mall.

Mr Tong also holds an indirect interest in the manager of ESR-REIT, an industrial real estate investment trust that is listed on the SGX-ST.

**Membership of Board Committee**  
Nil

**Present Directorships and Chairmanship in Other Listed Companies**  
New Century Asset Management Limited

**Present Principal Commitments  
(other than directorships in other listed companies)**  
Summit Group (Chairman)  
ESR Funds Management (S) Limited (Director)  
Viva Industrial Trust Management Pte. Ltd. (Director)

**Past Directorships and Chairmanship in Other Listed Companies  
held over the preceding three years**  
Nil



**Mr Ho Toon Bah**  
Non-Executive Director

**Date of First Appointment as Director**  
17 February 2015

**Length of Service as Director (as at 31 December 2018)**  
3 year and 10 months

Mr Ho has more than 20 years of experience in the banking and real estate industry. As an Executive Director of Soilbuild Construction Group Ltd, a general construction group with three decades of operating history, he supports the strategic growth of its operations, and drives the development and execution of its business strategies. His areas of responsibilities include capital management, human resources and investor relations. He is also a Non-Executive Director of SB REIT Management Pte. Ltd., as manager of Soilbuild Business Space REIT. From 2009 to 2013, he served as an Executive Director of Soilbuild Group Holdings Ltd.

Before joining the Soilbuild Group, he held various senior management roles at Standard Chartered Bank and United Overseas Bank. His last held appointment was as Head of Consumer Banking at Standard Chartered Bank in Malaysia.

**Academic & Professional Qualifications**  
Chartered Financial Analyst (CFA) Charterholder  
Bachelor of Business Administration, National University of Singapore

**Membership of Board Committee**  
Nil

**Present Directorships in Other Listed Companies**  
Soilbuild Construction Group Ltd.

**Present Principal Commitments  
(other than directorships in other listed companies)**  
SB REIT Management Pte. Ltd. (Director)

**Past Directorships and Chairmanship in Other Listed Companies  
held over the preceding three years**  
Europtronic Group Ltd

## MANAGEMENT TEAM



**Mr Aymeric Thibord**  
Chief Executive Officer

As Chief Executive Officer, Mr Thibord is responsible for planning and implementing IREIT's investment strategy, the overall day-to-day management and operations of IREIT, as well as working with the Manager's investment, asset management, financial, legal and compliance personnel in meeting IREIT's strategic investment and operational objectives.

Mr Thibord brings 20 years of experience, having worked for several major real estate investors. Most recently, he served as a Senior Director at US financial institution TIAA-CREF. He joined its newly established London branch in 2010, where he oversaw real estate investments in Continental Europe with a focus on France and Germany. He became director of fund management in 2014 when the dedicated real estate management subsidiary TH Real Estate was formed.

He started his career in 1998 at Archon Group France (Goldman Sachs' wholly-owned real estate asset management platform) to become acquisitions deal leader. From 2003, he spent seven years at Société Générale Asset Management, as a founding member of its real estate arm and serving as a director of acquisitions responsible for the development of the business.

### Academic & Professional Qualifications

Bachelor of Economics (Honours), University of Rennes  
Master of Finance (Honours), University of Montpellier



**Mr Choo Boon Poh**  
Chief Financial Officer

As Chief Financial Officer, Mr Choo is responsible for applying the appropriate capital management strategy (including tax, treasury, finance and accounting matters), as well as overseeing the implementation of IREIT's short and medium-term business plans, fund management activities, financial condition and investor relations.

Mr Choo has more than 18 years of experience in audit, banking and corporate finance-related work. From 1998 to 2009, he was with BNP Paribas Capital (Singapore) Ltd., where he served in various roles. His last position held there was as Director of Corporate Finance for Southeast Asia. In his role as a senior member of the corporate finance origination and execution team covering Southeast Asia, he successfully completed numerous domestic and cross-border mergers and acquisitions. Focusing mainly on the real estate sector and REIT transactions, he and his team successfully launched several initial public offerings of REITs in Singapore.

From 1994 to 1998, he was a supervisor with Price Waterhouse (now known as PricewaterhouseCoopers) in Singapore, where he led the financial audits of several high-profile corporations and public listed companies. At PricewaterhouseCoopers, he was also involved in transactions services including operational audits, due diligence reviews and special assignments for various corporates.

### Academic & Professional Qualifications

Bachelor of Accountancy (First Class Honours),  
Nanyang Technological University  
Fellow of the Institute of Singapore Chartered Accountants  
Chartered Financial Analyst (CFA) Charterholder

# FOCUSED ON LONG-TERM APPROACH

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DELIVERING SUSTAINABLE RETURNS TO UNITHOLDERS



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DISTRIBUTABLE INCOME

€25.1m

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Keeping our eyes on the long term, we foster strong understanding and lasting relationships with our tenants, business partners and other key stakeholders by anticipating their changing needs. The significant progress on the leasing activity which pushes over 90% of our lease expiries to 2022 and beyond is a clear testament of our long-term commitment.

In order to secure a long-term access to capital resources at competitive rates, we have taken advantage of the current low interest rate environment to fully refinance our existing bank borrowings, thereby extending the debt maturity to 2026.



## FINANCIAL REVIEW AND CAPITAL MANAGEMENT

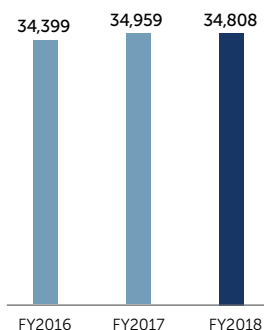
### Key Financial Figures

	Actual FY2018 (€'000)	Actual FY2017 (€'000)	Change %
Gross Revenue	34,808	34,959	(0.4)
Property Operating Expenses	(4,178)	(3,431)	21.8
Net Property Income ("NPI")	30,630	31,528	(2.8)
Distributable Income	25,146	25,976	(3.2)
Income Distributed	22,631	23,378	(3.2)
<b>Distribution per Unit ("DPU")</b>			
In € cents	3.59	3.72	(3.5)
In S\$ cents	5.80	5.77	0.5

#### GROSS REVENUE

(€'000)

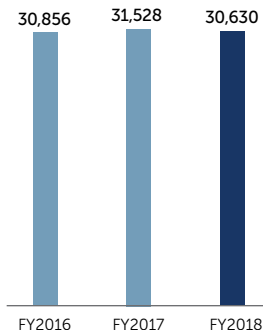
-0.4% YoY



#### NET PROPERTY INCOME

(€'000)

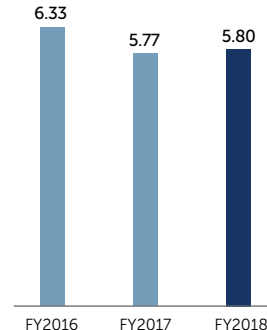
-2.8% YOY



#### DISTRIBUTION PER UNIT <sup>1</sup>

(S\$ cents)

+0.5% YOY



### Property Performance

Net property income ("NPI") for FY2018 was €898,000 or 2.8% lower than that of FY2017 mainly due to:

- Lower gross revenue for FY2018 arising from the finalisation of prior year's service charge reconciliations; and
- Increase in property operating expenses for FY2018 due to costs arising from various initiatives taken by the Manager during the year to better position the properties for the long term. These include the following key items:
  - Commissioning of external consultants to undertake detailed technical due diligence studies on the general condition of the properties and to review current and future capital expenditure requirements;
  - Entering into services contracts with appointed facility managers to ensure better control, monitoring and ongoing maintenance of plant and equipment in the single-tenant properties; and
  - Overall increase in repair and maintenance expenses for the upkeep of all properties.

Notes:

- <sup>1</sup> IREIT's distribution policy is to distribute 100% of its annual distributable income for the period from the listing date to 31 December 2016 and at least 90% of its annual distributable income thereafter. Starting from 2017, IREIT has been distributing approximately 90% of its distributable income to its Unitholders.

## Distribution

The distribution per Unit ("DPU") of 3.59 € cents for FY2018 was 3.5% lower than the DPU of 3.72 € cents for FY2017, in line with the lower FY2018 distributable income of €25.1 million compared to that achieved in FY2017.

In S\$ terms, however, the DPU of 5.80 S\$ cents for FY2018 was 0.5% higher as compared to the DPU of 5.77 S\$ cents for FY2017, as a result of favourable SGD/EUR exchange rates arising from the hedging undertaken to manage the currency risk for distribution to Unitholders. For both FY2017 and FY2018, IREIT distributed approximately 90% of its annual distributable income. The details of the distributions for FY2018 are as follows:

Period	Payment Date	Income Distributed (€'000)	DPU	
			(€ cents)	(S\$ cents)
1 January 2018 to 30 June 2018	27 August 2018	11,507	1.82	2.95
1 July 2018 to 31 December 2018	7 March 2019	11,124	1.77	2.85
Total FY2018		22,631	3.59	5.80

## Total Operating Expenses

The total operating expenses of IREIT including all fees and charges paid to the Manager and interested parties for FY2018, amounted to €7,893,000 (FY2017: €7,311,000), representing 2.58% of the net assets attributable to Unitholders as at 31 December 2018 (FY2017: 2.72%). IREIT incurred €250,000 of income tax on the real estate assets for FY2018 (FY2017: €195,000).

For the year ended 31 December 2018, the total fees paid to the property managers were €465,000 (FY2017: €544,000).

## Valuation Of Assets

As at 31 December 2018, IREIT's properties were valued at €504.9 million.

	Valuation (€'million) (as at 31 December 2018) <sup>2</sup>	Valuation (€'million) (as at 31 December 2017) <sup>3</sup>
Berlin Campus	190.7	164.4
Bonn Campus	107.8	101.7
Darmstadt Campus	86.4	82.9
Münster Campus	49.5	47.8
Concor Park	70.5	66.3
Total	504.9	463.1

Notes:

<sup>2</sup> The valuations were conducted by CBRE Germany GmbH.

<sup>3</sup> The valuations were conducted by Jones Lang LaSalle Limited.

## FINANCIAL REVIEW AND CAPITAL MANAGEMENT

### Net Assets Attributable To Unitholders

	As at 31 December 2018 (€'000)	As at 31 December 2017 (€'000)	Change %
Total Assets	528,875	486,755	8.7
Total Liabilities	223,268	218,064	2.4
Net Assets Attributable to Unitholders	305,607	268,691	13.7
NAV per Unit (€)	0.48	0.43	11.6

Total assets increased by 8.7% to €528.9 million as at 31 December 2018 as compared to €486.8 million as at 31 December 2017. The change was largely due to the increase in the value of investment properties.

Correspondingly, net assets attributable to Unitholders increased by 13.7% to €305.6 million as at 31 December 2018 as compared to a year ago, translating to a higher net asset value ("NAV") per Unit of 0.48 € cents as at 31 December 2018 (FY2017: 0.43 € cents).

### Prudent Capital And Risk Management

The Manager continues to adopt a proactive strategy to manage IREIT's capital structure and takes a disciplined approach in addressing funding requirements and managing refinancing and interest rate risks.

The breakdown of IREIT's bank borrowings as at 31 December 2018 was as follows:

### Debt Maturity Profile

% of Total Borrowings	Amount (€'000)	Maturity
49.9	96,594	August 2019
50.1	96,900	August 2020
100.0	193,494	

As at 31 December 2018, IREIT's total gross borrowings stood at €193.5 million and its aggregate leverage improved from 40.3% as at 31 December 2017 to 36.6%. In addition, approximately 90.4% (FY2017: 89.2%) of the gross borrowings are at fixed interest rates. For FY2018, IREIT achieved a healthy interest coverage ratio of 8.4 times (FY2017: 8.5 times) and an average all-in cost of debt of approximately 2.0% per annum (FY2017: 2.0% per annum). All borrowings are secured and denominated in €.

## Key Financial Indicators

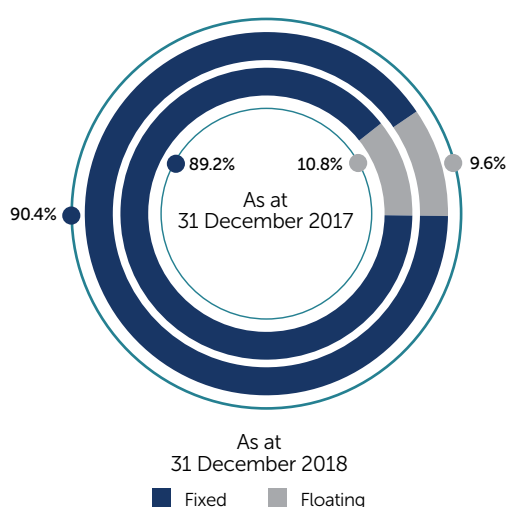
	As at 31 December 2018	As at 31 December 2017
Total Borrowings Outstanding (€'million)	193.5	196.0
% of Borrowings at Fixed Rates	90.4%	89.2%
Aggregate Leverage	36.6%	40.3%
Interest Coverage Ratio	8.4 times	8.5 times
Weighted Average Term to Maturity	1.1 years	1.9 years
Weighted Average All-In Cost (per annum)	2.0%	2.0%

Subsequent to 31 December 2018, all existing borrowings of €193.5 million were refinanced with new secured loan facilities of €200.8 million maturing in January 2026. The balance proceeds after refinancing-related transaction costs will be used for general working capital and corporate purposes.

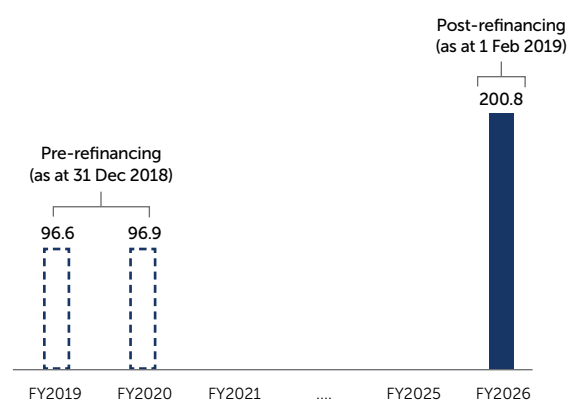
Concurrent to the refinancing of the existing borrowings, interest rate swaps were entered into to hedge 100% of the interest of the new loan facilities, resulting in an all-in cost of debt of approximately 1.5% per annum over the loan tenure. Including the costs of unwinding the existing borrowings, the all-in cost is approximately 1.7% per annum.

On a pro-forma basis, assuming that the refinancing had been effected on 31 December 2018, the aggregate leverage and weighted average debt to maturity of debt would be 37.8% and 7.1 years, respectively.

### DEBT COMPOSITION - FLOATING VERSUS FIXED INTEREST RATE



### DEBT MATURITY PROFILE



## FINANCIAL REVIEW AND CAPITAL MANAGEMENT

The Manager continues to actively manage the foreign exchange exposure for IREIT by adopting strategic hedging policies to optimise risk-adjusted returns to Unitholders, including the following initiatives:

- Use of € denominated borrowings as a natural hedge to match the currency of assets and cashflows at the property level; and
- Use of forward foreign currency exchange contracts to hedge the currency risk for distribution to Unitholders. The currency hedging policy is based on the use of such instruments on a quarterly basis to hedge approximately 80% of the expected € denominated income to be repatriated, one year in advance.

### Key Hedging Indicators

	As at 31 December 2018 (€'000)	As at 31 December 2017 (€'000)
Forward Foreign Currency Exchange Contracts		
Net Assets/(Liabilities)	690	(136)
As a Percentage of Total Fund Size <sup>5</sup> (%)	0.13	(0.03)

### Use Of Proceeds

For FY2018, the use of the remaining balances of the IPO and Rights Issue<sup>6</sup> proceeds is set out below:

	(€'000)	
	IPO Proceeds	Right Issue Proceeds
Balance as at 1 January 2018	1,598	212
Amount Utilised:		
Capital Expenditure on Investment Properties	(60)	(11)
Repayment of Bank Borrowings <sup>7</sup>	(1,538)	(201)
Balance as at 31 December 2018	–	–

Notes:

5 Total fund size refers to the total assets of IREIT.

6 Rights issue completed in August 2015 to part finance the acquisition of Berlin Campus.

7 As explained in the announcement titled "Extension of Loan Maturity" dated 13 March 2017.





# EMEA<sup>1</sup> AND GERMANY OFFICE MARKET VIEW

Prepared by CBRE

## EMEA REAL ESTATE MARKET OUTLOOK 2019

### The International Background

The current international environment is a mixture of reasonable out-turns on economic growth and subsiding pressures from higher commodity prices, along with a widespread perception of growing risk factors. These include:

- Worries over the possible escalation of US-Chinese and other trade disputes
- A sharp slowdown in the Chinese economy, driven by both the trade dispute and attempts at de-leveraging earlier in 2018, spreading to other emerging markets and ultimately acting as a drag on developed-economy growth
- An emerging market default
- Rising interest rates in the US
- A potential inversion of the US yield curve
- Recent stock market corrections

The view of CBRE is that although the world economy is likely to see a further year of slower growth in 2019, these various concerns are leading indicators of a downturn in about 18 or more months' time and not, in themselves, sources of an imminent downturn.

The big positive at the moment is the performance of the US economy. Although subject to the same risks highlighted above, US economic growth accelerated in 2018. This is partly a result of President Trump's fiscal policies which are extending the US economic upswing towards being the longest on record, and CBRE thinks their influence will spread into 2019. Despite the global economic concerns, neither recent survey data nor recent job numbers indicate a marked slowdown in US growth soon.

### Outlook

The European economy has failed to maintain the momentum built up in 2017 but is still growing at a rate above its 15-year average, and this should continue into 2019 and 2020. The UK is out of step with the rest of the pack and expected to continue to post slow, and below-trend, growth in 2019 but with better long-term potential. Spain, Ireland and the central European countries will continue to see the fastest rates of economic growth.

There are numerous risks to the outlook of which a US-driven cyclical slowdown is the biggest, but this is unlikely before 2021. It is also possible that the Chinese economy is slowing more dramatically than official statistics show and that this could dent growth in other countries. Closer to home, the Italian budget has the potential to produce problems and the next stage of the Brexit process remains uncertain. Higher long-term interest rates will start to pose a challenge to property pricing in many markets despite further anticipated rental growth, but rates should edge lower from late 2020.

## ECONOMIC AND POLITICAL OUTLOOK

### Politics In Europe

Europe avoided many of the potential electoral pitfalls in 2017 but there was still some instability in 2018. In Germany, following the September 2017 General Election, the agreement for the CDU/CSU-SPD coalition government was not finally settled until March 2018. Since then there have been coalition losses to both the far right (AfD) and the Greens, and Angela Merkel announced that she would stand down as chancellor in 2021. While these events have probably only had a marginal influence on the German economy, and there is little or no threat of political instability, they are symptomatic of the problems that many governments are having in Europe and the increasing challenges involved in forming coalition governments.

The situation in Italy could be more problematic. Following the General Election in March, a coalition government came into office comprising the right wing Lega Nord and the populist Five Star Movement. These are strange bedfellows with one party committed to tax cuts and one to spending increases: the result is a coalition policy that proposes both. The European Commission has rejected the draft budget as being in breach of the Stability and Growth Pact. This is unlikely to deter the Italian Government with neither party wanting to be seen to be reneging on election promises in advance of the European election in Spring 2019.

Last, but not least, the future UK-EU relationship is yet to be determined. CBRE still expects that a deal will be agreed upon, that this will give the UK reasonable market access and that the UK Government will get this through the UK Parliament but there are clearly risks to this view. These relate to both the detail of any final deal and the delicate process of getting it through the House of Commons. The resulting uncertainty will continue to act as a brake on the UK economy until the shape of the final deal becomes clearer, and possibly beyond.

### Property Implications (EMEA)

More detailed property trends are discussed in the following sections, but a number of themes can be drawn from the economic background to 2019 and beyond.

- Economic growth is driving increased demand for commercial real estate, and spare capacity is gradually being eroded, particularly in the big cities
- A muted development response so far in this cycle in many cities. This should support further rental growth in 2019, particularly for prime properties
- Even though the UK economy has suffered from Brexit-related uncertainty, employment trends in London have been surprisingly strong recently with Brexit seemingly having a less significant effect than originally thought

<sup>1</sup> Europe, Middle East and Africa

## CAPITAL MARKETS OUTLOOK

### Investment Market Supported By Platform Transactions

The European real estate investment market is highly liquid and investment volumes are at record levels. 2018 witnessed several notable single-asset transactions such as the €1.3 billion sale-and-lease-back of Goldman Sachs' new headquarters in central London, the acquisition of the Omniturm in Frankfurt by Commerz Real, and the transfer of a 50% interest stake in the Qu4drans office building in Paris to Primonial.

However, as is typical at this mature stage of the cycle, it was ultra-large platform transactions that did most to boost turnover levels. This was illustrated by the €21 billion (enterprise value) Unibail-Westfield acquisition that formed a global portfolio of €62 billion. In Spain there were also several notable merger and acquisition type transactions. Colonial completed the takeover bid on Axiare by acquiring a controlling stake in the company and Blackstone took two companies private: Hispania and the residential investment arm of Testa. In the Netherlands, a €1.5 billion residential platform transaction was traded. The largest transaction in 2018 took place in the German residential sector (the takeover of Buwog by Vonovia). As the cycle continues, CBRE expects more platform deals to complete. Relative to North America and Asia Pacific, Europe is the most globalised region in terms of capital flows. About 45% of all acquisitions are by foreign buyers and, whilst the majority of foreign buyers come from other European countries, capital from outside Europe is increasingly important as it provides additional liquidity. Traditionally, North America has been the main capital source from outside the region, although Asia has been growing rapidly in recent years. Since the implementation of capital controls Chinese capital has retreated from the market, but this has been more than offset by inflows from Hong Kong, Singapore and South Korea. After initially focusing on trophy assets in gateway markets these buyers are diversifying their investment profile and setting up local offices to facilitate further expansion in Europe in years to come.

### Downside Risks More Apparent

Global economic growth is likely to slow in the next 12 months (see also European Outlook Report 2019)<sup>2</sup> as early indicators point to a downturn in around 18 months or more. Nonetheless, a cooling of the world economy triggered by the US is not expected before 2021.

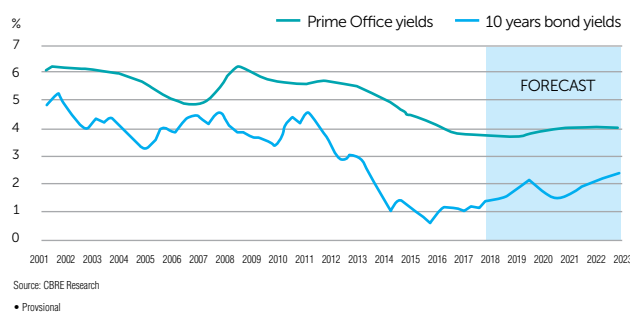
The economic outlook for Europe, Middle East and Africa is positive at least for the next couple of years, but there are various downside risks that CBRE expects to feature more strongly in investors' thinking. While the factors identified in the Economic and Political Outlook section are of general concern, property investors should be particularly alert to the prospect of a sharper-than-expected rise in interest rates.

This could put upward pressure on yields, and also result in an emerging market default in view of the high level of US\$-denominated debt held in some of these economies.

### Outlook

CBRE expects a strong investment market by historical standards in 2019, but a moderate decline compared to 2018. The main reasons are a turning point in monetary policy that marks the end of QE<sup>3</sup>, caution due to mounting economic and geopolitical risks and a lack of stock for sale in some countries after several years of very high investment turnover. Despite the end of QE, accumulated savings will keep interest rates low in the long-run.

EUROZONE PRIME OFFICE YIELDS AND 10 YEARS GOVERNMENT BOND YIELDS (%), 2001-2023\*



## GERMANY REAL ESTATE MARKET

### Outlook Germany 2019

The German economy has racked up its tenth consecutive year of economic growth, with Gross Domestic Product (GDP) having developed well since 2010, rising by 1.5% year-on-year in 2018. Slightly lower growth of 1.4% is anticipated in 2019, which means that the German economic fundamentals will remain robust, albeit the GDP growing at a somewhat slower pace.

The current slowdown in Germany's economic growth is primarily attributable to recently subdued industrial production and declining exports to China. The automotive industry in particular registered lower order intake in the second half of 2018, also as a consequence of a protracted phase of structural readjustment. Growing numbers of vehicle registrations towards the end of 2018, however, indicate that the automotive industry may be on the cusp of recovery.

On the whole, the German economy has seen broad-based growth across all sectors within the country in 2018: both private and public consumption expenditure were higher than in 2017 but lower than in the previous years. Gross investment, in particular capital expenditure and construction investment, also continued their uptrend.

<sup>2</sup> Europe Real Estate Market Outlook, CBRE Research, December 2018  
<sup>3</sup> Quantitative easing

## EMEA AND GERMANY OFFICE MARKET VIEW

Prepared by CBRE

Although German exports expressed as an annual average continued to climb in 2018, growth was not as strong as in previous years. Given that imports simultaneously increased at a swifter pace, this had a dampening effect on the German GDP growth.

Risk factors for the export-oriented German economy are discernible especially at the global level. Along with a slowdown in the Chinese economy, one of Germany's most important sales and growth markets, and an uncontrolled Brexit, the trade conflict between the US and China may continue to escalate. In Italy, the populist government from Lega Nord and the Five Star Movement are likely to lead to fiscal imponderables, while France's budget is likely to contravene EU deficit rules due to the financial concessions of the French government. In addition, the majority of the seats occupied by the social democrats and the conservatives - viewed as a guarantee of stability in the first instance - may be breached at the EU election in May 2019.

On a positive note, Germany's real estate investment market continues to boom. Sound fundamentals, good performance on the letting market and a favourable funding environment will continue to underpin this trend although market momentum is curbed by limited product availability.

German real estate remains high on the list of investors' favourites. In 2018, real estate worth €77.4 billion changed hands in the country, setting a new transaction volume record. Keen investor interest in commercial real estate, particularly in investment centres such as Frankfurt am Main, Berlin and Munich drove the momentum. Investors' interest in office real estate is stronger than ever. The German real estate market generally remains one of the most important target markets for domestic and international investors due to the promising macroeconomic fundamentals and sustained low interest rates. Especially in current times of geopolitical uncertainty, Germany's status as a safe haven has led its real estate market to become the top investment destination among investors, which was confirmed in the CBRE EMEA Investor Intention Survey.

Being very attractive places to live and work, the Top 7 locations of Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich, Cologne and Stuttgart are receiving even greater attention from investors. In 2018, 80% of the nationwide investment volume in the office asset class was accounted for by the Top 7 cities. This is a trend also observed in the hotel investment segment (72%) and land for development (71%).

Market momentum is, however, being visibly curbed by supply shortage that is worsening across all asset classes, especially in the highly desirable prime locations. Net initial yields that are already at a very low level will therefore either remain stable or fall further in some instances. In 2018, this was particularly the case with logistics and care home properties. Significant yield compression was also registered for highly

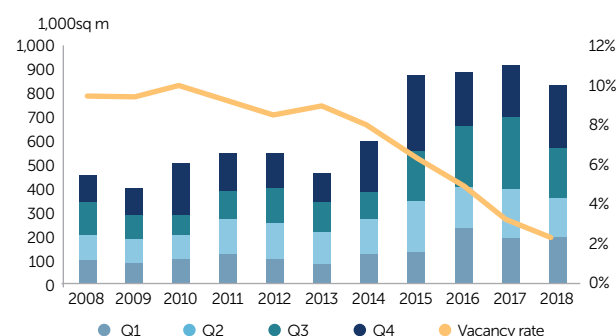
sought-after retail warehouses and retail parks within the retail segment. Yields for core products in the prime sites at the top locations of the established asset classes office and retail have generally bottomed out. Office properties in decentralized areas of the top locations may see further declines in yields. Some investors are beginning to use the tail end of the yield compression for strategic disposals. All in all, most institutional investor groups, such as open-ended real estate and special funds, insurance companies and pension funds, asset and fund managers as well as private investors remained active as net buyers in Germany for 2018.

Favourable economic trends will also continue to have a positive impact on the office letting market in 2019. Over the past year, office take-up in the Top 5 locations of Berlin, Düsseldorf, Frankfurt am Main, Hamburg and Munich totalled 3.4 million sqm. Although this corresponded to a slight decline of 6.4% in comparison to the 2017 take-up, this downturn was not caused by a lack of demand but by the shortage of adequate and available office space.

The average vacancy rate across the Top 5 locations stood at 4.2% at the end of 2018, down 70 basis points year-on-year. The vacancy rates in the metropolises of Berlin (2.2%) and Munich (2.9%) dropped significantly below the average. A look at the individual, highly attractive markets shows that the vacancy rate is often frequently falling to a point that would denote full occupancy, where the remaining vacant space consists of virtually unlettable space, particularly in unattractive city fringe locations.

### BERLIN OFFICE MARKET Q4 2018

#### Take-up (incl. own-use) and Vacancy-Rate



The Berlin office leasing market recorded a turnover of 840,400 sqm last year. The ten-year average was thus exceeded by 34%, but the result was 9.2% below that of the previous year. The transaction volume on the investment market in 2018 was €10.3 billion, 12.2% below the previous year's figure (€11.7 billion).

The prime rent at the end of the year was €33.50 per sqm per month, 11.7% higher than in the previous year. CBRE continues to see a willingness to accept significantly higher

rents, especially for core projects in prime locations. Here, top rents will continue to rise in the future and may even rise in the direction of €40 per sqm per month.

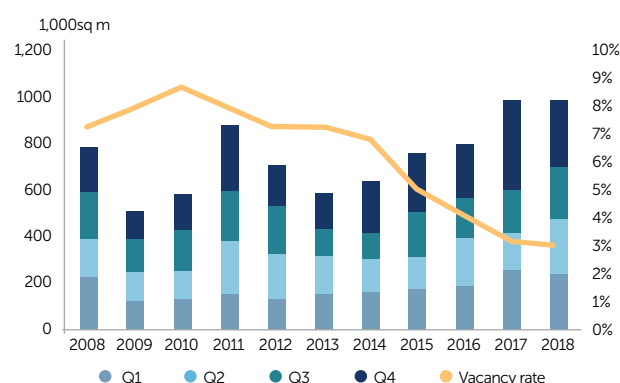
Larger areas are increasingly being searched for, however supply is limited and constantly decreasing. Vacancy rates in Berlin have dropped 90 basis points year-on-year to 2.2% in 2018. This figure illustrates the product shortage and leads to a decline in turnover volume on the leasing market.

CBRE expects neither a decline in demand nor an increase in supply in the next few quarters. Of the 1,690,500 sqm in the project pipeline by 2021, 48.8% will be developed speculatively, but this space will be quickly absorbed by the market by the expected high leasing demand and will not lead to any noticeable easing of the letting market.

In the future, it can be assumed that the incentives offered by owners to potential tenants will continue to decline, insofar as incentives can be reduced at all. In particularly tense office markets, it is no longer considered market practice to include incentives as part of an initial offer, but rather, incentives may be offered as part of further negotiations.

Supply shortage is set to intensify in 2019, which will drive rents up even further. 2018 saw prime rents rise without exception across all Top 5 markets, in Berlin by as much as 11.7% in comparison to 2017. Rental growth is, however, not only restricted to extremely desirable inner-city locations. City fringe locations are clearly making a contribution to strong growth, boosted by the search for alternative investment. Further steep increases in rent can be expected in 2019 across all markets.

## MUNICH OFFICE MARKET Q4 2018



### Take-Up (incl. own-use) and Vacancy Rate

The Munich office leasing market confirmed the strong results of the previous year and even slightly exceeded them with a take-up of 984,000 sqm. In addition, the transaction volume on the Munich investment market rose to a total of €6.7 billion in 2018 - an increase of 12% compared to the previous year.

Especially larger lettings with high-quality space standards are almost only possible in the form of pre-letting. In 2018, for example, seven of the 10 largest deals in project developments - some not even under construction - were concluded. Project developments accounted for a total of 37% of the space take-up.

CBRE expects the market activity to remain positive in the next few quarters. Demand for office space will not drop in 2019 either, and the supply situation will further increase the importance of project developments and properties in less central locations. 2019 transaction volume will be at a similarly high level as in 2018.

## SECONDARY OFFICE MARKETS<sup>4</sup>

Bonn: Bundesviertel accounted for more than 81% of all letting activities in the first half of 2018. Around 71,500 sqm have been let in the first half of 2018, leaving around 16,000 sqm of vacant office spaces. The vacant space marked a decrease of nearly 50% in comparison to 2017 (around 29,700 sqm vacant). Based on CBRE research, rents in Bundesviertel range between €8.90 and €24.00 per sqm per month. This is exceptional as no other district has been able to command rental prices above €20 per sqm per month.

Darmstadt: The office district TZ Rhein-Main and Europaviertel are dominated by the chemistry and pharmaceutical industries. Darmstadt has approximately 1,617,000 sqm of office space available. In 2018 there was a take-up of approximately 35,000 sqm. This accounts for 2.2% of the total available office area. Based on CBRE research, office rents in office agglomerations range between €10.70 and €13.60 per sqm per month.

Münster: Münster has the most important office market in its surrounding area. Compared to the other Class B cities, Münster remains one of the smaller office markets. In the recent past, the city has experienced a significant upswing in the office market, as evidenced by rising turnover figures, growing rents and declining vacancies. The prime rent, which is traditionally paid for office leases in the inner city, has now crossed the mark of €14.00 per sqm per month. Based on CBRE market research, office rents in office agglomerations in Münster range between €9.90 and €14.90 per sqm per month. Compared to the five-year average, this is an increase of over 15%.

<sup>4</sup> Source: RIWIS Bulwiengesa

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None of the information in this Report constitutes advice as to the merits of entering into any form of transaction. We recommend our General Terms and Conditions (GTC) under [www.cbre.com](http://www.cbre.com). If you do not understand this information, we recommend you seek independent legal counsel.

## INVESTOR RELATIONS



Directors and management engaging Unitholders at AGM held in April 2018

### Commitment to Transparency and Good Corporate Governance

IREIT Global Group Pte. Ltd. as manager of IREIT, is committed to the highest possible standards of communication with investors, analysts, media and the investment community and is committed to communicate in a timely, transparent, consistent, accurate, balanced and comprehensive manner on information such as the investment strategy, distribution policy, capital management and portfolio performance of IREIT.

In addition, the Manager is committed to ensure timely, unbiased and transparent disclosures of material information to the public, in accordance to the listing rules and

regulations of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Singapore Code of Corporate Governance and current best practices.

### Active Engagement with Stakeholders

The management and investor relation teams use a number of communication channels to engage and interact with various stakeholders. This includes one-on-one meetings, lunchtime presentations, industry conferences, educational seminars and corporate website email alert services for current and prospective investors, as well as meetings with analysts.

Unitholders of IREIT are also given the opportunity to participate at the annual general meetings ("AGM") and extraordinary general meetings ("EGM") to meet the management team and the Directors of the Manager to communicate their views or concerns and ask questions. In 2018, approximately 120 Unitholders and proxies attended the AGM. Directors and representatives from the trustee, external auditor and legal advisor of IREIT were present to address Unitholders' queries during the meeting. All resolutions were conducted via electronic polling system for speed, reliability and transparency, and the results of the polls were announced on the SGX-ST and IREIT websites on the same day of the event.

### Accolades and Achievements

As a testimony of the Manager's proactive approach towards sustainable governance and transparency, IREIT was ranked 11th for the Singapore Governance and Transparency Index ("SGTI") under the REIT and Business Trusts category, an index managed by CPA Australia, National University of Singapore's (NUS) Business School, and Singapore Institute of Directors (SID) to assess the corporate governance practices of Singapore-listed companies. This was an improvement from the 2017 ranking, where IREIT achieved a 14th-place



Chief Executive Officer Mr Aymeric Thibord receiving the Platinum award at the Asia Pacific Best of the Breeds REITs Award event held in August 2018

ranking. There were a total of 43 REITs/Business Trusts being assessed in 2018, compared to 42 in 2017.

In August 2018, IREIT won the Platinum award at The 5th Edition Asia Pacific Best of the Breeds REITs Awards 2018 event that was held in Singapore. This was the highest award given for the category of Singapore office REITs below US\$1 billion market capitalisation and was based on a number of evaluation criteria such as financial performance, market performance, corporate governance, quality of portfolio assets, quality of the REIT manager, risk management policies and long-term sustainability of performance.

## Financial Calendar

Financial Year Ended 31 December 2018	
10 May 2018	Announcement of first quarter results
8 August 2018	Announcement of second quarter results
27 August 2018	Payment of distributions for period from 1 Jan 2018 to 30 Jun 2018
12 November 2018	Announcement of third quarter results
20 February 2019	Announcement of fourth quarter results
7 March 2019	Payment of distributions for period from 1 Jul 2018 to 31 Dec 2018
29 April 2019	2019 Annual General Meeting

Financial Year Ended 31 December 2019 <sup>1</sup>	
May 2019	Announcement of first quarter results
August 2019	Announcement of second quarter results
November 2019	Announcement of third quarter results
February 2020	Announcement of fourth quarter results

Trading Performance During the Financial Period <sup>2</sup>	FY2018	FY2017	Total Returns with Distributions Reinvested (%) <sup>3</sup>	
Opening price (S\$)	0.775	0.715	Since listing on 13 August 2014 to 31 December 2018	30.21%
Closing price (S\$)	0.725	0.775		
Highest closing price (S\$)	0.815	0.800	From 1 January 2018 to 31 December 2018 (1 year)	0.74%
Lowest closing price (S\$)	0.715	0.710		
Total trading volume (million units)	52.2	100.9	From 1 January 2016 to 31 December 2018 (3 years)	33.60%
Average daily volume traded ('000 units)	188	402		

### Closing Unit Price Performance for Trading Period from 1 January 2018 to 31 December 2018<sup>4</sup>



## Unitholders' Enquiries

If you have any enquiries or would like to find out more about IREIT, please contact:

### IREIT GLOBAL GROUP PTE. LTD.

8 Marina View #15-07A Asia Square Tower 1 Singapore 018960

T: +65 6718 0590 | F: +65 6718 0599

Investor Relations Enquiries: [ir@ireitglobal.com](mailto:ir@ireitglobal.com)

Website: <http://www.ireitglobal.com>

- 1 Tentative dates that are subject to change.
- 2 For the trading period from 1 January to 31 December.
- 3 Total returns are computed based on the closing unit price on the last trading day of the preceding reporting period compared with the closing unit price on the last trading day of the current period. Distributions paid are assumed to be reinvested at the closing unit price on the day they were paid out.
- 4 [ShareInvestor.com](http://ShareInvestor.com).

# FOCUSED ON ACHIEVING SCALE

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OPTIMISING COST SYNERGIES AND BRAND NAME



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DISTRIBUTION  
PER UNIT

3.59 € cents

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With an ultimate goal to be the preferred real estate partner of choice for tenants looking for high quality commercial spaces in Europe, we plan to scale up and deepen our presence in target markets within Europe, while continuously investing in our current portfolio to ensure that they stay relevant to the evolving demand of the markets.

Backed by a solid investment platform and dedicated team with strong business acumen, we are on track to seize the right opportunities to strengthen our brand franchise and improve our operational efficiency.



## PORTFOLIO SUMMARY



Total Net  
Lettable Area  
**200,609 sqm**

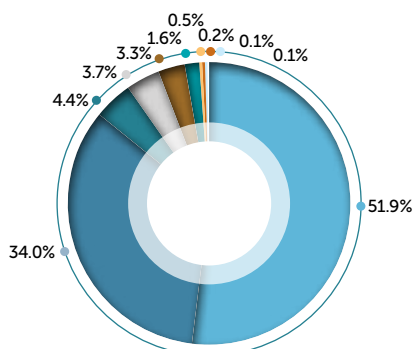
Total Number of  
Properties  
**5**

Portfolio Value  
**€504.9m**

Number of  
Car Park Spaces  
**3,441**

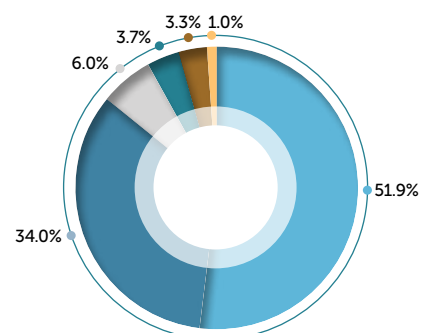
Number of Tenants  
**21**

### TOP 10 TENANTS



Deutsche Telekom	51.9%	Yamaichi	1.6%
Deutsche Rentenversicherung Bund	34.0%	Mizuno	0.5%
ST Microelectronics	4.4%	Reiser	0.2%
Allianz Handwerker Services GmbH	3.7%	Kaiser	0.1%
Ebase	3.3%	Dywidopox	0.1%

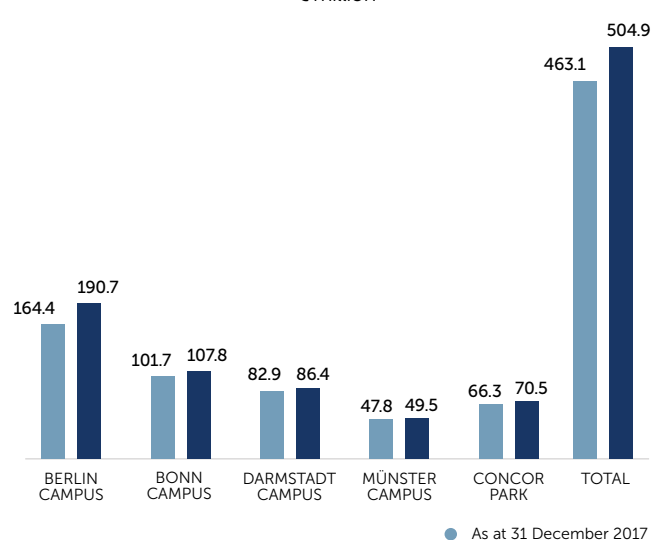
### TRADE SECTOR



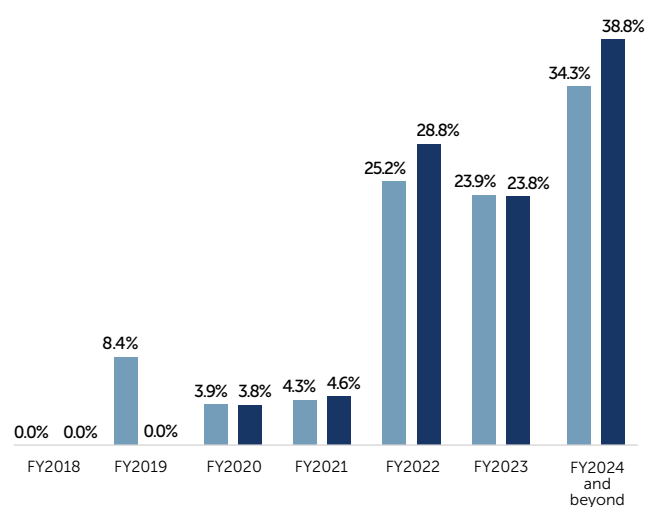
Telecommunications	51.9%
Government	34.0%
IT & Electronics	6.0%
Real Estate	3.7%
Banking & Finance	3.3%
Others	1.0%

## ASSET VALUATION BY PROPERTY

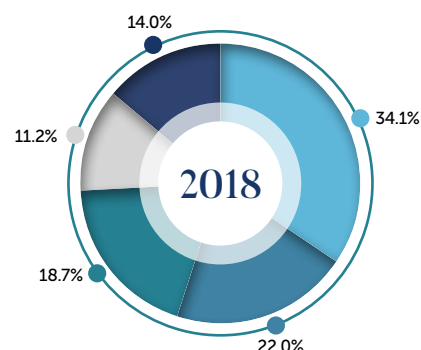
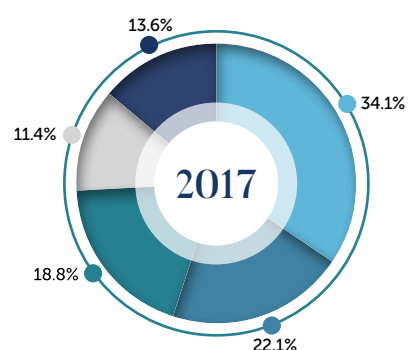
€'million



## LEASE EXPIRY BY GROSS RENTAL INCOME



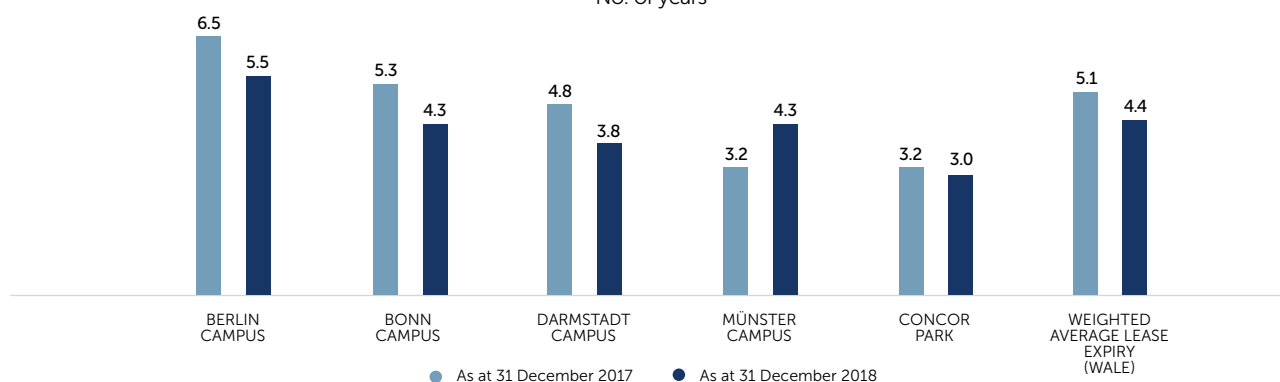
## GROSS RENTAL INCOME BY PROPERTY



● Berlin Campus ● Bonn Campus ● Darmstadt Campus ● Münster Campus ● Concor Park

## PORTFOLIO LEASE EXPIRY

No. of years



For new and renewed leases which commenced in FY2018, the weighted average lease expiry based on the date of commencement of leases is 1.2 years. Such leases contributed approximately 4.76% towards the portfolio's committed monthly gross rental income as at 31 December 2018.

## PORTFOLIO SUMMARY

	BERLIN CAMPUS	BONN CAMPUS	DARMSTADT CAMPUS	MÜNSTER CAMPUS	CONCOR PARK	TOTAL
Date of Building Completion	1994	2008	2007	2007	1978 and refurbished in 2011	
Purchase Price (€'million)	144.2	99.5	74.1	50.9	58.6	<b>427.3</b>
Vendor	Immobilienfonds Deutschland 6 GmbH & Co. KG, managed by WealthCap	TC Bonn Objektgesellschaft mbH & Co. KG	TC Darmstadt Objektgesellschaft mbH & Co. KG	TC Münster Nord Objektgesellschaft mbH & Co. KG and TC Münster Süd	Münchner Grund Immobilien Bauträger AG	
Book Value / Valuation as at 31 Dec 2018 (€'million)	190.7	107.8	86.4	49.5	70.5	<b>504.9</b>
Book Value / Valuation as at 31 Dec 2017 (€'million)	164.4	101.7	82.9	47.8	66.3	<b>463.1</b>
Gross Rental Income 2018 (€'million)	10.8	7.0	5.9	3.5	4.4	<b>31.6</b>
% of Total Gross Rental Income 2018	34.1%	22.0%	18.7%	11.2%	14.0%	<b>100.0%</b>
Gross Rental Income 2017 (€'million)	10.8	7.0	5.9	3.6	4.3	<b>31.6</b>
% of Total Gross Rental Income 2017	34.1%	22.1%	18.8%	11.4%	13.6%	<b>100.0%</b>
Occupancy Rate as at 31 Dec 2018	100.0%	100.0%	100.0%	93.3%	97.1%	<b>98.6%</b>
Land Tenure	Freehold	Freehold	Freehold	Freehold	Freehold	
WALE (by Gross Rental Income) as at 31 Dec 2018	5.5	4.3	3.8	4.3	3.0	<b>4.4</b>
Number of Tenants	8	1	1	1	12	<b>21</b>
Major Tenants	Deutsche Rentenversicherung Bund	GMG, a wholly-owned subsidiary of Deutsche Telekom	GMG, a wholly-owned subsidiary of Deutsche Telekom	GMG, a wholly-owned subsidiary of Deutsche Telekom	ST Microelectronics, Allianz, Ebase, Yamaichi	



## PORTFOLIO OVERVIEW BERLIN CAMPUS



As at 31 December 2018

Gross Rental  
Income for FY2018

€10.8m

Car Park  
Spaces

496

Total Net  
Lettable Area

79,097<sub>sqm</sub>

Occupancy  
Rate

100%



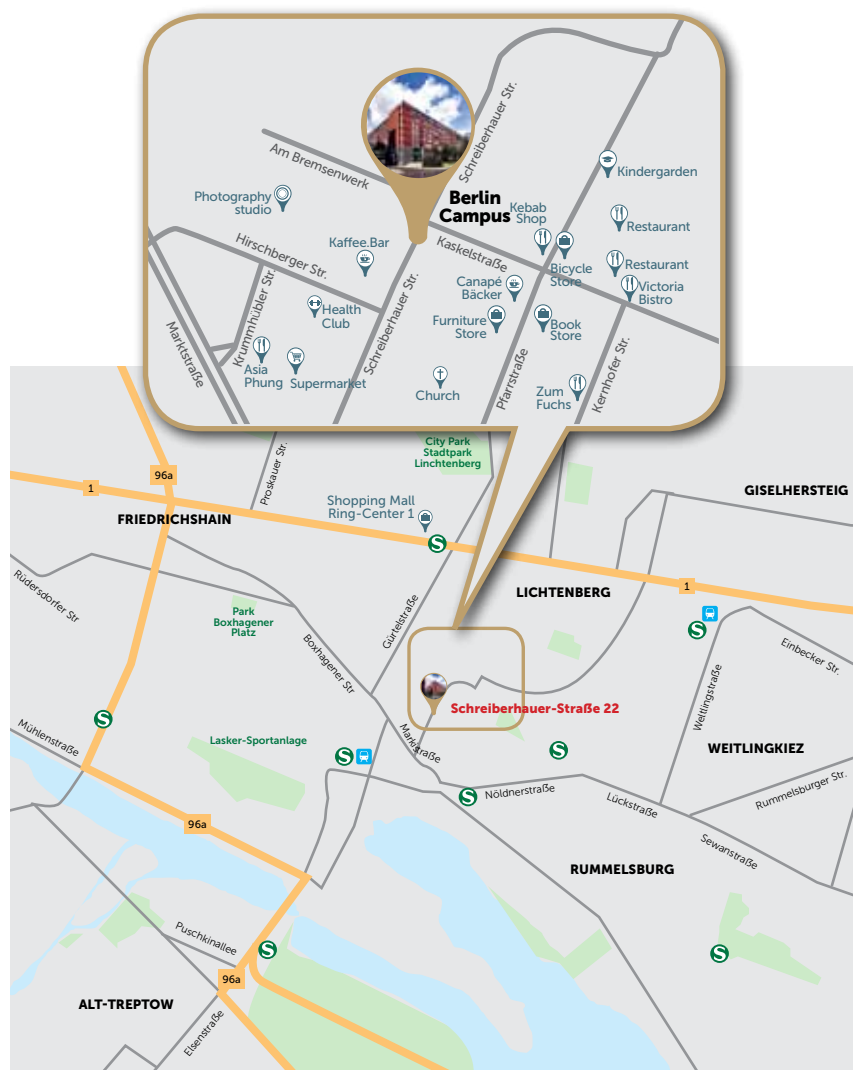
The campus is located in Schreiberhauer Straße in the Lichtenberg district, 6km east of Berlin city centre.

Lichtenberg is located near the well-established Media Spree commercial centre.

Within walking distance to the Ostkreuz railway station, the campus is easily accessible by the S-Bahn (local railway) as well as regional trains and buses.

Comprising two fully connected 8- and 13-storey blocks, the property is tailored to the requirements of Deutsche Rentenversicherung Bund, the current single office tenant.

The ground floor units are leased to local retailers and service providers.



## PORTFOLIO OVERVIEW

### BONN CAMPUS



As at 31 December 2018

Gross Rental  
Income for FY2018

€7.0m

Car Park  
Spaces

652

Total Net  
Lettable Area

32,736sqm

Occupancy  
Rate

100.0%



Centrally located in Bonn's prime office area of Bundesviertel (federal quarter), the campus is well-served by regular bus services, while the nearest underground train station, U-Bahn, is only 100m away.

A footbridge links the property to the global headquarters of Deutsche Telekom.

The U-shaped development comprises four 2-, 4- and 6-storey blocks that can be sub-divided into smaller offices, or function as independent self-contained units.

The campus has been built to high standards, with extensive and state-of-the-art technical equipment.

It currently operates as a single tenant property with a central entrance and a canteen facility for employees.



## PORTFOLIO OVERVIEW DARMSTADT CAMPUS



As at 31 December 2018

Gross Rental  
Income for FY2018

€5.9m

Car Park  
Spaces

1,189

Total Net  
Lettable Area

30,371sqm

Occupancy  
Rate

100.0%



Located in the TZ Rhein Main Business Park, approximately 30km south of Frankfurt, the campus is a convenient 100m from the nearest bus stop and 600m from the Darmstadt central railway station.

The six 5- and 7-storey office blocks are linked to form a double-H shape and offer 363 underground parking spaces. There is also a separate car park located 300m away with 8 above-ground parking decks for another 826 vehicles.

The campus meets high building standard specifications and its office blocks can be sub-divided into smaller units.

The development operates as a single-tenant property – home to the second largest Deutsche Telekom campus in Germany.

The property is well-incorporated into the overall Deutsche Telekom campus which provides canteen and other services in the surrounding buildings.



## PORTFOLIO OVERVIEW MÜNSTER CAMPUS



As at 31 December 2018

Gross Rental  
Income for FY2018

€3.5m

Car Park  
Spaces

588

Total Net  
Lettable Area

27,183<sub>sqm</sub>

Occupancy  
Rate

93.3 %



Located in Zentrum Nord, approximately 2.5km north of the Münster city centre, the campus is within walking distance to the nearest train and bus depot.

The development comprises two independent high quality office buildings, Münster North and Münster South. Each 6-storey building is built around an open courtyard to allow for maximum penetration of natural light. The campus includes a standalone multi-storey carpark



## PORTFOLIO OVERVIEW

# CONCOR PARK



As at 31 December 2018

Gross Rental  
Income for FY2018

€4.4m

Car Park  
Spaces

516

Total Net  
Lettable Area

31,222sqm

Occupancy  
Rate

97.1%



Concor Park is located within a commercial area in the community of Aschheim-Dornach, adjacent to the city limits of Munich, Germany's third largest city by population.

Convenient and easily accessible, it is adjacent to the S-Bahn (local railway) train and bus depot for the area.

The 5-storey building with 3 independent wings and entrances was fully refurbished with a modern office fit-out in 2011.

In 2016, Concor Park became the first redevelopment project in Germany to be awarded the prestigious Green Building Gold Certificate by the German Sustainable Building Council.

The property operates as a multi-tenanted business park with a central canteen and a coffee bar.



# FOCUSED ON LOCAL PRESENCE

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TAPPING ON TIKEHAU'S NETWORK AND EXPERTISE



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AGGREGATE INDEPENDENT  
APPRAISED VALUE OF  
INVESTMENT PROPERTIES

€504.9m

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Tikehau Capital's real estate business is now its second largest operating segment by asset under management, catapulted by the launch of new funds and acquisitions. This further enhances its market position and technical know-how in the European real estate space.

Leveraging on Tikehau Capital's core strengths of sound investment approach, pan-European network and market insights, we will tap on its local presence to propel IREIT's growth and deliver enduring value to our Unitholders.



## FOUR PILLARS OF GROWTH

### Tikehau Capital as IREIT's Growth Engine

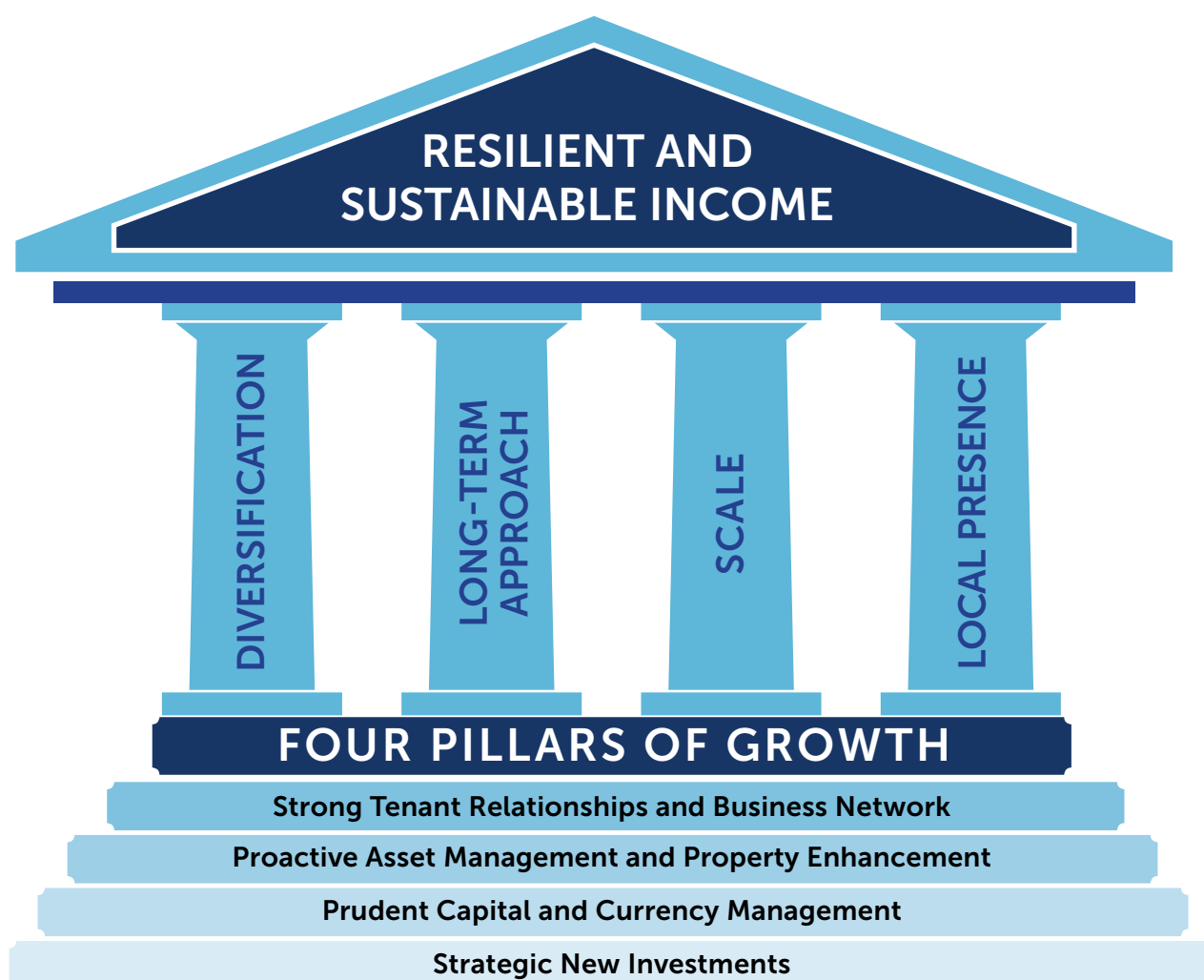
As a subsidiary of Tikehau Capital, the Manager is able to harness on its parent's proven track record and strong financial standing to spearhead IREIT's growth. First established in Paris, France, in 2004 with shareholders' equity of just €4 million, Tikehau Capital now manages a total of €22.0 billion in assets (as at 31 December 2018) and is supported by shareholders' equity of €2.3 billion (as at 30 June 2018). The exceptional growth was catapulted by a slew of successful launches in new funds and acquisitions across its four business lines – private debt, private equity, liquid strategies and real estate.

In December 2018, Tikehau Capital completed the acquisition of leading French real estate asset management firm, Sofidy, with assets under management of €5.1 billion (as at 31 December 2018) and over 30 years of operating history. The transaction led Tikehau Capital's real estate business to become its second largest operating segment and enabled it

to achieve its €20 billion in assets under management target originally planned for 2020, two years ahead of schedule. Given Tikehau Capital's established market presence and technical know-how in the European real estate market, we will be able to leverage on its extensive pan-European network and expertise to grow IREIT.

### Implementing our Strategy based on Four Pillars of Growth

In the current uncertain business climate, the Manager intends to remain focused on executing its growth strategy based on four pillars in order to provide Unitholders with a resilient and sustainable income stream. These four building blocks, namely seeking diversification, adopting a long-term approach, achieving scale and leveraging on Tikehau Capital's local presence, are deeply entrenched in all our operational processes, strategic initiatives and business relationships, as illustrated below.



### **Strong Tenant Relationships and Business Network**

Tenant and stakeholder relationships play an integral part to the success and resilience of IREIT's portfolio performance. We engage our tenants, business partners and other stakeholders actively and form lasting relationships with them, so as to anchor our position as a landlord of choice as well as to deliver predictable returns to our Unitholders. While being attentive to maintaining its current blue chip tenancies, IREIT is also focused on expanding and diversifying its tenant base in order to reduce the reliance on any single tenant. As such, we will capitalise on Tikehau Capital's strong presence and corporate connections and actively pursue acquisitions of properties with diversified tenancies and end-users.

### **Proactive Asset Management and Property Enhancement**

To better position the properties for the long term, the Manager will continue to undertake various initiatives to upkeep the properties as they age. This will involve the incurrence of repair and maintenance costs, as well as appropriate capital expenditure on an ongoing basis. In order to ensure continuity of leases through retaining existing tenants or securing new tenants, the Manager will also consider other initiatives in line with market practices. We are of the view that these measures are necessary towards maintaining sustainable long-term income to Unitholders. In addition, we will monitor our property managers closely to ensure high standards of services to ensure long-term performance for the properties.

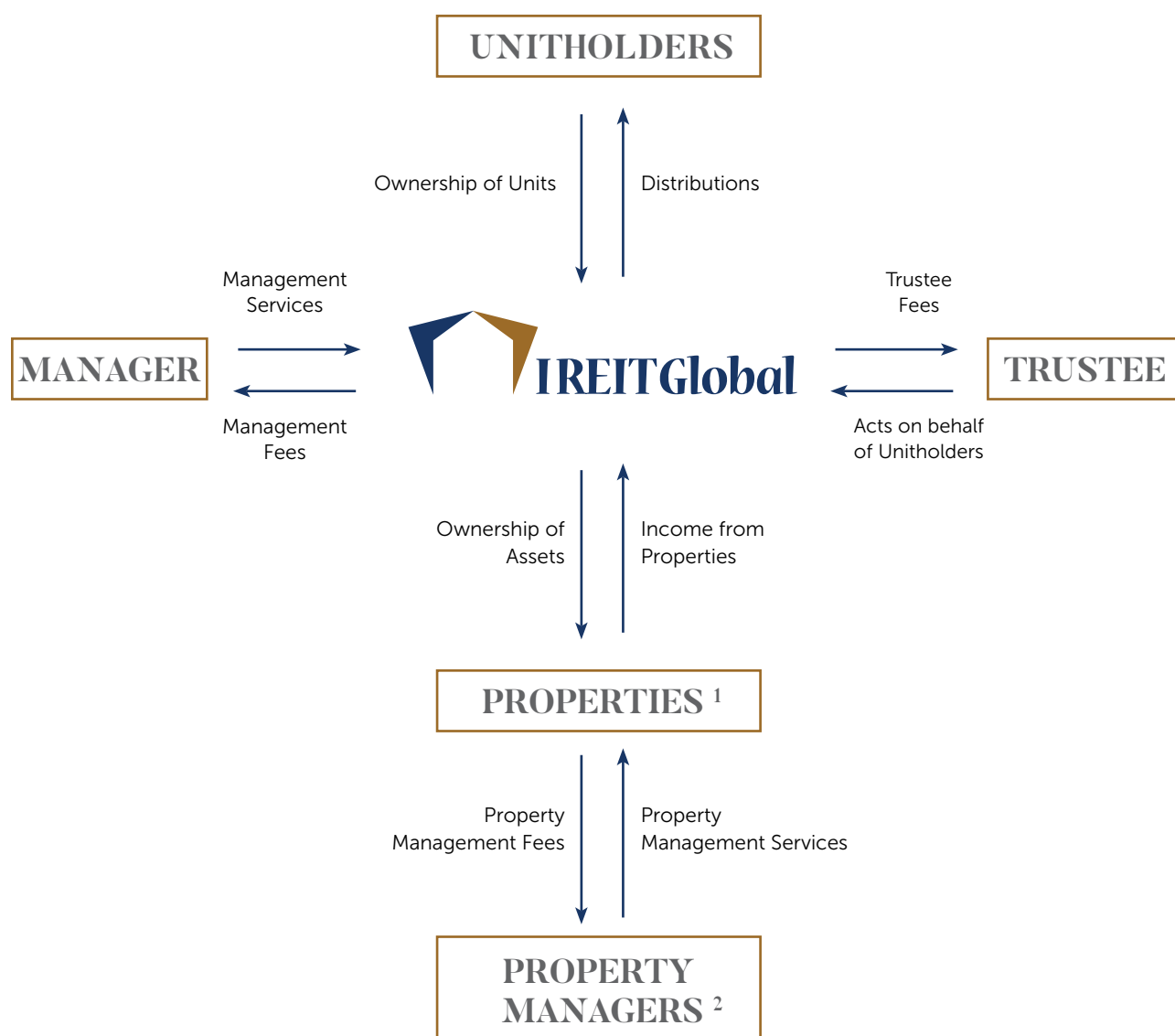
### **Prudent Capital and Currency Management**

With a long-term view to maintain a stable and healthy credit profile, we always look ahead to anticipate the capital needs of IREIT, while keeping a close tab on the market interest rates. In February 2019, the Manager drew down the new loan facilities of €200.8 million provided by UniCredit Bank AG to repay the existing borrowings of €193.5 million, taking advantage of the current low interest rate environment. The new loan facilities have a long debt duration of approximately 7 years and a competitive all-in cost of debt averaging approximately 1.5%, including hedging costs, over the loan tenure. This provides certainty on the financing cashflows and cushions IREIT against any negative impact from rising interest rates. In respect of the distributions to Unitholders, the Manager also has a currency hedging policy for the income to be repatriated from overseas to Singapore. This policy is based on the use of currency forwards on a quarterly basis to hedge approximately 80% of the expected € denominated income to be repatriated, one year in advance.

### **Strategic New Investments**

When searching for new investment opportunities, the Manager will adopt a disciplined approach in looking for assets that will complement its existing portfolio as well as diversify its tenant base across various asset classes and geographical locations. In addition, we look beyond the short-term returns and focus on the quality of the underlying property on a long-term perspective. This is expected to support the stable long-term distributions and reinforce the portfolio against any market gyrations. IREIT's portfolio expansion will be focused on European economies and real estate assets where Tikehau Capital already has an established presence and experience or has a network of trusted business partners, so that we can reap the benefits of cost synergies, a stronger brand name and better marketability arising from a greater scale.

## TRUST STRUCTURE



Notes:

- 1 The properties are held through property holding companies in the Netherlands.
- 2 Professional third party property managers have been appointed pursuant to the property management agreements entered into between the relevant property holding company and the property manager.



# SUSTAINABILITY REPORT

## BOARD STATEMENT

We are pleased to publish IREIT Global's (IREIT) sustainability report for the financial year ended 31 December 2018 (FY2018).

Sustainability can significantly enhance the long-term value to our stakeholders and good governance is the main thrust of our responsible investment approach. Hence, we are committed to maintain high standards of corporate governance and transparency in the best interest of our Unitholders.

Environment, social and governance (ESG) issues and opportunities are progressively considered as part of our strategic formulation, and we oversee the sustainability strategy and management within IREIT and the Manager. We are supported by the Sustainability Steering Committee (SSC) comprising senior management from the Manager as well as management-level representatives from the parent company of the Manager, Tikehau Capital.

IREIT's sustainability report is guided by the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rules 711A and 711B and is prepared with reference to the internationally recognised Global Reporting Initiative (GRI) Standards (2016).

All levels of the IREIT team are involved in the sustainability journey and we look forward to increase the collaboration with our employees, tenants and business partners to share and promote sustainable best practices.



## ABOUT THIS REPORT

[GRI 102-46, GRI 102-50, GRI 102-54]

This Report covers the ESG policies, practices, performances and targets of IREIT and the Manager from 1 January to 31 December 2018. Pursuant to the terms of our lease agreements, several aspects of the operations at the property level are managed by our tenants. These include energy consumption, water usage, as well as waste disposal and recycling. While not directly involved in managing these operational aspects, as a responsible property owner, IREIT takes an active approach towards engaging tenants on the sustainability of the properties.

This Report is guided by the SGX-ST Listing Rules 711A and 711B and prepared with reference to the GRI Standards (2016). The GRI Index and the relevant references are presented on pages 59 to 60.

No external assurance have been sought for this report, but may be considered for future reporting periods.

## FEEDBACK

[GRI 102-53]

The Manager seeks to enhance the transparency of its report, and welcomes suggestions for improvements.

For feedback or specific enquiries on the sustainability report, please kindly contact us at [ir@ireitglobal.com](mailto:ir@ireitglobal.com) for further clarification.



# SUSTAINABILITY REPORT

## MANAGING SUSTAINABILITY

### SUSTAINABILITY GOVERNANCE

[GRI 102-20] [GRI 102-32]

The Board of Directors (the “Board”) oversees the sustainability strategy and performance, and approves the sustainability report. The Board is supported by the SSC, comprising senior management from the Manager and management-level representatives from Tikehau Capital. The SSC drives IREIT’s sustainability agenda and makes key decisions relating to ESG issues, in order to ensure that desired business outcomes are met. The Sustainability Working Committee (SWC), comprising representatives from the various business units, implements the sustainability initiatives within IREIT and the Manager.

### STAKEHOLDER ENGAGEMENT

[GRI 102-40] [GRI 102-43]

The Manager considers the concerns of IREIT’s key stakeholders when making business decisions. The following table lists IREIT’s key stakeholders and how they have been engaged. These stakeholders have been identified as key stakeholders due to their significant influence on IREIT’s business performance, and IREIT’s significant dependence on them. The Manager strives to continue meaningful dialogue with IREIT’s key stakeholders, enhancing transparency and accountability in the process.

Key Stakeholders	Engagement Methods
<b>Tikehau Capital</b>	<ul style="list-style-type: none"> <li>Financial results reporting</li> <li>Regular meetings and discussions with various departments including the real estate and corporate communication teams</li> <li>Monthly briefing on corporate developments</li> </ul>
<b>Unitholders</b>	<ul style="list-style-type: none"> <li>Release of financial results, announcements, press releases, presentation slides and other relevant disclosures through SGXNet and IREIT’s website</li> <li>Email alert subscriptions via IREIT’s website</li> <li>Annual General Meeting</li> <li>Extraordinary General Meeting, where necessary</li> <li>Post-results meetings with senior management</li> <li>Updates through non-deal roadshows, one-on-one and group meetings, and investor conferences</li> </ul>
<b>Tenants</b>	<ul style="list-style-type: none"> <li>Regular site visits, periodic face-to-face meetings and telephone calls with existing and prospective tenants</li> <li>Routine notices and email updates</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Ongoing dialogue regarding any concerns</li> <li>Annual performance reviews</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>Participation in briefings and consultation with regulators such as SGX and Monetary Authority of Singapore (MAS)</li> <li>Compliance with regulatory requirements</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>Partnership with local organisations to engage underprivileged or disadvantaged kids, students and young entrepreneurs</li> </ul>

## MATERIALITY ASSESSMENT

[GRI 102-47]

The SSC has identified the factors material to IREIT and the Manager. Global and industry sustainability trends, guidance from sustainability bodies, sustainability reporting requirements, as well as insights gained from

engagement with key stakeholders have been considered in the assessment. As a result of the assessment, the SSC identified five factors that are material to IREIT and the Manager as described in the table below.

Category	No.	Material Factors	Description
<b>Economic</b>	1	Active Ownership	<ul style="list-style-type: none"> <li>Integration of due diligence and ESG considerations into investment decisions</li> </ul>
<b>Social</b>	2	Training and Education	<ul style="list-style-type: none"> <li>Provision of professional training and assistance to enrich staff</li> </ul>
	3	Diversity and Equal Opportunity	<ul style="list-style-type: none"> <li>Treatment of all employees and potential employees based on merit, regardless of backgrounds, nationalities, gender and age</li> </ul>
	4	Talent Retention	<ul style="list-style-type: none"> <li>Provision of benefits to retain performing staff</li> </ul>
<b>Governance</b>	5	Regulatory Compliance, including: <ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Socioeconomic Compliance</li> </ul>	<ul style="list-style-type: none"> <li>Socio-economic compliance</li> <li>Compliance with various laws and regulations</li> <li>Anti-corruption</li> <li>Policies used to prevent and identify corrupt or fraudulent behaviour, such as whistle-blowing, bribery and other related policies</li> </ul>

# SUSTAINABILITY REPORT

## ECONOMIC

### ACTIVE OWNERSHIP

[GRI 102-15]

As a signatory of the United Nations Responsible Investment Principles (UNPRI) since 2014, the Manager's parent company, Tikehau Capital, integrates ESG criteria at every stage of its investment cycle. As a first step, the Manager has independently reviewed Tikehau Capital's processes and identified the following approaches that will be applicable at IREIT level:

- **Implementation of an ESG analysis grid at the investment analysis stage:** The Manager analyses each potential investment across a range of ESG factors by establishing a proprietary ESG analysis grid based on the Global ESG Benchmark for Real Assets (GRESB).

- **ESG monitoring of assets under management:** During the investment period, the Manager continues to be attentive to ESG topics and discusses issues and opportunities at least annually with property managers.

The Manager believes that the quality of IREIT's investment decisions and investment management are key to sustaining IREIT's stable performance. Regular engagement with tenants, technical and financial due diligence teams and other professional advisors provides insights into IREIT's investment and monitoring decisions at both the property and portfolio levels.

## ESG BEST PRACTICES

Some of the key sustainability achievements for IREIT's properties, property managers and tenants include:

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• <b>Green certification:</b><br/>In 2016, Concor Park became the first redevelopment project in Germany to be awarded the prestigious Green Building Gold Certificate by the German Sustainable Building Council.</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Property manager commitment to sustainable business:</b><br/>In 2018, one of the two IREIT's property managers, Jones Lang LaSalle (JLL), was included in the Dow Jones Sustainability Index, North America, for the third year in a row. In addition, JLL has collected a number of global awards including the World's Most Ethical Companies, Ethisphere Institute, for the 11th year in a row<sup>1</sup>.</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Tenant commitment to resource efficiency:</b><br/>Deutsche Telekom, currently representing more than 50% of IREIT's gross rental income via GMG Generalmietgesellschaft mbH (GMG), is a sustainability leader (prestigious 2017 National German Sustainability Award), committed to reduce heat, hot water and electricity consumption<sup>2</sup>.</li> </ul> |
|--|---|--|

<sup>1</sup> JLL corporate website, Ethisphere and RobecoSam

<sup>2</sup> Deutsche Telekom corporate website

## SOCIAL

### TRAINING AND EDUCATION

[GRI 404-2]

#### FY2018 HIGHLIGHTS

Staff learning and development equip employees with relevant skills to continue delivering high quality work in a fast-changing environment. In FY2018, each employee received an average of 20.5 training hours.

The current training programme includes courses on Anti-Money Laundering, Cybersecurity and an introduction to ESG. Further, employees are encouraged to attend external training courses which are relevant to their work and improve their functional and core competencies (e.g. certified skills training programmes, industry seminars and conferences by various organisations).

All employees are eligible for training on topics such as technical upgrades, certifications, acquisition of new knowledge when taking on a new position or as part of an internal promotion, enhancement of managerial skills, reinforcement of sustainability initiatives, language learning, etc. In addition, throughout the year, employees receive, at their request, training related to the handling of new information technology (IT) tools and software, in order to (i) maintain state-of-the-art command of the technology tools and (ii) ensure best practice from a legal and regulatory perspective.

One example of an employee training programme was the ESG training course, which was conducted in May 2018 for all employees and Directors. This session aimed at raising the awareness on the importance of non-financial issues and opportunities related to real estate assets.

Apart from Anti-Money Laundering and Cybersecurity courses, employees also attended trainings through service providers such as real estate management software provider YARDI, associations including Institute of Singapore Chartered Accountants (ISCA), professional accounting firms, and other opportunities from banks and the SGX Academy from time to time. The Directors also receive training opportunities such as those organised by the Singapore Institute of Directors.

As an important aspect of the professional development, year-end appraisals are conducted to ensure IREIT and the Manager's goals and objectives are clearly cascaded down to the employees. During the performance evaluations, employees are encouraged to provide feedbacks, training plans and suggestions to their supervisor.

A training budget has been set aside for the coming year to continue supporting the learning and development needs of the Manager's employees.

Type	Example
Programmes for upgrading employee skills	<ul style="list-style-type: none"> <li>• Anti-Money Laundering</li> <li>• Cybersecurity</li> <li>• Environment, Social and Governance</li> </ul>

## SUSTAINABILITY REPORT

### DIVERSITY AND EQUAL OPPORTUNITY

[GRI 102-8] [GRI 405-1]

A diverse workforce enables the sharing of different perspectives and insights, which can be invaluable in enhancing decision-making processes. The Manager employs staff based on their competencies and capabilities, regardless of their backgrounds, nationalities, gender and age.

The Manager has developed human resource strategies and policies that are premised upon equal opportunities and fair employment practices. The employee handbook contains a human resource manual which includes policies on equal employment opportunities.

Except in the case of a bona fide occupational qualification or need, the Manager provides equal opportunity to all employees and applicants without regard to race, colour, ancestry, gender, sexual orientation, disability, age, religion, marital status, national origin, or any other characteristic protected by applicable law and maintains

fair, objective and consistent policies for all aspects and all terms and conditions of employment.

The workforce is well balanced between female and male employees within the Manager's employee headcount. The Manager strives to foster an inclusive workplace that is free from discrimination. In the future, the Manager will continue to hire based on merit and promote diversity.

The composition of the Board is also reviewed periodically to ensure that the board size is appropriate and comprises directors with an appropriate mix of expertise, skills, experience and diversity to discharge their duties and responsibilities. In addition, the Board reviews periodically and at least annually the independence of its Directors based on guidelines set out under the Code of Corporate Governance 2018 and Securities and Futures (Licensing and Conduct of Business Regulation).

### PROMOTION OF DIVERSITY AND EQUAL OPPORTUNITY

Employees are encouraged to volunteer and give back to their local communities. In 2018, two events have been supported by Tikehau Capital and IREIT, which promoted diversity and equal opportunity.

For instance, an event was organised in Paris, France in July 2018 to support young and talented entrepreneurs from an underprivileged background to increase their chances of seeing their projects materialize.

***"For first time entrepreneurs especially, securing start-up resources is key and it was great to coach a group of aspiring individuals. I hope that I can continue to help raising gates for underprivileged."***

*Aymeric Thibord, CEO*

In October 2018, the Singapore team supported Pathlight School's Children's Day event in helping out with the sports games organised for the autistic students. They also joined in some of the sports games and shared their joy with the students.

***"The event has really raised the awareness and knowledge about autism and inclusive schooling. It was truly a great and meaningful experience!"***

*Camile Tan, Finance Executive*

## TALENT RETENTION

[GRI 102-8] [GRI 401-1]

Human resource is one of the most important assets to IREIT and the Manager. The Manager values individuals with the right competencies, experience, qualifications and mind-set.

Various talent management initiatives are in place to ensure the satisfaction level of employees. Through the following procedures and policies, employee morale and career satisfaction are well maintained and monitored

- **Feedback sessions:**

The Manager has a performance appraisal process which focuses on employee recognition, reward for good performance and providing appropriate suggestions for improvement on a continuous and ongoing basis. In line with this objective, performance is formally evaluated in writing once a year by the employee's supervisors. This formalised evaluation session provides both the employee and supervisor with an opportunity to discuss the overall performance and to establish goals for improvement and further development. The objective is to enhance the employee's performance while establishing good communication channels between the employee and the supervisor.

- **Employee health and well-being programmes:**

The Manager offers employees a slew of medical service offerings such as a panel of general practitioners and Traditional Chinese Medicine, dental services and complimentary health screenings via its group medical services plan.

To ensure that employees receive adequate coaching and development throughout their careers, the Manager will continue to ensure that the performance appraisal process is comprehensively carried out for all employees.

# SUSTAINABILITY REPORT

## GOVERNANCE

### REGULATORY COMPLIANCE

[GRI 419-1] [GRI 307-1] [GRI 205-1]

### FY2018 HIGHLIGHTS

Number of Fines or Sanctions for Non-compliance in 2018		Target
Anti-Corruption	0	Zero incidents of non-compliance with laws and regulations resulting in fines or legal action.
Socioeconomic Compliance	0	Zero incidents of non-compliance with laws and regulations resulting in fines or legal action.

Any non-compliance and corruption cases within the organisation will cause damage to IREIT's reputation and stakeholders' trust. All employees of the Manager are required to make annual declarations that they do not engage in any unethical or corrupt practices.

The Manager strives to act in the best interests of IREIT and the Unitholders. The Manager ensures the compliance with applicable laws and regulations, such as those set out in the listing manual of SGX-ST, the Code on Collective Investment Schemes ("CIS Code") and the Capital Markets Services Licence for REIT management issued by the MAS, and the Securities and Futures Act, Chapter 289 of Singapore ("SFA").

The Manager has also implemented the Code of Conduct and Ethics to guide employees in relation to issues such as fraud, bribery, segregation of duties and insider trading. In the event of any identified incidence of non-compliance, the management will assess the legal and regulatory impacts and suggest remedial plans. A whistle-blowing policy is established to communicate the responsibility of every employee, director and officer to report any activity or suspected activity which might be prohibited by the Code of Conduct and Ethics, or which might otherwise be considered sensitive in preserving the corporate reputation.

The Manager has various internal policies and procedures to ensure regulatory compliance:

- Whistle-blowing policy
- Code of Conduct and Ethics
- Anti-Money Laundering and Anti-Terrorist Financing Policy

- Investor Relations Policy
- Ongoing Regulatory Obligations and Reporting License Conditions
- Business Continuity Management

The following processes are in place to monitor the implementation of policies:

- Update information when necessary
- Review accuracy of information on corporate website
- Review accuracy of all marketing materials before publication
- Conflict of interest declaration
- Fit and proper declaration
- Recording of all financial transactions according to financial and internal control policies and procedures
- Timely investigation and execution of preventive and corrective actions upon reported incidents by employees, tenants, consultants, vendors and other parties whom IREIT has a business relationship with

The Manager raises the awareness of regulatory compliance through educating its employees, such as those trainings related to Anti-Money Laundering and Cybersecurity. If there are related applicable regulatory updates, Directors and relevant employees will be notified by emails or meetings on a timely basis.

For prospective tenants of IREIT, Anti-Money Laundering risks are monitored during the Customer Due Diligence (CDD) process, which is part of the policies and procedures.

## GRI INDEX

This report is prepared with reference to the GRI Standards (2016). The GRI Index below sets out where we have drawn reference to the GRI principles and criteria against our disclosures in this report and other sections of the Annual Report.

GRI Standards (2016)		Notes/Page number(s)
<b>General Disclosures</b>		
<b>Organisational Profile</b>		
102-1	Name of the organisation	IREIT Global ("IREIT")
102-2	Activities, brands, products, and services	Annual Report, page 2 Portfolio Overview, page 34
102-3	Location of headquarter	Annual Report, page 2 Portfolio Overview, page 34
102-4	Location of operations	Annual Report, page 2 Portfolio Summary, page 32
102-5	Ownership and legal form	Annual Report, Structure of IREIT, page 48
102-6	Markets served	Annual Report, page 2 Portfolio Summary, page 32
102-7	Scale of the organisation	Annual Report, page 2 Portfolio Overview, page 34
102-8	Information on employees and other workers	Talent Retention, page 57
102-9	Supply chain	Not applicable
102-10	Significant changes to organisation and its supply chain	Not applicable
102-11	Precautionary principle or approach	Not applicable
102-12	External initiatives	Not applicable
102-13	Membership of associations	Not applicable
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Board Statement, page 50
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	About IREIT Global, page 2
<b>Governance</b>		
102-18	Governance structure	About IREIT Global, page 2
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	Managing Sustainability, Stakeholder Engagement, page 52
102-41	Collective bargaining agreements	Not applicable
102-42	Identifying and selecting stakeholders	Managing Sustainability, Stakeholder Engagement, page 52
102-43	Approach to stakeholder engagement	Managing Sustainability, Stakeholder Engagement, page 52
102-44	Key topics and concerns raised	Managing Sustainability, Stakeholder Engagement, page 52

# SUSTAINABILITY REPORT

## GRI INDEX

GRI Standards (2016)		Notes/Page number(s)
<b>General Disclosures</b>		
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	Investment in Subsidiaries, page 117
102-46	Defining report content and topic Boundaries	About this Report, Reporting Scope, page 51
102-47	List of material topics	Stakeholder engagement, Materiality Assessment, page 53
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	1 January 2018 – 31 December 2018
102-51	Date of most recent report	Not applicable
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About this Report, page 51
102-54	Claims of reporting in accordance with GRI Standards	About this Report, Reporting Standard, page 51
102-55	GRI content index	GRI Index, page 59
102-56	External assurance	IREIT has not sought external assurance for this reporting period and may consider it for future periods.
<b>Management Approach</b>		
103-1	Explanation of the material topic and its boundary	Materiality Assessment, page 53 Material Topics, page 60
103-2	The management approach and its components	Materiality Assessment, page 53 Material Topics, page 60
103-3	Evaluation of the management approach	Materiality Assessment, page 53 Material Topics, page 60
<b>Material Topics</b>		
<b>Active Ownership</b>		
PRI	Integrating ESG criteria into investment decisions.	Economic, Active Ownership, page 54
<b>Anti-corruption</b>		
205-3	Confirmed incidents of corruption and actions taken	Governance, Regulatory compliance, page 58
<b>Environmental Compliance</b>		
307-1	Non-compliance with environmental laws and regulations	Governance, Regulatory Compliance, page 58
<b>Employment</b>		
401-1	New employee hires and employee turnover	Social, Talent Retention, page 57
<b>Socioeconomic Compliance</b>		
419-1	Non-Compliance with various laws and regulations in social and economic area	Governance, Regulatory compliance, page 58
<b>Training and Education</b>		
404-2	Programs for upgrading employee skills and transition assistance programs	Social, Training and Education, page 55
<b>Diversity and Equal Opportunity</b>		
405-1	Employing a diverse group of individuals. Diversity is based on gender, age, background and nationality. Treating all employees and potential employees the same and based on merit.	Social, Diversity and equal opportunity, page 56

## CORPORATE GOVERNANCE REPORT

IREIT Global ("IREIT") is a trust constituted by a deed of trust (as amended, the "Trust Deed") entered into between IREIT Global Group Pte. Ltd., as manager of IREIT (the "Manager"), and DBS Trustee Limited, as trustee of IREIT (the "Trustee").

It is the duty and responsibility of the Manager to uphold high standards of corporate governance. The Manager believes that it has good corporate governance in place as there is proper oversight, good communication, a focus on risks and a commitment to transparency.

The Board of Directors of the Manager (each, a "Director" or collectively, the "Directors" or the "Board") has ensured that the Manager has implemented corporate governance policies and industry best practices to protect IREIT's assets and the interests of the unitholders of IREIT (the "Unitholders") while enhancing and delivering value to its Unitholders. The Manager has elected to adopt the Code of Corporate Governance 2018 (the "Code") in accordance with Amended Rule 710 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST", and the Listing Manual of the SGX-ST, the "Listing Manual"). The Manager is committed to uphold and adhere to the principles and provisions of the Code. The Manager also ensures that all applicable requirements, laws and regulations are duly complied with. They include, but are not limited to, the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), the Securities and Futures (Licensing and Conduct of Business) Regulations (the "SF(LCB)R"), the Listing Manual, the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore (the "MAS"), including Appendix 6 to the CIS Code (the "Property Funds Appendix"), and the Trust Deed.

The Manager is responsible for managing IREIT's investments and liabilities as well as carrying out strategic expansion plans for the benefit of Unitholders. The Manager's investment strategy is detailed and defined on pages 46 to 47. The property manager's performance is also under the care of the Manager to ensure that it meets the objectives pursuant to the property management agreement. The Manager has been issued a capital market services licence (the "CMS Licence") by the MAS on 1 August 2014 to carry out REIT management under the SFA. Under its CMS Licence, the Manager appoints certain of its officers, employees and contractors as its representatives to conduct the same regulated activities on its behalf.

This report is focused on providing insights on the Manager's corporate governance framework and practices in compliance with the Code. All principles of the Code are duly complied with, while any deviations from the provisions of the Code are explained.

### BOARD MATTERS

#### The Board's Conduct Of Affairs

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

The Board is collectively responsible for the long-term success of IREIT. The Board works with management of the Manager (the "Management") which remains accountable to the Board for the achievement of this objective.

The Board is responsible for the overall corporate governance of the Manager, to lead and to supervise the management of the business and affairs of the Manager. The prime stewardship responsibility of the Board is to ensure that IREIT is managed in the best interests of all stakeholders, which include protecting IREIT's assets and Unitholders' interests and enhancing the long-term value of Unitholders' investment in IREIT.

## CORPORATE GOVERNANCE REPORT

The functions of the Board are defined broadly as follows:

- to guide the corporate strategy and directions of the Manager;
- to ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; and
- to oversee the proper conduct of the Manager.

The Board has put in place a Code of Conduct and Ethics for the Manager and sets the appropriate tone from the top-down. The Board is committed to building an open, inclusive and collaborative culture by fostering open communication throughout all levels of employees and treating any issues encountered by them seriously. The Manager has adopted a framework of delegated authorisations which sets out the level of authorisation and their respective approval limits for all business activities which include, but are not limited to, acquisitions, divestments, leasing, operating and capital expenditures. Activities and matters that are specifically reserved for the Board's decision and approval include but are not limited to:

- financial restructuring;
- bank borrowings;
- acquisitions and disposals;
- capital expenditure and annual budgets;
- financial performance of IREIT and approval of the release of financial results;
- audited financial statements;
- issue of new units;
- income distributions and other returns to Unitholders; and
- matters which involve a conflict of interest.

In the discharge of its functions, the Board is supported by the Audit and Risk Committee (the "ARC") and Nominating and Remuneration Committee (the "NRC") which operate under delegated authority from the Board. However, the Board retains overall responsibility for any decisions made by the ARC and NRC. The ARC was established to assist the Board in its oversight of IREIT and the Manager's governance in relation to financial, risk, audit and compliance matters. The scope of authority and responsibilities of the ARC are defined in its terms of reference (see disclosure in Principle 10).

The NRC was established to assist the Board in, inter alia, matters relating to the appointment and re-appointment of Directors, succession plans for Directors and the Chief Executive Officer (the "CEO"), training and professional development programs for the Board and senior management, process for evaluation of the performance of the Board and its board committees, process of determining the independence of Directors, and remuneration for Directors and key management personnel of the Manager. The scope of authority and responsibilities of the NRC are defined in its terms of reference (see disclosure in Principles 4, 5, 6, 7 and 8).

## CORPORATE GOVERNANCE REPORT

The Board meets at least once every quarter and as and when its involvement is required, as deemed appropriate and necessary by the Board. The meetings are to review the key activities and business strategies of IREIT, including acquisitions and divestments, funding and hedging activities, approval of the annual budget and review of the performance of IREIT. Additionally, the Board will review IREIT's key financial risk areas and the outcome will be disclosed in the annual report or, where the findings are material, immediately announced via SGXNET.

The Manager's constitution permits Board meetings to be held by way of telephone conferences or any other means of similar communication equipment by which all persons participating in the meeting are able to hear and be heard by all other participants.

The number of meetings of the Manager's Board, the ARC, the NRC and the Annual General Meeting (the "AGM") held for the financial year ended 31 December 2018, as well as the attendance of each Director at the Board, the ARC, the NRC meetings and the AGM held on 19 April 2018 are as follows:

		Board	ARC	NRC	AGM
<b>No. of Meetings in the Financial Year Ended 31 December 2018</b>		<b>5</b>	<b>4</b>	<b>1</b>	<b>1</b>
<b>Director</b>	<b>Membership</b>				
Mr Lim Kok Min, John (Appointed on 14 July 2014)	Chairman and Independent Non-Executive Director and member of the ARC and the NRC	5	4	1	1
Mr Tan Wee Peng, Kelvin (Appointed on 14 July 2014)	Independent Non-Executive Director and Chairman of the ARC	4	4	N.A.	1
Mr Nir Ellenbogen (Appointed on 5 December 2013)	Independent Non-Executive Director and Chairman of the NRC	5	4	1	1
Mr Bruno de Pampelonne (Appointed on 11 November 2016)	Non-Executive Director and member of the NRC	5	N.A.	1	1
Mr Tong Jinquan (Appointed on 14 July 2014)	Non-Executive Director	0	N.A.	N.A.	0
Mr Ho Toon Bah (Appointed on 17 February 2015)	Non-Executive Director	5	N.A.	N.A.	1

N.A.: Not applicable as the Director is not a member of the ARC or NRC

To enable the Board to be able to properly discharge its duties and responsibilities, the Board is provided with regular updates on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting IREIT and/or the Manager. The Board participates regularly in industry conferences, seminars and training programmes in connection with its duties.

Newly appointed Directors are given induction training and are provided with comprehensive information and the constitutional documents of IREIT and the Manager, the contact information of each Board member, Management and the company secretary. The training covers business activities of IREIT, its strategic directions and policies, the regulatory environment in which IREIT and the Manager operate, and the Manager's corporate governance practices, and statutory and other duties and responsibilities as Directors. Where a Director has no prior experience as a director of a listed issuer of the SGX-ST, the Manager will ensure the first time Director attends the training as prescribed in the SGX Listing Rule 210(5)(a). There were no first time Directors for the period.

All Directors have access to IREIT's and the Manager's records and information.

## CORPORATE GOVERNANCE REPORT

The Board is provided with complete and adequate information on a timely basis so as to allow the Board to make informed decisions to discharge its duties and responsibilities. As a general rule, Board papers are sent out at least one week prior to the Board meetings to ensure that Directors have sufficient time to review them. However, sensitive matters may be tabled at the meeting itself, or discussed without papers being distributed.

At the quarterly Board meetings, Directors are provided with regular updates on developments and changes in the operating, business, operational and financial information to enable the Board to keep abreast of the performance and key developments. Explanatory background information relating to matters brought before the Board includes quarterly results announcements, budgets, and copies of relevant disclosure documents related to the operational and financial performance, which enable the Board to be fully aware of the matters of IREIT and exercise effective oversight. Any material variance between budget projections and actual results are also disclosed and explained.

In addition, as and when any significant matter arises, these matters are brought promptly to the Board's attention and the Board is provided with the relevant financial information. Parties who can provide relevant information and insights on matters tabled at Board meetings will be in attendance to provide any further information and respond to any queries from Directors.

Board meetings for each year are scheduled in advance to facilitate the Directors' administrative arrangements and commitments. If a Director is unable to attend the Board meetings, the Director will review the Board papers and advise the Chairman, ARC Chairman or NRC Chairman of his views on the matters to be discussed or conveyed to other Directors at the meetings. Where appropriate, meetings are also held to brief Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought. Management is also required to furnish any additional information requested by the Board in a timely manner for the Board to make informed decisions.

The Board has separate and independent access to Management and the company secretary, as well as the internal auditors (the "IA") and external auditors (the "EA") at all times. The company secretary or a representative of the company secretary attends to all corporate secretarial administration matters and attends all Board meetings. The company secretary is the corporate governance advisor on corporate matters to the Board and Management, and is responsible for ensuring that the Manager's constitution and applicable rules and regulations are complied with. The appointment and removal of the company secretary is a matter for the Board as a whole. The Board also has access to and can seek independent professional advice where appropriate and when requested at the Manager's expense, with consent from the Chairman.

### 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 IREIT**

The Board is represented by members with a breadth of expertise in finance and accounting, real estate and business management.

The Board seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to the business of the Manager and IREIT. The Board recognises the benefits of having a diverse board. Diversity in the Board's composition not only contributes to the quality of its decision-making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable Management to benefit from their respective expertise and diverse backgrounds.

## CORPORATE GOVERNANCE REPORT

The Board is committed to diversity and currently has a composition that meets most of the diversity elements so as to foster constructive debate and avoid groupthink. The Board is in the process of establishing a board diversity policy which sets out the objectives and progress for promoting diversity on the Board and will continue to consider the differences in the skill sets, gender, age, ethnicity and educational background in determining the optimal composition of the Board. The composition will be reviewed periodically to ensure that the board size is appropriate and has the appropriate mix of skills, experience, gender, age and knowledge, taking into consideration the nature and scope of IREIT's operations, to discharge their duties and responsibilities.

The Board comprises six members, all of whom are Non-Executive Directors and half are Independent Non-Executive Directors. In addition, the Chairman is an Independent Non-Executive Director.

The criterion of independence is based on the definition given in the Code. A Director is considered independent if he is independent in conduct, character and judgement, and has no relationship with the Manager and IREIT, its related corporations, any shareholders or Unitholders (as the case may be) with a voting interest of 5% or more in the Manager or IREIT (as the case may be), or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Manager and IREIT. This allows the Directors to engage in robust deliberations with Management and provide independent, diverse and objective insights into issues brought before the Board.

Further, such composition and separation of the roles of the Chairman and the CEO provides oversight to ensure that Management discharges its roles with integrity. Each of the Independent Directors had carried out an assessment on whether there were any relationships or circumstances which may impact their independent status and had made a negative declaration.

The Board members as at the date of this Annual Report are as follows; and the profiles of the Directors are found on pages 10 to 12:

Board Member	Designation
Mr Lim Kok Min, John	Chairman and Independent Non-Executive Director
Mr Tan Wee Peng, Kelvin	Chairman of the ARC and Independent Non-Executive Director
Mr Nir Ellenbogen	Chairman of the NRC and Independent Non-Executive Director
Mr Bruno de Pampelonne	Non-Executive Director
Mr Tong Jinquan	Non-Executive Director
Mr Ho Toon Bah	Non-Executive Director

The Board believes that the current board size, composition and balance is appropriate and provides sufficient diversity without interfering with efficient and effective decision-making. It allows for a balanced exchange of views, robust deliberations and debate among members and effective oversight over Management, ensuring no individual or small group dominates the Board's decisions or its process.

The Board is of the view that the background, skills, experience and core competencies of its members provide an appropriate mix of expertise, experience and skills needed in the strategic direction, planning and oversight of the business of IREIT.

The composition of the Board will be reviewed periodically to ensure that the board size is appropriate and comprises Directors with an appropriate mix of expertise, skills, experience and diversity to discharge their duties and responsibilities.

## CORPORATE GOVERNANCE REPORT

The Board also reviews periodically and at least annually the independence of its Directors based on guidelines set out under the Code and the SF(LCB)R. In respect of the financial year ended 31 December 2018, the Board is of the view that the Board composition complies with the Code's requirement and the SF(LCB)R. Its Independent Non-Executive Directors are considered independent in character and judgement, and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Directors' independent business judgement. Each Independent Non-Executive Director is independent from Management and business relationships with the Manager and IREIT, and is also independent from every substantial shareholder of the Manager and substantial Unitholder of IREIT.

Independent Directors are encouraged to participate actively at Board meetings in the development of the Manager's strategic plans and direction, and in the review and monitoring of the Management's performance against targets. To facilitate this, they are kept informed of the businesses and performance through reports from the Management, and have access to IREIT's and the Manager's records and information. They also provide constructive input and the necessary review and monitoring of performance of the Manager and Management. Led by the independent Chairman or other independent Director as appropriate, the Non-Executive Directors and/or independent Directors would also confer among themselves without the presence of Management as and when the need arose. The lead Chairman or Director of such meetings will provide feedback received during the meetings to the Board and/or Chairman as appropriate.

### Chairman And CEO

**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**

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the Manager. The Chairman of the Board, Mr Lim Kok Min, John, is an Independent Non-Executive Director while the CEO of the Manager is Mr Aymeric Thibord. Mr Aymeric Thibord is seconded by Tikehau Investment Management ("TIM") to the Manager to assume the role of the Manager's CEO, pursuant to a services agreement (the "Services Agreement") entered into between TIM and the Manager. TIM is an intermediate holding company of the Manager. Under the Services Agreement, TIM provides certain services to the Manager, which include the secondment of the CEO to the Manager. Mr Aymeric Thibord is ultimately responsible for the overall operations of the Manager and reports directly to the Board.

The Chairman and the CEO of the Manager are not related to each other, have no close family ties and there is no business relationship between them. This is consistent with the principle of instituting an appropriate balance of power and authority.

The Chairman is responsible for leading the Board and overall management of the Manager. He is tasked to ensure the Board and Management work together with integrity and competency. His role also includes:

- promoting constructive debate and open discussions at the Board with Management on strategy, business operations, enterprise risk and other plans; and
- promoting high standards of corporate governance in general.

## CORPORATE GOVERNANCE REPORT

The CEO of the Manager has full executive responsibilities over the business direction and operational decisions in the day-to-day management of IREIT. He ensures the quality and timeliness of the flow of information between Management and the Board, Unitholders and other stakeholders.

The separation of the roles of the Chairman and the CEO, and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, which will facilitate robust deliberations on the business activities and the exchange of ideas and views to help shape the strategic process. Accordingly, the Manager has not appointed a Lead Independent Director. In the case where the Chairman is not an Independent Director, or under any of the scenarios under Provision 3.3 of the Code, the Board will appoint an Independent Director to be the Lead Independent Director.

### 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**

The Board established the NRC on 12 November 2018 to assist the Board in the nomination of Directors and succession plan for the Board. Prior to its establishment, the functions of the nominating committee were undertaken by the Board. As at 31 December 2018, the NRC comprises three Directors, all of whom are non-Executive Directors and majority of whom (including Chairman of the NRC) are independent.

The NRC has written terms of reference setting out its scope and authority in performing the functions of a nominating committee, which include making recommendations to the Board on relevant matters relating to:

- the review of board succession plans for directors, in particular, for the Chairman and the CEO;
- the development of a process for evaluation of the performance of the Board, its board committees and directors;
- the review of training and professional development programs for the Board and senior management;
- the appointment and re-appointment of directors (including alternate directors, if applicable), taking into account, among other things, their principal commitments and multiple board memberships; and
- the review of the size and composition of the Board, the required expertise and independence of the Directors to ensure that the Board has the appropriate balance, diversity and competencies to discharge their respective functions effectively.

Any appointment of new Directors will be carefully evaluated. The candidate's skill, experience, ability to perform, other commitments, independence and the needs of the Board will be taken into consideration. All appointments and resignations of Board members are approved by the Board. In addition, the criteria under the Guidelines on Fit and Proper Criteria issued by the MAS for such appointments and re-appointments will also be taken into consideration.

## CORPORATE GOVERNANCE REPORT

Candidates may be put forward or sought through contacts and recommendations by the Directors when a vacancy arises under any circumstances. Any nomination, which may be made by any of the Manager's shareholders, is carefully evaluated by the NRC before any appointment is made. If necessary, the NRC may seek advice from the Singapore Institute of Directors, external search consultants or through external referrals. Potential Directors will be considered without regard to gender, and the ultimate choice will primarily be based on merit. All appointment of Directors is also subject to the MAS' approval. The letter of appointment that is issued to each Director sets out the duties and responsibilities to the Manager and IREIT. None of the Directors has entered into any service contract directly with IREIT.

Directors are normally appointed for an initial period of three years and may be re-elected for such further period or periods of one year each at the discretion of the Board. Directors are not subject to periodic retirement by rotation, nor re-appointment through voting by Unitholders. As at the date of this Annual Report, none of the Directors has served on the Board beyond nine years from the date of his first appointment.

The Board recommends the seeking of endorsement and re-endorsement of Directors for approval, having regard to the Director's contribution and performance, with reference to the results of the assessment of the performance of the individual Director. All Directors are subject to an annual review of their commitment and performance to the Board. The criteria for re-appointment and re-endorsement of existing Director is similar to the criteria set out in relation to the appointment of new Director.

In respect of the financial year ended 31 December 2018, there were no new appointments or resignations of Board members, and the Board has sought and approved the endorsement by way of resolution for the re-appointment of:

- Mr Lim Kok Min, John, to continue as Chairman and Independent Non-Executive Director,
- Mr Tan Wee Peng, Kelvin, to continue as Chairman of the ARC and Independent Non-Executive Director,
- Mr Nir Ellenbogen, to continue as Independent Non-Executive Director, and
- Mr Tong Jinquan, to continue as Non-Executive Director.

There are no alternate Directors appointed to the Board.

With the establishment of the NRC, Mr Nir Ellenbogen was appointed as the Chairman of the NRC, while Mr Lim Kok Min, John and Mr Bruno de Pampelonne were appointed as members of the NRC.

The Board believes that it is not practicable to fix the amount of time that each Director should devote to the affairs of the Manager or impose a limit on the maximum number of listed company board representations each Director may hold. The Manager believes that putting a maximum limit on the number of directorships a Director can hold is arbitrary, given that time requirements and complexity for each vary, and thus should not be prescriptive. The effectiveness of the Board and contributions of each Director cannot be assessed solely on a quantitative basis. The limit on the number of listed company board representations should be considered on a case-by-case basis, as a person's available time and attention may be affected by different factors such as whether they are in full-time employment and the nature of their other responsibilities. The Board does not wish to exclude from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board. The Board has determined through assessment of the Board's performance that each individual Director has devoted sufficient time and attention to his role as a Director and to the affairs of the Manager.

## CORPORATE GOVERNANCE REPORT

In respect of the financial year ended 31 December 2018, the Directors attended the Board meetings, had given feedback and participated constructively when discussing matters pertaining to the Manager and IREIT. Accordingly, the Board is of the view that such appointments do not hinder the Directors from carrying out their duties as Directors of the Manager and therefore believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold.

### 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**

The NRC has a formal system in place to evaluate the Board performance and assess the effectiveness of the Board, the Committees and the individual Directors through the use of performance evaluation forms.

An annual review of the Board is carried out to assess the effectiveness of the Board, the ARC, the NRC and their respective Chairmen. The review process includes getting feedback from individual Directors on areas relating to the Board's, the ARC's and the NRC's competencies and effectiveness, and the respective Chairmen's leadership. The areas being assessed are broadly classified under Board composition, process, accountability, risk management and internal control, recruitment and evaluation and compensation, among others.

Directors are requested to complete an assessment and evaluation form that is tailored to seek their input on the various aspects of the performance of the Board, the ARC and NRC. The purpose of the evaluation is to assess the overall effectiveness and efficiency of the Board as a whole. The criteria for the evaluation of individual Directors include, amongst others, the Directors' attendance and participation at the Board, the ARC and NRC meetings, and contributions of each Director to the Board.

The Board has not engaged any external consultant or facilitator to conduct an assessment of the performance of the Board and each individual Director. To ensure that the assessments are done promptly and fairly, the Board has appointed the company secretary to assist in collating and organising the returns of the Board members. The company secretary does not have any other connection with IREIT, the Manager or any of its Directors.

The last performance evaluation was carried out in February 2019 in respect of the financial year ended 31 December 2018. The Board is of the view that the ARC and the Board as a whole are effective and are contributing effectively and efficiently. As the NRC was only established on 12 November 2018, the performance evaluation of the NRC will be included in the next annual performance review.

### REMUNERATION MATTERS

#### **Procedures For Developing Remuneration Policies**

**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**

## CORPORATE GOVERNANCE REPORT

### Level And Mix Of 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 IREIT, taking into account the strategic objectives of IREIT**

### Disclosure On Remuneration

**Principle 8: The Manager 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**

Constituted as a trust, IREIT is externally managed by the Manager and has no personnel of its own. IREIT does not pay Directors' fees and remuneration of the CEO and the employees of the Manager. Their fees and remuneration are paid by the Manager, save for the remuneration of the CEO, which is paid by TIM under the Services Agreement.

The Board established the NRC on 12 November 2018 to assist the Board in the remuneration matters of the Manager. Prior to its establishment, the functions of the remuneration committee were undertaken by the Board. As at 31 December 2018, the NRC comprises three Directors, all of whom are non-Executive Directors and majority of whom (including Chairman of the NRC) are independent.

The NRC has written terms of reference setting out its scope and authority in performing the functions of a remuneration committee, which include:

- the review and recommendation to the Board on the framework of remuneration for the Board and key management personnel, as well as the specific remuneration packages for each Director and key management personnel;
- establishment of a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors; and
- the review of the Manager's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service.

The remuneration will cover all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits-in-kind and termination payments, and should aim to be fair and to avoid rewarding poor performance. The Manager has adopted a balanced remuneration policy, aimed to ensure market competitiveness and alignment to best industry practices and Unitholders' interests.

Independent Directors and Non-Executive Directors (except for Mr Bruno de Pampelonne) are paid basic fees for their Board, the ARC Committee and the NRC Committee memberships.

Individual Non-Executive Directors' fees were determined based on the following factors:

- roles and responsibilities;
- benchmarking against peers;
- effort committed; and
- skills and expertise.

## CORPORATE GOVERNANCE REPORT

In order to maintain the independence of the Non-Executive Directors, the remuneration is not over-compensated, and was considered appropriate and in accordance with their level of contribution, taking into account the factors mentioned above.

Directors' fees are reviewed periodically to benchmark such fees against the amounts paid by other managers of listed REITs. The Directors do not decide their own fees, as each Director shall abstain from decisions by the Board involving his remuneration. The total costs of governance, as well as the average Director's fees were targeted around the median of the market.

The remuneration policy for Management and key employees is:

- to provide a fair and competitive compensation;
- to motivate a high level of performance;
- to ensure quality employee retention; and
- to correlate with the individuals' performance as well as IREIT and the Manager's performance.

Individual executives' remuneration levels were determined based on the following factors:

- roles and responsibilities;
- benchmarking against industry peers;
- unique skills and expertise; and
- experience.

To achieve an equitable and fair reward system that drives organisational performance, the remuneration policy is designed to attract, motivate, reward and retain high-performing employees, taking into consideration the employees' responsibilities, work experience and educational qualifications. The Manager also conducts an annual performance review process where the individual's performance is assessed based on the Manager's performance relative to the IREIT's performance. The review also reinforces strengths, identify improvements and plan for the progressive development of the employees.

The remuneration components include a guaranteed fixed salary and a variable bonus. The variable bonus is determined as a significant component in the remuneration of the C-level executives and should be paid in full upon full achievement of all IREIT's Key Performance Indicators (the "KPIs") or proportionally to the percentage of KPIs achieved.

The KPIs, which are set at the start of the financial year, are aligned to the business strategy of IREIT and linked to the individual performance and the performance of IREIT. This allows the Manager to better align the compensation of its C-level executives towards the performance of IREIT, which would also help align the interest of the C-level executives with that of Unitholders. The Board is of the view that the KPIs were achieved and that remuneration is aligned to performance in respect of the financial year ended 31 December 2018.

## CORPORATE GOVERNANCE REPORT

The Board has access to expert advice from external consultants where required. During the year under review, no external consultant was engaged. There are currently no option schemes or other long-term incentive schemes being implemented for Directors, Management and employees.

The Manager does not rely on any contractual provisions to reclaim incentive components of remuneration from its key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Manager should be able to avail itself to remedies against its key management personnel in the event of such breach of fiduciary duties.

The level and mix of the remuneration of each of the Directors for the financial year ended 31 December 2018 are as follows:

Name of Director	Fees <sup>(1)</sup> (S\$'000)	Base/Fixed Salary (S\$'000)	Bonus (S\$'000)	Benefits-in-kind (S\$'000)
Mr Lim Kok Min, John	95	—	—	—
Mr Tan Wee Peng, Kelvin	80	—	—	—
Mr Nir Ellenbogen	65	—	—	—
Mr Bruno de Pampelonne <sup>(2)</sup>	—	—	—	—
Mr Tong Jinquan	50	—	—	—
Mr Ho Toon Bah	50	—	—	—

The level and mix of the remuneration of the CEO for the financial year ended 31 December 2018 is as follows:

Remuneration Band and Name	Fees (%)	Base/Fixed Salary <sup>(1)</sup> (%)	Bonus <sup>(3)</sup> (%)	Benefits-in-kind (%)
Above S\$250,000 to S\$500,000				
Mr Aymeric Thibord <sup>(4)</sup>	—	59	41	—

Notes:

- <sup>1</sup> Paid in cash.
- <sup>2</sup> Mr Bruno de Pampelonne has waived his entitlement to any fees for the financial year ended 31 December 2018.
- <sup>3</sup> Paid in cash, except for a portion amounting to 15% of the total remuneration which is paid in shares under the 2019 Plan as described on page 73.
- <sup>4</sup> Mr Aymeric Thibord's remuneration for the financial year ended 31 December 2018 was paid by TIM under the Services Agreement. The remuneration is paid in € and a conversion rate of 1.54 into S\$ has been used for the purpose of the disclosure in bands of S\$250,000.

The Board has assessed and decided to provide disclosure of the remuneration of the Directors on a named basis in exact quantum. In addition, the Board has also decided to provide disclosure of the remuneration of the CEO in bands of S\$250,000. In respect of Provision 8.1 of the Code, it has assessed and decided against disclosing the remuneration of the CEO in exact quantum and the remuneration of the top five executives (who are not Directors or the CEO) on an aggregate or named basis (whether in exact quantum or in bands of S\$250,000). The Board took into account confidentiality concerns and also considered the importance of maintaining stability and continuity in the key management team of the Manager. Given the competitive pressures in the talent market, the Board considers that such disclosure may subject the Manager to negative impact including talent retention issues and the risk of unnecessary key management turnover, which in turn, will not be in the best interests of IREIT and its Unitholders. The Board is of the view that such non-disclosure will not be prejudicial to the interest of Unitholders.

## CORPORATE GOVERNANCE REPORT

From time to time, Tikehau Capital grants the employees of the Tikehau Capital Group (the “Group”) the rights to receive free shares of Tikehau Capital under its Free Share Plans (the “Plans”). The cost of granting the free shares under the Plans is solely borne by Tikehau Capital whilst allowing to motivate and retain key employees. As the Manager is a subsidiary of Tikehau Capital, certain employees of the Manager are also entitled to such grants under the Plans at no cost, subject to certain vesting periods. In February 2019, a 2019 Free Share Plan (the “2019 Plan”) was established to grant free shares of Tikehau Capital to some employees of the Group as part of the remuneration for the financial year ended 31 December 2018, with the cost of granting such shares solely borne by Tikehau Capital. The 2019 Plan is subject to a vesting period of 2 years for 50% of the shares granted and 3 years for the remaining 50%. The vesting of the free shares granted under the 2019 Plan applicable to the senior personnel of the Manager is also subject to the following conditions:

- for 50% of the shares granted, solely to the condition of employment at the definitive vesting date;
- for 25% of the shares granted, to the fulfilment of certain performance conditions relating to the net new money collected by the Group; and
- for 25% of the shares granted, to the fulfilment of certain performance conditions relating to the operating margin for the asset management activities of the Group.

The 2019 Plan would not result in a misalignment of interest with IREIT for the following reasons:

- The grant of the Tikehau Capital shares to senior personnel working for IREIT is based on the performance of the relevant employees in relation to the performance of IREIT, and is not tied to the performance of Tikehau Capital;
- Tikehau Capital is an asset management company and not a property development company, and accordingly, there would be few potential instances of Tikehau Capital selling a property to IREIT;
- The assets under management of IREIT form only a small proportion of the assets managed by Tikehau Capital (i.e. less than 3% as at 31 December 2018), and accordingly there is little incentive to favour Tikehau Capital to the detriment of IREIT, especially since the grant of the Tikehau Capital shares is tied to the performance of IREIT and not Tikehau Capital; and
- Apart from the management fees received by the Manager, IREIT does not pay Tikehau Capital for any other services (including property management services).

Accordingly, the Board is of the view that there would not be any conflicts of interest arising from the arrangement, nor would the arrangement result in any misalignment of interest with those of Unitholders.

There are no employees of the Manager who are immediate family members of any Director or CEO, nor are there employees who are substantial shareholders of the Manager during the financial year ended 31 December 2018.

No compensation is payable to any Director, key management personnel or employee of the Manager in the form of options in Units or pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement in respect of the Manager and/or IREIT. 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 or post-employment benefits that are granted over and above what have been disclosed.

## CORPORATE GOVERNANCE REPORT

The Board reviews the Manager's obligations arising in the event of the appointment and reasons for resignations and terminations of the CEO (if not a Director), and 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.

In respect of the year ended 31 December 2018, the Board is of the view that the remuneration policy and packages are aligned with the interests of Unitholders and are designed to attract and retain talented staff, while taking into account the prevailing market conditions within the industry. The remuneration is also aligned to performance and all the performance conditions used to determine the remuneration of Directors, Management and key employees, as set out on pages 69 to 74, were met during the year.

### **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 IREIT and its unitholders**

The Manager has put in place adequate and effective risk control measures to address financial, operational, compliance, information technology security, and other potential risks. This is to safeguard Unitholders' interests and manage risk. The Board is responsible for the governance of risks and for overseeing the enforcement of risk management strategy and framework of the Manager.

The Board meets every quarter to review and track the financial performance of the Manager and IREIT against approved budgets and takes note of any significant changes on quarter-on-quarter and year-to-date results. During the review and analysis of business risk, the Board takes into consideration the property market and economic conditions where IREIT's properties are located and other related risks.

Apart from this, the Board also reviews the risks to the assets of IREIT, examines the management of liabilities, and acts upon any comments from the IA and EA of IREIT.

In view of the importance of compliance and risk management, the ARC is assigned the duty to oversee this aspect of the Manager's and IREIT's operations.

The ARC reviews and assesses the adequacy and effectiveness of the Manager's risk management control measures that are established by Management. Additionally, the ARC supervises the implementation and operation of the risk management system, including going through the adequacy and effectiveness of risk management practices for material risks, such as commercial and legal, financial and economic, operational and technology risks, from time to time; and reviewing major policies for effective risk management and relevance.

The Manager has appointed experienced and well-qualified management personnel to handle the day-to-day operations of the Manager and IREIT.

In assessing business risk, the Board will consider the economic environment and risks relevant to the property industry. It reviews management reports and feasibility studies on individual investment projects prior to approving major transactions. The Board meets regularly to review the operations of the Manager and IREIT and discuss any disclosure issues.

## CORPORATE GOVERNANCE REPORT

The Manager has provided an undertaking to the SGX-ST that:

- the Manager will make periodic announcements on the use of the proceeds from the public offering of IREIT as and when such proceeds are materially disbursed and provide a status report on the use of such proceeds in the annual report;
- in relation to foreign exchange hedging transactions (if any):
  - the Manager will seek the approval of the Board on the policy for entering into any such transactions;
  - the Manager will put in place adequate and effective procedures which must be reviewed and approved by the ARC; and
  - the ARC will monitor the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy approved by the Board; and
- the ARC will review and provide their views on all hedging policies and instruments (if any), to be implemented by IREIT to the Board, and the trading of such financial and foreign exchange instruments will require the specific approval of the Board.

The Board has received assurance from the CEO and Chief Financial Officer (the "CFO") that:

- the financial records of IREIT have been properly maintained and the financial statements give a true and fair view of IREIT's operations and finances; and
- the Manager's risk management and internal controls systems are adequate and effective.

The Board, with the concurrence of the ARC, concluded that the Manager's internal controls, including financial, operational, compliance and information technology controls, risk management systems and sustainability were adequate and effective to meet the needs of IREIT in its current business environment as at 31 December 2018, based on the risk management and internal controls framework established and maintained by the Manager, work performed by the IA, the EA and other service providers as well as reviews performed by Management and the ARC.

### **Audit Committee**

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

The ARC comprises Mr Tan Wee Peng, Kelvin (Chairman of the ARC), Mr Lim Kok Min, John and Mr Nir Ellenbogen, all of whom are Independent Non-Executive Directors. The key role of the ARC is to monitor and evaluate the adequacy and effectiveness of the Manager's internal controls and risk management system. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of the EA and reviewing the adequacy of the EA in respect of cost, scope and performance.

None of the ARC members were previously partners or Directors of the Manager's or IREIT's EA within the previous two years nor does any of the ARC members hold any financial interest in the EA.

## CORPORATE GOVERNANCE REPORT

The ARC's responsibilities also include:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of IREIT and any announcements relating to IREIT's financial performance;
- reviewing at least annually the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls and risk management processes;
- reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- reviewing and making recommendations on the appointment and removal of IA and EA and the remuneration and terms of engagement of IA and EA;
- reviewing, on an annual basis, the adequacy, effectiveness, independence, scope and results of the internal audit and external audit functions;
- reviewing policy and arrangements by which employees 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;
- reviewing both IA and EA reports to ensure that where deficiencies in internal controls and risk management systems have been identified, appropriate and prompt remedial action is taken by Management;
- meeting with the IA and EA, without the presence of Management, at least on an annual basis;
- ensuring that the internal audit and accounting function is adequately resourced and has appropriate standing with IREIT;
- monitoring the procedures in place to ensure compliance with applicable legislation, including the Listing Manual and the Property Funds Appendix;
- deliberating on resolutions relating to conflict of interest situations involving IREIT;
- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance and reviewing transactions constituting Related Party Transactions;
- reviewing internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- reviewing and providing their views on all hedging policies and instruments to be implemented by IREIT to the Board;
- reviewing and approving the procedures for the entry into of any foreign exchange hedging transactions and monitoring the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;

## CORPORATE GOVERNANCE REPORT

- investigating any matters within the ARC's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

The ARC is authorised to investigate any matters within its terms of reference. It has full access to and co-operation from Management and enjoys full discretion to invite any Director and executive officer of the Manager to attend its meetings. The ARC also has full access to reasonable resources to enable it to discharge its function properly. Regular updates and advice from both the IA and EA are provided to enable the ARC to keep abreast of relevant changes to accounting standards and issues which have a direct impact on financial statements. Such updates include briefings conducted by the IA or EA during ARC meetings and advice provided from time to time.

The ARC has conducted a review of all non-audit services provided by the EA of IREIT, Deloitte & Touche LLP and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the EA.

For the financial year ended 31 December 2018, the aggregate amount of fees paid and payable by IREIT to the EA was €254,000, comprising audit service fees of €110,000 and other non-audit service fees of €144,000.

ARC meetings are generally held after the end of every quarter before the official announcement of results pertaining to that quarter. In respect of the financial year ended 31 December 2018, the ARC has also met with the IA and EA separately, without the presence of Management, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors.

In appointing the EA for IREIT, the ARC is satisfied that IREIT has complied with the requirement of Rules 712 and 715 of the Listing Manual. The ARC has assessed the performance of the EA based on factors such as the performance and quality of their audit and the independence of the auditors.

The ARC typically meets with the EA several months before the end of the financial year to discuss the year's audit plans and progress, during which significant financial reporting issues including identification of key audit matters ("KAMs") are discussed.

As with the case last year, the EA has identified the valuation of investment properties as a KAM and in its report, the EA has communicated their findings that the valuation of the properties done by the external valuers and various inputs used are within reasonable range of the EA's expectation. The ARC has also reviewed the valuation reports and discussed the contents thereof with both Management and the EA and is satisfied with the assumptions and methodologies used. However, given that the assumptions are subjective and are highly susceptible to changes in the business environment, the ARC similarly cautions Unitholders against relying solely on the investment property valuations in assessing the financial performance of IREIT. This is particularly so as such valuations, and specifically the significant valuation uplift in respect of the Berlin property this year, do not give any assurance that the investment properties will be sold at such prices in the event such a sale is to be effected and more so when such sales are not contemplated as part of IREIT's business strategy. Such valuation uplifts alone will also not have any impact on IREIT's distributions to Unitholders. Instead, the ARC advises Unitholders to focus on factors such as the net property income, tenant profile, tenancy duration, and their changes over the years to assess how well IREIT's portfolio has performed.

## CORPORATE GOVERNANCE REPORT

Other than the KAM identified in the EA's report, the ARC also reviewed matters such as revenue recognition, liquidity and going concern risks, and Management's override of controls with the EA and Management. The ARC is pleased to inform the Unitholders that there are no significant issues relating to such matters that warrant special mention this year as they have all been dealt with according to established procedures and control measures, generally accepted accounting principles, and financial reporting standards. The key risk pertaining to going-concern has also been addressed with the successful refinancing of IREIT's entire bank borrowings in February 2019.

The Manager has put in place a system of internal controls of procedures, including financial, operational, compliance and information technology controls, and risk management systems to safeguard IREIT's assets, Unitholders' interests as well as to manage risk.

The internal audit function of the Manager is outsourced to an independent assurance service provider and the ARC reviews the adequacy, effectiveness, independence, scope and results of the IA at least once a year. The ARC is satisfied that the IA has the relevant qualifications and experience and has met the standards established by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The IA reports directly to the ARC on audit matters and the ARC approves the hiring, removal, evaluation and fees of the IA. The ARC also reviews and approves the annual internal audit plan and reviews the internal audit reports and activities. The ARC meets with the IA, without the presence of Management, at least once a year. The ARC is of the view that the IA is effective, has adequate resources to perform its functions and has to the best of its ability, maintained its independence from the activities that it audits.

### UNITHOLDER RIGHTS AND ENGAGEMENT

#### Unitholder Rights and Conduct of General Meetings

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

#### Engagement With Unitholders

**Principle 12: The Manager communicates regularly with its unitholders and facilitates the participation of unitholders during general meetings and other dialogues to allow unitholders to communicate their views on various matters affecting IREIT**

The Board is responsible to give a balanced and comprehensive report on the performance, position, prospects, strategy and market outlook including other price-sensitive reports to the regulators (if required). To ensure this is accomplished efficiently, Management provides timely, accurate and adequate information to the Board, which includes management accounts and such explanation and information, to enable the Board to keep abreast, and make a balanced and informed assessment of the performance, position and prospects of IREIT.

## CORPORATE GOVERNANCE REPORT

The Board is required to release quarterly results and full year results of IREIT as well as price-sensitive announcements and all other regulatory announcements, as required by regulators. These announcements and information are disseminated to Unitholders via SGXNET, press releases, IREIT's website, media and analyst briefings.

The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders, the investing community and other stakeholders. The Manager has in place an investor relations policy which sets the principles and practices that it applies in order to provide investors of IREIT with timely information necessary to make informed investment decisions and to ensure a level playing field. The Manager has developed a disclosure policy, which requires timely and full disclosure of financial reports and all material information relating to IREIT by way of public releases or announcements via SGXNET. The published materials will also be posted on IREIT's website at [www.ireitglobal.com](http://www.ireitglobal.com).

IREIT's website also has the option for visitors to subscribe for a free email alert service on public materials released by the Manager.

The Manager has a dedicated Head of Investor Relations who regularly communicates major developments in IREIT's businesses and operations to the Unitholders, analysts and other interested parties. The Manager believes in providing transparent communication. The Manager conducts regular briefings for analysts, which generally coincide with the release of IREIT's financial results. During these briefings, the Manager will review IREIT's most recent performance, as well as discuss the business outlook for IREIT.

To achieve the Manager's objective of providing transparent communication, briefing materials are released on SGXNET and made available on IREIT's website.

The Manager will also meet investors through institutional investor conferences, non-deal road shows and private meetings on a regular basis. In compliance with the Property Funds Appendix, an AGM will be held after the close of the financial year to allow the Manager to interact with Unitholders, particularly retail investors, as well as providing the investors a direct channel to get responses to any queries they might have.

The notice of the AGM will be published on SGXNET, newspapers and IREIT's website. The AGM results will be screened at the meeting and announced via SGXNET after the meeting. A copy of IREIT's annual report is made available to all Unitholders prior to the AGM. As and when an extraordinary general meeting (the "EGM") is to be convened, a circular containing detail of the matters proposed for the Unitholders' consideration and approval will also be sent to Unitholders. The notice of the EGM will also be published on SGXNET, newspapers and IREIT's website.

Directors, Management and EA will be present at the AGM or EGM to address questions and concerns of Unitholders. The attendance of Directors for the AGM held on 19 April 2018 is disclosed on page 63.

Separate resolutions are proposed for each distinct issue at the AGM or EGM. Unitholders will be invited to vote on each of the resolution by poll, using an electronic voting system. This will allow all Unitholders present, or represented at the meeting to vote on a one unit, one vote basis. An independent scrutineer is also appointed to validate the vote tabulation procedures. The Manager is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. The voting results will be screened at the meeting and announced via SGXNET after the meeting.

## CORPORATE GOVERNANCE REPORT

To encourage Unitholders' participation at the AGM or EGM, a question and answer session will be held during the AGM or EGM to allow Unitholders the opportunity to put forth any questions and clarify any issues they may have with the Board, Management or EA regarding the business operations, strategy and financial standing of IREIT.

Minutes of general meetings which include substantial and relevant comments or queries from Unitholders relating to the agenda of the meeting, and responses from the Board and the Management, will be prepared and made available to Unitholders via IREIT's website.

**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 IREIT are served**

The Manager strives to maintain open and fair communication with its key stakeholders, to understand their views, concerns, and objectives in order to work towards more sustainable growth for IREIT. The Manager has identified stakeholder groups which have a significant influence and interest in IREIT's operations and business, and will engage these stakeholders actively to understand their expectations. The key stakeholders identified are the Unitholders, the tenants of IREIT's properties, the relevant regulatory bodies of countries in which IREIT operates in, the local communities, the Manager's employees and the Manager's parent company, Tikehau Capital. In the Sustainability Report section, there are also details reported about the strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

IREIT maintains a current corporate website at [www.ireitglobal.com](http://www.ireitglobal.com), with contact details for investors and various stakeholders to channel their comments and queries.

### BUSINESS CONDUCT

#### Dealings In Units

Each Director and the CEO of the Manager is to give notice to the Manager of his acquisition of or any changes in the number of Units which he holds or in which he has an interest, within two business days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which he has an interest.

All dealings in Units by the Directors will be announced via SGXNET, with the announcement to be posted on the SGX-ST website at <http://www.sgx.com>.

Pursuant to Section 137ZC of the SFA, the Manager is required to, inter alia, announce to the SGX-ST the particulars of any acquisition or disposal of interest in Units by the Manager as soon as practicable, and in any case no later than the end of the business day following the day on which the Manager became aware of the acquisition or disposal. In addition, all dealings in Units by the CEO will also need to be announced by the Manager via SGXNET, with the announcement to be posted on the SGX-ST website at <http://www.sgx.com> and in such form and manner as the authority may prescribe.

## CORPORATE GOVERNANCE REPORT

The Manager has an internal compliance policy which provides guidance to the Directors and employees of the Manager with regards to dealings in the Units. The Directors and employees of the Manager are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of IREIT's annual results and property valuations, and two weeks before the public announcement of IREIT's quarterly results and ending on the date of announcement of the relevant results or, as the case may be, property valuations; and
- at any time while in possession of undisclosed price-sensitive information.

The Directors and employees of the Manager are also prohibited from dealing with the Units on short-term basis and communicating price-sensitive information to any person. They are expected to observe the insider trading laws at all times even when dealing with Units within permitted trading periods.

### Dealing With Conflicts Of Interest

The Manager has instituted the following procedures to deal with potential conflict of interest issues:

- The Manager will not manage any other REIT which invests in the same type of properties as IREIT;
- Management will be working exclusively for the Manager and will not hold other executive positions in other entities;
- All resolutions in writing of the Directors in relation to matters concerning IREIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one Independent Director;
- At least one-third of the Board shall comprise Independent Directors, except that in certain stipulated circumstances, at least half of the Board shall comprise Independent Directors;
- 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;
- In respect of matters in which Tikehau Capital and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by Tikehau Capital and/or its subsidiaries to the Board to represent their 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 Tikehau Capital and/or its subsidiaries;
- In respect of matters in which Shanghai Summit (Group) Co., Ltd. ("Summit") and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by Summit and/or its subsidiaries to the Board to represent their 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 Summit and/or its subsidiaries;

## CORPORATE GOVERNANCE REPORT

- In respect of matters in which Mr Lim Chap Huat ("LCH") and/or its related nominees have an interest, direct or indirect, any nominees appointed by LCH and/or its associates or subsidiaries to the Board to represent their 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 LCH and/or its associates or subsidiaries;
- Except for 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 matters in which the Manager and/or any of its associates has a material interest; and
- 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 IREIT with a related party of the Manager ("Related Party"), 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 IREIT, 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. The Directors (including its 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 IREIT 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.

### The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future Related Party Transactions (which term includes an "Interested Person Transaction" as defined under the Listing Manual and an "Interested Party Transaction" as defined under the Property Funds Appendix):

- will be undertaken on an arm's length basis with normal commercial terms; and
- will not be prejudicial to the interests of IREIT and the minority Unitholders.
- will be in accordance with the applicable requirements of the Listing Manual and all applicable guidelines that may from time to time be prescribed.

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 or more valuations from independent professional valuers (in compliance with the Property Funds Appendix).

The Manager maintains a register to record all Related Party Transactions that are entered into by IREIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

## CORPORATE GOVERNANCE REPORT

The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by IREIT. The ARC shall review the internal audit reports 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 following procedures will be undertaken:

- 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 IREIT's net tangible assets will be subject to review by the ARC at regular intervals.
- 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 IREIT's net tangible assets will be subject to the review and prior approval of the ARC.
- Such approval shall only be given if the transactions are on normal commercial terms and not prejudicial to the interests of IREIT and the Unitholders and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager.
- 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 IREIT'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. Furthermore, 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.

Where matters concerning IREIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of IREIT with a Related Party of the Manager (which would include relevant Associates (as defined in the Listing Manual) thereof) or IREIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted:

- on an arm's length basis with normal commercial terms;
- are not prejudicial to the interests of IREIT and the minority Unitholders; and
- will be in accordance with the applicable requirements of the Listing Manual and all applicable guidelines that may from time to time be prescribed.

The Trustee has the discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the Manager or IREIT. If the Trustee is to enter into any transaction with a Related Party of the Manager or IREIT, the Trustee will review the proposed transaction 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 to apply to REITs.

## CORPORATE GOVERNANCE REPORT

IREIT will comply with Rules 905 and 906 of the Listing Manual, as follows:

- make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of IREIT's latest audited net tangible assets;
- If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of IREIT's latest audited net tangible assets, IREIT must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year; and
- Obtain unitholder approval for any interested person transaction of a value equal to, or more than 5% of IREIT's latest audited net tangible assets; or 5% of IREIT's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by unitholders, or is the subject of aggregation with another transaction that has been approved by unitholders, need not be included in any subsequent aggregation.

The above do not apply to transaction below S\$100,000.

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 will be disclosed in the annual report of IREIT for the relevant financial year.

The ARC will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control systems, the relevant provisions of the Listing Manual and the Property Funds Appendix.

The review will include the examination of the nature of the transaction and supporting documents or such other data deemed necessary by the ARC. If a member of the ARC has an interest in a transaction, the interested member is to abstain from participating in the review and approval process in relation to that transaction.

### **Whistle-Blowing Policy**

The Manager has also set in place a whistle-blowing policy, providing an avenue for its employees and external parties to raise concerns about possible improprieties in matters of financial reporting or other matters in good faith, with the confidence that the relevant persons making the reports will be treated fairly and protected from reprisal. External parties are able to lodge their concerns via IREIT's website at [www.ireitglobal.com](http://www.ireitglobal.com). All whistle-blower complaints will be reviewed by the ARC to ensure that investigations and follow-up actions are carried out, if needed. For the financial year ended 31 December 2018, the ARC did not receive any whistle-blower complaints.

## REPORT OF THE TRUSTEE

FOR THE YEAR ENDED 31 DECEMBER 2018

DBS Trustee Limited (the “Trustee”) is under a duty to take into custody and hold the assets of IREIT Global (“IREIT”) held by it or through its subsidiaries (the “Group”) in trust for the holders of units in IREIT (the “Unitholders”). In accordance with the Securities and Futures Act (Chapter 289) of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of IREIT Global Group Pte. Ltd. (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 1 November 2013 and as amended and restated by an amending and restating deed dated 14 July 2014, supplemented by the first supplemental deed dated 6 November 2015 and Second Supplemental Deed dated 9 May 2018 (collectively, the “Trust Deed”) made between the Manager and the Trustee in each annual accounting period and report thereon to the Unitholders.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed IREIT and the Group during the financial year covered by these financial statements set out on pages 92 to 131, 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  
15 March 2019

## STATEMENT BY THE MANAGER

FOR THE YEAR ENDED 31 DECEMBER 2018

In the opinion of the directors of IREIT Global Group Pte. Ltd. (the “Manager”), the accompanying financial statements of IREIT Global (“IREIT”) and its subsidiaries (collectively referred to as the “Group”) as set out on pages 92 to 131, comprising the consolidated financial statements of the Group and the statement of financial position of IREIT as at 31 December 2018, the statement of changes in net assets attributable to Unitholders of IREIT for the financial year ended 31 December 2018, and a summary of significant accounting policies and other explanatory information for the year then ended, are drawn up so as to present a true and fair view, in all material respects, the financial position of the Group and IREIT as at 31 December 2018, the total profit or loss and other comprehensive income, amount distributable of the Group, the movements of Unitholders’ funds of the Group and IREIT and consolidated cash flows of the Group for the year then ended, in accordance with the International Financial Reporting Standards and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and IREIT will be able to meet the financial obligations as and when they materialise.

For and on behalf of the Manager,  
**IREIT Global Group Pte. Ltd.**

Lim Kok Min John  
Director

Singapore  
15 March 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF IREIT GLOBAL

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of IREIT Global ("IREIT") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated financial statements of the Group and the statement of financial position of IREIT as at 31 December 2018, and the statement of distribution and statements of changes in net assets attributable to Unitholders of IREIT for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 92 to 131.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of distribution and statements of changes in net assets attributable to Unitholders of IREIT are properly drawn up in accordance with International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the financial position of the Group and of IREIT as at 31 December 2018, and of the consolidated financial performance, changes in net assets attributable to Unitholders and consolidated cash flows of the Group, and distribution and changes in net assets attributable to Unitholders of IREIT for the year ended on that date.

### 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 *Auditor's 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 ("ACRA") *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 period. 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF IREIT GLOBAL

## **Key Audit Matter**

### *Fair Valuation and Disclosure of Fair Value for Investment Properties*

The Group owns a portfolio of investment properties comprising commercial office complexes located in Germany. The investment properties represent the single largest category of assets with a carrying amount of €504.9 million as at 31 December 2018.

The Group has adopted the fair value model under IAS 40 *Investment Property* which requires all the investment properties to be measured at fair value. The Group has engaged external independent valuers ("Valuers") to perform the fair value assessment of the investment properties.

The fair valuation of investment properties is considered to be a matter of significance as the valuation process requires the application of judgement in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The fair valuations are sensitive to underlying assumptions applied in deriving the underlying cash flows, discount rate, and terminal capitalisation rate as a small change in these assumptions can result in an increase or decrease in fair valuation of the investment properties.

The valuation techniques, their key inputs and the inter-relationships between the inputs and the valuation have been disclosed in Note 7 to the consolidated financial statements.

## **How the matter was addressed in the audit**

We have assessed the Group's process of appointment and determination of the scope of work of the Valuers, as well as their process of reviewing, and accepting the Valuers' investment property valuations.

We have reviewed the qualifications, competence, independence, and the terms of engagement of the Valuers with the Group to determine whether there were any matters which might affect objectivity of the Valuers or impede their scope of work.

We held discussions with management and the Valuers on the valuation reports, and engaged our valuation specialist to assist in:

- assessing the valuation methodology, assumptions and estimates used by the Valuers against general market practise for similar types of properties;
- comparing valuation assumptions and the underlying cash flows, discount rate, and terminal capitalisation rate to historical rates, and available industry data for comparable markets and properties; and
- reviewing the integrity of the valuation calculations, valuation inputs, including review of lease schedules, lease agreements and compare it to the inputs made to the projected cash flows.

Based on the audit procedures performed, the fair valuation of the properties and the various inputs used are within a reasonable range of our expectations.

We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF IREIT GLOBAL

## **Information Other than the Financial Statements and Auditor's Report Thereon**

Management 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 auditor's report thereon.

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 consolidated financial statements, our responsibility is to read the other information 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.

## **Responsibilities of the Manager and Directors of the Manager for the Financial Statements**

IREIT Global Group Pte. Ltd (the "Manager" of IREIT) is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and comply with the relevant provisions of the Trust Deed dated 1 November 2013 and amended by the amending and restating deed dated 14 July 2014, supplemented by the first supplemental deed dated 6 November 2015 and Second Supplemental Deed dated 9 May 2018 (collectively, the "Trust Deed"), and the relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore. The Manager is also responsible for such internal control as the Manager determines is 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 liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the directors of the Manager include overseeing the Group's financial reporting process.

## **Auditor's 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 auditor's 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.

## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF IREIT GLOBAL

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism 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 control.
- Obtain an understanding of internal control 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 control.
- 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 auditor's 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 auditor's 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.

We communicate with the directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of 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 directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF IREIT GLOBAL

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant requirements of the CIS Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Xu Jun.

## **DELOITTE & TOUCHE LLP**

Public Accountants and  
Chartered Accountants

Singapore  
15 March 2019

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group	IREIT
	Notes	31 December 2018 €'000	31 December 2017 €'000
		31 December 2018 €'000	31 December 2017 €'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	18,396	19,106
Trade and other receivables	5	1,774	1,579
Financial derivatives	6	690	68
		20,860	20,753
<b>Non-current assets</b>			
Investment properties	7	504,900	463,100
Investment in subsidiaries	8	–	–
Other receivable	5	1,355	961
Deferred tax assets	9	1,760	1,867
Financial derivatives	6	–	74
		508,015	466,002
<b>Total assets</b>		<b>528,875</b>	<b>486,755</b>
<b>Current liabilities</b>			
Borrowings	11	96,474	21,055
Trade and other payables	10	3,161	2,790
Distribution payable		11,124	11,727
Financial derivatives	6	–	278
Income tax payable		272	274
		111,031	36,124
<b>Non-current liabilities</b>			
Borrowings	11	96,741	174,421
Deferred tax liabilities	9	15,496	7,519
		112,237	181,940
<b>Total liabilities</b>		<b>223,268</b>	<b>218,064</b>
<b>Net assets attributable to Unitholders</b>		<b>305,607</b>	<b>268,691</b>
<b>Units in issue and to be issued ('000)</b>	12	<b>633,350</b>	<b>628,042</b>
<b>Net asset value per unit (€) attributable to Unitholders</b>	13	<b>0.48</b>	<b>0.43</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group 2018 €'000	2017 €'000
Gross revenue	14	34,808	34,959
Property operating expenses	15	(4,178)	(3,431)
<b>Net property income</b>		<b>30,630</b>	<b>31,528</b>
Foreign exchange gain/(loss)		244	(137)
Finance income		14	16
Finance costs	16	(3,961)	(4,029)
Manager's fees	17	(2,515)	(2,598)
Trustee's fees		(99)	(95)
Administrative costs		(369)	(329)
Other trust expenses	18	(732)	(858)
Change in fair value of financial derivatives		826	(305)
Change in fair value of investment properties	7	41,329	9,787
<b>Profit before taxation and transactions with Unitholders</b>		<b>65,367</b>	<b>32,980</b>
Income tax expense	19	(8,335)	(3,384)
<b>Profit for the year, before transactions with Unitholders</b>		<b>57,032</b>	<b>29,596</b>
Distributions to Unitholders		(22,631)	(23,378)
<b>Profit for the year, after transactions with Unitholders, representing total comprehensive profit for the year</b>		<b>34,401</b>	<b>6,218</b>
<b>Basic and diluted earnings per unit (€ cents)</b>	20	<b>9.06</b>	<b>4.74</b>

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF DISTRIBUTION

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group 2018 €'000	2017 €'000
<b>Profit for the year, before transactions with Unitholders</b>		<b>57,032</b>	<b>29,596</b>
<b>Adjustments:</b>			
Amortisation of upfront debt transaction costs		308	331
Manager's management fee payable in units		2,515	2,598
Foreign exchange (gain)/loss		(244)	137
Effects of recognising rental income on a straight-line basis over the lease term		(394)	(394)
Change in fair value of financial derivatives (unrealised)		(826)	305
Change in fair value of investment properties		(41,329)	(9,787)
Deferred tax expense		8,084	3,190
<b>Amount available for distribution</b>		<b>25,146</b>	<b>25,976</b>
<b>Distribution to Unitholders:</b>			
Distribution of €1.82 cents per unit for the period from 1 January 2018 to 30 June 2018		(11,507)	–
Distribution of €1.77 cents per unit for the period from 1 July 2018 to 31 December 2018		(11,124)	–
Distribution of €1.86 cents per unit for the period from 1 January 2017 to 30 June 2017		–	(11,651)
Distribution of €1.86 cents per unit for the period from 1 July 2017 to 31 December 2017		–	(11,727)
<b>Total Unitholders' distribution</b>		<b>(22,631)</b>	<b>(23,378)</b>
<b>Amount retained for working capital</b>		<b>2,515</b>	<b>2,598</b>
Units in issue at the end of the year ('000)	12	632,011	626,666
Distribution per unit (€ cents)	2(q)	3.59	3.72

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Units in issue and to be issued €'000	Unit issue costs €'000	Accumulated (losses) / profit €'000	Total €'000
<b>Net assets attributable to Unitholders as at 1 January 2017</b>	<b>284,576</b>	<b>(8,233)</b>	<b>(16,468)</b>	<b>259,875</b>
<b>OPERATIONS</b>				
Profit for the year, before transactions with Unitholders	–	–	29,596	<b>29,596</b>
Distribution paid of €1.86 cents per unit for the period from 1 January 2017 to 30 June 2017	–	–	(11,651)	<b>(11,651)</b>
Distribution payable of €1.86 cents per unit for the period from 1 July 2017 to 31 December 2017	–	–	(11,727)	<b>(11,727)</b>
<b>Total comprehensive profit for the year</b>	<b>–</b>	<b>–</b>	<b>6,218</b>	<b>6,218</b>
<b>UNITHOLDERS' TRANSACTIONS</b>				
Issue of units:				
Manager's management fee payable in units	2,598	–	–	<b>2,598</b>
Increase in net assets resulting from Unitholders' transactions	2,598	–	–	<b>2,598</b>
<b>Net assets attributable to Unitholders as at 31 December 2017</b>	<b>287,174</b>	<b>(8,233)</b>	<b>(10,250)</b>	<b>268,691</b>
<b>OPERATIONS</b>				
Profit for the year, before transactions with Unitholders	–	–	57,032	<b>57,032</b>
Distribution paid of €1.82 cents per unit for the period from 1 January 2018 to 30 June 2018	–	–	(11,507)	<b>(11,507)</b>
Distribution payable of €1.77 cents per unit for the period from 1 July 2018 to 31 December 2018	–	–	(11,124)	<b>(11,124)</b>
<b>Total comprehensive profit for the year</b>	<b>–</b>	<b>–</b>	<b>34,401</b>	<b>34,401</b>
<b>UNITHOLDERS' TRANSACTIONS</b>				
Issue of units:				
Manager's management fee payable in units	2,515	–	–	<b>2,515</b>
Increase in net assets resulting from Unitholders' transactions	2,515	–	–	<b>2,515</b>
<b>Net assets attributable to Unitholders as at 31 December 2018</b>	<b>289,689</b>	<b>(8,233)</b>	<b>24,151</b>	<b>305,607</b>

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2018

IREIT	Units in issue and to be issued €'000	Unit issue costs €'000	Accumulated losses €'000	Total €'000
<b>Net assets attributable to Unitholders as at 1 January 2017</b>	<b>284,576</b>	<b>(8,233)</b>	<b>(26,341)</b>	<b>250,002</b>
<b>OPERATIONS</b>				
Profit for the year, before transactions with Unitholders	–	–	11,144	<b>11,144</b>
Distribution paid of €1.86 cents per unit for the period from 1 January 2017 to 30 June 2017	–	–	(11,651)	<b>(11,651)</b>
Distribution payable of €1.86 cents per unit for the period from 1 July 2017 to 31 December 2017	–	–	(11,727)	<b>(11,727)</b>
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>(12,234)</b>	<b>(12,234)</b>
<b>UNITHOLDERS' TRANSACTIONS</b>				
Issue of units:				
Manager's management fee payable in units	2,598	–	–	<b>2,598</b>
Increase in net assets resulting from Unitholders' transactions	2,598	–	–	<b>2,598</b>
<b>Net assets attributable to Unitholders as at 31 December 2017</b>	<b>287,174</b>	<b>(8,233)</b>	<b>(38,575)</b>	<b>240,366</b>
<b>OPERATIONS</b>				
Profit for the year, before transactions with Unitholders	–	–	11,719	<b>11,719</b>
Distribution paid of €1.82 cents per unit for the period from 1 January 2018 to 30 June 2018	–	–	(11,507)	<b>(11,507)</b>
Distribution payable of €1.77 cents per unit for the period from 1 July 2018 to 31 December 2018	–	–	(11,124)	<b>(11,124)</b>
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>(10,912)</b>	<b>(10,912)</b>
<b>UNITHOLDERS' TRANSACTIONS</b>				
Issue of units:				
Manager's management fee payable in units	2,515	–	–	<b>2,515</b>
Increase in net assets resulting from Unitholders' transactions	2,515	–	–	<b>2,515</b>
<b>Net assets attributable to Unitholders as at 31 December 2018</b>	<b>289,689</b>	<b>(8,233)</b>	<b>(49,487)</b>	<b>231,969</b>

The accompanying notes form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group 2018 €'000	2017 €'000
<b>Cash flows from operating activities</b>			
Profit for the year, after transactions with Unitholders		34,401	6,218
Adjustments for:			
Manager's management fees payable in units		2,515	2,598
Finance costs		3,961	4,029
Finance income		(14)	(16)
Net change in fair value of financial derivatives		(826)	305
Net change in fair value of investment properties		(41,329)	(9,787)
Distribution to Unitholders		22,631	23,378
Income tax expense		8,335	3,384
Operating profit before working capital changes		29,674	30,109
Changes in working capital:			
Trade and other receivables		(592)	(534)
Trade and other payables		372	(165)
Income taxes paid		(251)	(135)
<b>Cash generated from operations, representing net cash from operating activities</b>		<b>29,203</b>	<b>29,275</b>
<b>Cash flow from investing activity</b>			
<b>Capital expenditure on investment properties, representing net cash used in investing activity</b>		<b>(471)</b>	<b>(313)</b>
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings	26	(2,550)	(2,550)
Upfront debt transaction costs	26	(20)	(29)
Distribution paid to Unitholders	26	(23,234)	(24,382)
Interest paid		(3,638)	(3,698)
<b>Net cash used in financing activities</b>		<b>(29,442)</b>	<b>(30,659)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(710)</b>	<b>(1,697)</b>
Cash and cash equivalents at beginning of the year		19,106	20,803
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>18,396</b>	<b>19,106</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. GENERAL

IREIT Global ("IREIT") is a real estate investment trust constituted by a trust deed entered into on 1 November 2013 and as amended and restated by an amending and restating deed dated 14 July 2014, supplemented by the first supplemental deed dated 6 November 2015 and Second Supplemental Deed dated 9 May 2018 (collectively, the "Trust Deed") made between IREIT Global Group Pte. Ltd. as the manager of IREIT (the "Manager"), and DBS Trustee Limited, as the trustee of IREIT (the "Trustee"). IREIT was listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 13 August 2014 ("Listing Date").

The registered office and principal place of business of the Manager is 8 Marina View, #15-07A Asia Square Tower 1, Singapore 018960.

The registered office and principal place of business of the Trustee is 12 Marina Boulevard, Level 44, Marina Bay Financial Centre Tower 3, Singapore 018982.

The principal activity of IREIT is investment holding whereas its subsidiaries (together with IREIT referred to as the "Group") are to own and invest in a portfolio of office properties in Europe. Collectively, the principal activity of the Group is to provide Unitholders with regular and stable distributions and the potential for sustainable long-term growth in distribution and appreciation in investment value, while maintaining an appropriate capital structure for IREIT.

The consolidated financial statements of the Group and the statement of financial position of IREIT as at 31 December 2018 and changes in net assets attributable to Unitholders of IREIT for the financial year then ended were authorised for issue by the Manager on 15 March 2019.

The financial statements are presented in Euro ("€" or "EUR").

The Group has entered into several service agreements in relation to the management of IREIT and its property operations. The fee structures of these services are as follows:

### (a) Manager's fees

The Manager is entitled to receive the following remuneration for the provision of asset management services:

#### *Base fee*

Pursuant to the Trust Deed, the Manager is entitled to a Base Fee of 10.0% per annum of IREIT's Annual Distributable Income (calculated before accounting for the Performance Fee but after accounting for the Base Fee in each financial period). The Base Fee is payable to the Manager either in the form of cash or units as the Manager may elect. The Manager has elected to receive 100.0% of its Base Fee in the form of units for the financial year ended 31 December 2018.

The portion of the Base Fee, payable either in the form of cash or units, is payable quarterly in arrears. Where the Base Fee is payable in units, the units will be issued based on the volume weighted average price for a unit for all trades transacted on SGX-ST in the ordinary course of trading for a period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. GENERAL (CONTINUED)

### (a) Manager's fees (continued)

#### *Performance fee*

Pursuant to the Trust Deed, the Manager is entitled to a Performance Fee of 25.0% of the difference in Distribution Per Unit ("DPU") in a financial period with the DPU in the preceding financial period (calculated before accounting for the Performance Fee but after accounting for the Base Fee in each financial period) multiplied by the weighted average number of units in issue for such financial period.

The Performance Fee is payable if the DPU in any financial period exceeds the DPU in the preceding financial period, notwithstanding that the DPU in such financial period may be less than the DPU in any preceding financial period.

No performance fees were payable for the financial year ended 31 December 2018.

#### *Acquisition fee*

Under the Trust Deed, the Manager is entitled to receive an acquisition fee not exceeding a maximum of 1% of the acquisition price for any real estate purchased directly or indirectly by IREIT (pro-rated if applicable to the proportion of IREIT's interest in the real estate acquired) in the form of cash and/or units.

#### *Divestment fee*

Under the Trust Deed, the Manager is entitled to receive a divestment fee not exceeding a maximum of 0.5% of the sale price of any real estate directly or indirectly sold or divested by IREIT (pro-rated if applicable to proportion of IREIT's interest in the real estate sold) in the form of cash and/or units.

### (b) Trustee's fees

The Trustee's fees shall not exceed 0.1% per annum of the value of all the assets of IREIT Group ("Deposited Property"), subject to a minimum of S\$10,000 per month, excluding out-of-pocket expenses and GST in accordance with the Trust Deed. The Trustee will also be paid a one-time inception fee as may be agreed between the Trustee and the Manager, subject to a maximum of S\$60,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. GENERAL (CONTINUED)

### (c) Property management fees

The property managers provide management and leasing services to the property owning subsidiaries of the Group, carrying out the day to day maintenance and leasing activities for the investment properties.

Under the property management agreements, the property managers of IREIT's current portfolio are entitled to receive monthly fees calculated based on a percentage of the rental income or an agreed fixed fee, subject to certain minimum thresholds on a property by property basis. The property managers are not related parties of the Manager.

For leasing and marketing services, the property managers are entitled to marketing services commissions or additional remuneration upon the conclusion of the lease agreement.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and are drawn up in accordance with the relevant provisions of the Trust Deed and the relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS").

The financial statements have been prepared on historical cost basis, except for investment properties and certain financial instruments which are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and the measurements that have same similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation of financial statements (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2018, the Group adopted all the new and revised IFRSs (including IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*) that were effective from that date and were relevant to its operations. The adoption of these new/revised IFRSs did not result in changes to the Group's and IREIT's accounting policies and had no material effect on the amounts reported for the current or prior years, except as follows.

IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting.

The Group applied the classification and measurement requirements and the impairment of financial assets requirements (including impairment under expected credit losses ('ECL') model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, is recognised in the opening retained profits and other components of equity, without restating comparative information.

The Manager reviewed and assessed the Group's financial assets and liabilities as at 1 January 2018 and 31 December 2018 based on the facts and circumstances that existed at that dates. There was no material impact on initial application of IFRS 9 as all financial assets and financial liabilities continue to be measured on the same bases as were previously measured under IAS 39 *Financial Instruments: Recognition and Measurement* and no impairment was recognised at the initial date of application, 1 January 2018. IREIT did not apply hedge accounting in prior years and has elected not to apply hedge accounting on their forward currency swaps in 2018. Hence, IFRS 9 requirements on hedge accounting are not applicable for IREIT for FY2018. Accounting policies resulting from applications of IFRS 9 are disclosed in Note 2 (e), (f), (g).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation of financial statements (continued)

At the date of authorisation of these financial statements, the below IFRS relevant to the Group were issued but not effective:

IFRS 16 *Leases*<sup>1</sup>

<sup>1</sup> Applies to annual periods beginning on or after 1 January 2019, with early application permitted.

#### IFRS 16 *Leases*

IFRS 16 will supersede the current leases guidance including IAS 17 *Leases* and the related Interpretations when it becomes effective. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 *Statement of Cash Flows*.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

IFRS 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Basis of preparation of financial statements (continued)

##### NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Instead of applying the recognition requirements of IFRS 16 described above, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- leases with a lease term of 12 months or less and containing no purchase options - this election is made by class of underlying asset; and
- leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) - this election can be made on a lease-by-lease basis.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied. Based on the Manager's preliminary assessment, IFRS 16 is not expected to have a material impact except for the enhanced disclosure requirements as IREIT is a lessor of properties and the standard maintains substantially the same lessor accounting approach under the existing standard IAS 17, but has increased the level of disclosure required in the financial statements.

#### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of IREIT and entities controlled by IREIT ("subsidiaries"). Control is achieved when IREIT:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

IREIT reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when IREIT obtains control over the subsidiary and ceases when IREIT loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date IREIT gains control until the date when IREIT ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the Unitholders of IREIT and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the Unitholders of IREIT and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Basis of consolidation (continued)

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Income and expenses of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or disposal. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by IREIT.

All intra-group assets and liabilities, income, expenses and cash flows are eliminated in full on consolidation.

#### (c) Investments in subsidiaries

Investments in subsidiaries are included in IREIT's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by IREIT on the basis of dividends received or receivable during the period.

#### (d) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the investment property is derecognised.

#### (e) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial assets

All financial assets are recognised and derecognised on a trade date basis where purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### Financial assets at amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under IAS 39, trade and other receivables and bank balances and cash were classified as loans and receivables, which under IFRS 9 are classified as financial assets at amortised cost. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, the financial assets (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest rate method, less any identified impairment losses as disclosed in Note 23(a).

##### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

##### Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. IREIT has financial derivative instruments designated as at FVTPL. Fair value is determined in the manner described in Note 6.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial assets (continued)

##### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

##### *Impairment of financial assets*

The Group recognises an allowance for expected credit losses ("ECL") for all its financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but based on historical credit losses experience (past due status of the trade receivables), adjusted as appropriate to reflect current conditions and estimates of future economic conditions at the reporting date.

##### Definition of default

The Group may consider an event of default for internal credit risk management purposes:

- when a financial asset is more than 90 days past due; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group);

unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial assets (continued)

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries are recognised in profit or loss.

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### (g) Financial liabilities and equity instruments

##### ***Classification as debt or equity***

Debt and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Financial liabilities and equity instruments (continued)

##### *Financial liabilities*

All financial liabilities (including trade and other payables, distribution payable and borrowings) are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities. Fair value is determined in the manner described in Note 6.

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

##### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Derivative financial instruments

The Group uses derivative financial instruments (primarily foreign exchange forward contracts) to economically hedge its significant future transactions and cash flows in the management of its exchange rate exposures. Further details of derivative financial instruments are disclosed in Note 6.

IREIT does not perform hedge accounting, therefore derivative financial instruments are initially measured at fair value at the date the derivative contracts are entered into, and subsequently re-measured to fair value at the end of each reporting period. All changes in fair value are taken to profit or loss.

#### (i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

#### (j) Issue costs

Unit issue costs are transactions costs relating to issuance of units in IREIT which are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transaction that otherwise would have been avoided. Other transaction costs are recognised as an expense in profit or loss.

#### (k) Revenue recognition

The Group recognises revenue from the following major sources:

- Rental income
- Service charge income
- Carpark income

##### Rental income

Rental income under operating leases, except for contingent rentals, are recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Revenue recognition (continued)

Contingent rentals (including those based on inflation index), are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

##### Service charge income

Service charge income is an income generated from providing essential building management and maintenance services to the tenants at the properties held by the Group. It consists of payments in respect of the operations of the properties and is recognised as income over time.

##### Carpark income

Carpark income under operating leases are recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

#### (l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (m) Foreign currencies

The functional currency (the currency of the primary economic environment in which the entity operates) of IREIT and its subsidiaries is Euro.

In preparing the financial statements of each individual entity within the Group, transactions in currencies other than Euro are recorded in Euro at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Impairment of investments in subsidiaries

At the end of the reporting period, IREIT reviews the carrying amounts of its investments in each of the subsidiaries to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the investments in subsidiaries is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less cost to sell or value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the investments is estimated to be less than its carrying amount, the carrying amount of investments is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of investments is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for investments in prior years. A reversal of an impairment loss is recognised as income immediately.

#### (o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) **Taxation** (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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 the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling to IREIT pursuant to which the Singapore holding companies, which are wholly owned by IREIT, have been granted an in-principle tax exemption under Section 13(12) of the Singapore Income Tax Act ("SITA") on the dividend income from IREIT's wholly-owned Dutch subsidiary companies (Dutch Subsidiaries). The tax exemption has been granted by the IRAS based on certain representations made by IREIT and subject to certain conditions being satisfied.

The IRAS has also issued a tax ruling to IREIT pursuant to which the Singapore financing companies, which are wholly owned by IREIT, have been granted tax exemption under Section 13(12) of the SITA on the interest income from the Dutch Subsidiaries which are wholly owned by the Singapore holding companies. The tax exemption has been granted by the IRAS based on certain representations made by the Manager and subject to certain conditions being satisfied.

#### (p) **Segment reporting**

Segment information is reported in a manner consistent with the internal reporting provided to the management of the Manager who conducts a regular review for allocation of resources and assessment of the performance of the operating segments.

#### (q) **Distribution policy**

IREIT's current distribution policy is to distribute at least 90% of its annual distributable income for each financial year, with the actual level of distribution to be determined at the Manager's discretion, having regard to funding requirements, other capital management considerations and ensuring the overall stability of distributions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Manager is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, the Manager is of the opinion that there are no instances of application of judgments or the use of estimation techniques which may have a significant effect on the amounts recognised in the financial statements other than valuation of investment properties.

As described in Notes 2(d) and 7, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair values of the properties, the valuers have used and considered the income capitalisation method and discounted cash flows method, which involve the making of certain assumptions and estimates. The Manager has exercised its judgment and is satisfied that the valuation methods, assumptions and estimates are reflective of the prevailing conditions in Germany, where the investment properties are located.

Information about the assumptions, estimation, uncertainties that have significant effect on the amounts recognised and the fair values of the investment properties are set out in Note 7 to the financial statements.

## 4. CASH AND CASH EQUIVALENTS

	Group		IREIT	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Cash at bank and in hand	17,491	17,752	1,370	2,016
Fixed deposits	905	1,354	905	1,354
	<b>18,396</b>	<b>19,106</b>	<b>2,275</b>	<b>3,370</b>

Fixed deposits bear interest rate of 1.36% to 1.38% (2017: 1.02% to 1.16%) per annum and for a tenure of 6 months to 9 months (2017: 6 months to 1 year). The fixed deposits can be readily converted into cash at minimal cost.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 5. TRADE AND OTHER RECEIVABLES

		Group		IREIT	
		2018 €'000	2017 €'000	2018 €'000	2017 €'000
(a)	Trade receivables				
	Outside parties	420	604	–	–
(b)	Other receivables and prepayments				
	Other receivables	637	430	7,291	7,923
	Prepayments	717	545	7	7
		1,354	975	7,298	7,930
	<b>Current trade and other receivables</b>	<b>1,774</b>	<b>1,579</b>	<b>7,298</b>	<b>7,930</b>
(c)	Other receivable				
	Outside parties	1,355	961	–	–
	<b>Non-current other receivable</b>	<b>1,355</b>	<b>961</b>	<b>–</b>	<b>–</b>

The trade receivables as at the end of the reporting period include €420,000 (2017: €604,000) owing by tenants of the investment properties in relation to the settlement of property operating expenses. The credit terms for trade receivables are not more than 30 days. As at 31 December 2018 and 2017, there are no amounts that are past due or impaired. No interest is charged on the trade receivables.

Included in other receivables at IREIT is an amount receivable from subsidiaries of €7.23 million (2017: €7.85 million) mainly comprising of approximately €6.73 million (2017: €7.35 million) of dividend receivable from subsidiaries, which were collected subsequent to year end.

The non-current other receivable from outside parties relate to the effects of the accounting adjustment to recognise rental income on a straight-line basis over the term of the lease which has step-up rental escalation clauses.

In determining the recoverability of receivables, the Group considers any change in the credit quality of the receivables from the date credit was initially granted. The Group applies a simplified approach in calculating ECLs which is based on historical credit losses experienced (past due status of the trade receivables), adjusted as appropriate to reflect current conditions and estimates of future economic conditions at the reporting date. As at financial period end, expected credit losses from receivables are expected to be insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 6. FINANCIAL DERIVATIVES

	Group and IREIT			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Foreign currency forward contracts	690	–	142	(278)
Analysed as:				
Current	690	–	68	(278)
Non-current	–	–	74	–

The functional and presentation currency of IREIT is Euro, whereas the distributions to Unitholders are denominated in Singapore Dollar. In order to economically hedge the potential foreign currency fluctuation between Euro and Singapore Dollar, IREIT has entered into foreign currency forward contracts (the "contracts") to economically hedge the foreign currency exposure.

As at the end of the financial year, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed to is approximately €21.10 million (2017: €28.44 million).

The fair value of the financial derivative falls under Level 2 of the fair value hierarchy and is based on banks' quotes.

### 7. INVESTMENT PROPERTIES

	Note	Group	
		2018	2017
		€'000	€'000
Beginning of the year		463,100	453,000
Capital expenditure on investment properties		471	313
Net change in fair value of investment properties during the year		41,329	9,787
<b>End of the year</b>	(a)	<b>504,900</b>	<b>463,100</b>

- (a) The fair values of the Group's investment properties at year end have been determined on the basis of valuations carried out on 31 December 2018 (2017: 31 December 2017) by independent valuer Messrs CBRE Germany GmbH (2017: Messrs Jones Lang LaSalle Limited), having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued, and are not related to the Group. The fair value was determined based on the capitalisation of net income method and discounted cash flows method. In estimating the fair value of the properties, the Manager is of the view that the highest and best use of the properties is their current use.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 7. INVESTMENT PROPERTIES (CONTINUED)

Details of the investment properties as at 31 December 2018 and 2017 which are all located in Germany are set out below:

Description of property	Type	Leasehold term	Location	Appraised value	
				2018 €'000	2017 €'000
Bonn Campus	Office	Freehold	Friedrich-Ebert-Allee, 71, 73, 75, 77, Bonn, Germany	107,800	101,700
Darmstadt Campus	Office	Freehold	Heinrich-Hertz-Straße 3, 5, 7, Darmstadt, Germany Mina-Rees- Straße 4, Darmstadt, Germany	86,400	82,900
Münster Campus	Office	Freehold	Gartenstraße 215, 217, Münster, Germany	49,500	47,800
Concor Park	Office	Freehold	Bahnhofstraße 12 and Dywidagstraße 1, Bahnhofstraße 16, 18, 20, München, Germany	70,500	66,300
Berlin Campus	Office	Freehold	Schreiberhauer Straße 2, 4, 6, 8, 10, 12, 14, 16, 18, 20 and 22, Berlin 10317, Germany	190,700	164,400
<b>Total</b>				<b>504,900</b>	<b>463,100</b>

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

### 2018

Valuation techniques	Income capitalisation rate	Discount rate	Terminal capitalisation rate
Income capitalisation method	4.65% to 6.18%	–	–
Discounted cash flow	–	5.45% to 6.60%	4.80% to 5.70%

### 2017

Valuation techniques	Income capitalisation rate	Discount rate	Terminal capitalisation rate
Income capitalisation method	5.37% to 7.73%	–	–
Discounted cash flow	–	6.75% to 9.00%	5.75% to 7.00%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 7. INVESTMENT PROPERTIES (CONTINUED)

There are inter-relationships between the above significant unobservable inputs. An increase in the income capitalisation rate, terminal capitalisation rate or discount rate will result in a decrease to the fair value of investment properties. An analysis of the sensitivity of each of the significant unobservable inputs is as follows:

Method	Impact on carrying value of properties
Income capitalisation method	If income capitalisation rate were to increase by 0.5%, the carrying value of all the investment properties would decrease by approximately €28.60 million (2017: €18.50 million).
Discounted cash flow method	If discount rate were to increase by 0.5%, the carrying value of all the investment properties would decrease by approximately €18.70 million (2017: €16.20 million).

Investment properties with a fair value of approximately €504.9 million (2017: €463.1 million) have been pledged as security for bank loans (Note 11). All the investment properties are located in Germany.

### 8. INVESTMENT IN SUBSIDIARIES

	IREIT	
	2018 €'000	2017 €'000
Unquoted equity shares, at cost	28,903	28,903
Loans to subsidiaries	204,480	212,503
<b>Total</b>	<b>233,383</b>	<b>241,406</b>

The loans to subsidiaries relate to the loans to the Singapore financing subsidiaries, which are ultimately used to fund the property investment holding subsidiaries for the purchase of the investment properties. The loans are long term in nature, unsecured, do not bear interest and are repayable at the sole discretion of the subsidiaries when they have the necessary cash flow to repay the loans.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

IREIT has held the following wholly-owned subsidiaries as at 31 December 2018 and 2017:

Name of entity	Principal activities	Country/Place of incorporation	Interest held	
			2018 %	2017 %
<i>Directly held:</i>				
IREIT Global Holdings Pte. Ltd. <sup>(a)</sup>	Investment holding	Singapore	100	100
IREIT Global Holdings 1 Pte. Ltd. <sup>(a)</sup>	Investment holding	Singapore	100	100
IREIT Global Holdings 2 Pte. Ltd. <sup>(a)</sup>	Investment holding	Singapore	100	100
IREIT Global Holdings 3 Pte. Ltd. <sup>(a)</sup>	Investment holding	Singapore	100	100
IREIT Global Holdings 4 Pte. Ltd. <sup>(a)</sup>	Investment holding	Singapore	100	100
IREIT Global Investments Pte. Ltd. <sup>(a)</sup>	Group lending	Singapore	100	100
IREIT Global Investments 1 Pte. Ltd. <sup>(a)</sup>	Group lending	Singapore	100	100
IREIT Global Investments 2 Pte. Ltd. <sup>(a)</sup>	Group lending	Singapore	100	100
IREIT Global Investments 3 Pte. Ltd. <sup>(a)</sup>	Group lending	Singapore	100	100
IREIT Global Investments 4 Pte. Ltd. <sup>(a)</sup>	Group lending	Singapore	100	100
<i>Indirectly held:</i>				
Laughing Rock 1 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 2 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 3 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 4 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 5 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 6 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 7 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 8 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 9 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 11 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 12 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 13 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100
Laughing Rock 14 B.V. <sup>(b)</sup>	Real estate investment	Netherlands	100	100

<sup>(a)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(b)</sup> Audited by Deloitte & Touche GmbH, Germany for Group consolidation purposes.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 9. DEFERRED TAX ASSETS/(LIABILITIES)

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from 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.

The following are the major components of deferred tax assets/(liabilities) recognised and movements therein during the current and prior reporting period:

Group	Note	Unutilised tax losses €'000	Revaluation difference of investment properties €'000	Total €'000
<b>Deferred tax assets</b>				
<b>As at 1 January 2017</b>		<b>1,208</b>	<b>395</b>	<b>1,603</b>
Recognised in profit or loss	19	370	(106)	264
<b>Balance as at 31 December 2017</b>		<b>1,578</b>	<b>289</b>	<b>1,867</b>
Recognised in profit or loss	19	138	(245)	(107)
<b>Balance as at 31 December 2018</b>		<b>1,716</b>	<b>44</b>	<b>1,760</b>
<b>Deferred tax liabilities</b>				
<b>As at 1 January 2017</b>		<b>(11)</b>	<b>(4,054)</b>	<b>(4,065)</b>
Recognised in profit or loss	19	–	(3,454)	(3,454)
<b>Balance as at 31 December 2017</b>		<b>(11)</b>	<b>(7,508)</b>	<b>(7,519)</b>
Recognised in profit or loss	19	–	(7,977)	(7,977)
<b>Balance as at 31 December 2018</b>		<b>(11)</b>	<b>(15,485)</b>	<b>(15,496)</b>

### 10. TRADE AND OTHER PAYABLES

	Group		IREIT	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
(a) Trade payables				
Outside parties	702	230	–	–
	<b>702</b>	<b>230</b>	<b>–</b>	<b>–</b>
(b) Other payables				
Accrued expense and other payables	2,459	2,560	551	471
	<b>2,459</b>	<b>2,560</b>	<b>551</b>	<b>471</b>
<b>Total</b>	<b>3,161</b>	<b>2,790</b>	<b>551</b>	<b>471</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 11. BORROWINGS

	Group	
	2018 €'000	2017 €'000
Secured loans	193,494	196,044
Less: Unamortised transaction costs	(279)	(568)
Total	193,215	195,476
Less: Amount due for settlement within 12 months net of unamortised transaction costs (shown under current liabilities)	(96,474)	(21,055)
<b>Amount due for settlement after 12 months</b>	<b>96,741</b>	<b>174,421</b>

IREIT has in place three principal bank facility agreements:

- Facility A: A loan facility of €96.59 million with a bank in Germany for a 5-year term. The facility was fully drawn down as at 31 December 2014 and was utilised as part payment for the acquisition of the investment properties. The loan bears fixed interest rate throughout the tenure of the facility and is repayable on a bullet basis in August 2019.
- Facility B: A facility of €78.38 million with a bank in Germany for a 5-year term. The facility was fully drawn down as at 31 December 2015 and was utilised as part payment for the acquisition of an investment property in 2015. The loan bears fixed interest rates throughout the tenure of the facility and is repayable on a bullet basis in August 2020.
- Facility C: A facility of €18.52 million (2017: €21.07 million) with a bank in Germany for a 1-year term. The facility was fully drawn down as at 31 December 2017 and was originally utilised as part payment for the acquisition of an investment property in 2015. The loan bears floating interest rate throughout the tenure of the Facility and is repayable on a bullet basis in August 2020.

Subsequent to year end, on 1 February 2019, all existing borrowings of €193.49 million were refinanced with new secured loan facilities of €200.76 million maturing in January 2026. The balance proceeds after refinancing-related transaction costs will be used for general working capital and corporate purposes.

The bank facilities have been secured on the investment properties, the assignment of rental proceeds and a fixed charge over the rent accounts of the investment properties.

The fair value of the bank borrowings as at 31 December 2018 is approximately €193.00 million (2017: €196.00 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 12. UNITS IN ISSUE AND TO BE ISSUED

In accordance with the Trust Deed, IREIT's distribution policy provides the Unitholders with a right to receive distribution which IREIT has a contractual obligation to distribute to Unitholders. Accordingly, the units issued are compound instruments in accordance with IAS 32.

The Manager considers the equity component of the issued units to be insignificant and that the net assets attributable to Unitholders presented on the statements of financial position as at 31 December 2018 and 2017 mainly represent financial liabilities.

	<b>Group and IREIT</b>	
	<b>2018</b>	<b>2017</b>
	('000)	('000)
<b>Units in issue:</b>		
Beginning of year	626,666	618,842
Issue of new units relating to:		
Management fees paid in units	5,345	7,824
End of the year	632,011	626,666
<b>Units to be issued:</b>		
Manager's management fees payable in units	1,339	1,376
<b>Total units in issue and to be issued at end of year</b>	<b>633,350</b>	<b>628,042</b>

The units to be issued to the Manager as payment of Manager's fees was issued on 12 March 2019.

## 13. NET ASSET VALUE PER UNIT

Net asset value per unit is based on:

	<b>Group</b>		<b>IREIT</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	€'000	€'000	€'000	€'000
Net assets	305,607	268,691	231,969	240,366
Number of units in issue and to be issued at the end of the year ('000) (Note 12)	633,350	628,042	633,350	628,042
<b>Net asset value per unit (€)</b>	<b>0.48</b>	<b>0.43</b>	<b>0.37</b>	<b>0.38</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 14. GROSS REVENUE

	Group	
	2018 €'000	2017 €'000
Rental income	29,069	29,010
Service charge income	2,648	2,893
Carpark income	2,910	2,900
Other income	181	156
<b>Total</b>	<b>34,808</b>	<b>34,959</b>

### 15. PROPERTY OPERATING EXPENSES

	Group	
	2018 €'000	2017 €'000
Property management expenses	283	291
Repair and maintenance expenses	1,878	1,297
Utilities expenses	622	493
Property tax expenses	1,234	1,234
Other expenses	161	116
<b>Total</b>	<b>4,178</b>	<b>3,431</b>

### 16. FINANCE COSTS

	Group	
	2018 €'000	2017 €'000
Interest on borrowings	3,653	3,698
Amortisation of debt upfront transaction costs	308	331
<b>Total</b>	<b>3,961</b>	<b>4,029</b>

### 17. MANAGER'S FEE

	Group	
	2018 €'000	2017 €'000
Base fee	<b>2,515</b>	<b>2,598</b>

The Manager's management fees comprise an aggregate of 5,307,749 (2017: 5,423,090) units, amounting to approximately €2,515,000 (2017: €2,598,000), which have been or will be issued to the Manager at S\$0.7213 to S\$0.7842 (2017: S\$0.7178 to S\$0.7639) per unit.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 18. OTHER TRUST EXPENSES

	Group	
	2018	2017
	€'000	€'000
Audit fees	110	117
Non-audit fees	144	167
Legal and professional fees	176	302
Property valuation fees	59	93
Others	243	179
<b>Total</b>	<b>732</b>	<b>858</b>

### 19. INCOME TAX EXPENSE

	Group	
	2018	2017
	€'000	€'000
Underprovision of tax in the prior year	6	–
Current tax	245	194
	251	194
Deferred taxation		
– Current year	8,084	3,190
<b>Total</b>	<b>8,335</b>	<b>3,384</b>

IREIT is subjected to Singapore income tax at 17% (2017: 17%) and the subsidiaries at approximately 15.825% (2017: 15.825%) which is the tax rate prevailing in Germany where all the properties are located.

The income tax for the year can be reconciled to the accounting result as follows:

	Group	
	2018	2017
	€'000	€'000
Profit before taxation and transactions with Unitholders	65,367	32,980
Tax at 17%	11,112	5,607
Tax effect of expenses not deductible for tax purposes	602	600
Tax effect of income not taxable for tax purposes	(2,652)	(2,516)
Effect of different tax rate of overseas operations	(623)	(252)
Underprovision of tax in the prior year	(6)	–
Others	(98)	(55)
<b>Tax expense for the year</b>	<b>8,335</b>	<b>3,384</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 20. BASIC AND DILUTED EARNINGS PER UNIT

The calculation of basic earnings per unit is based on:

	Group	
	2018 €'000	2017 €'000
Profit for the year before transactions with Unitholders	57,032	29,596
Weighted average number of units	629,206	623,367
<b>Basic and diluted earnings per unit (€ cents)</b>	<b>9.06</b>	<b>4.74</b>

The diluted earnings per unit is the same as the basic earnings per unit as there were no dilutive instruments issued during the period.

### 21. SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports on components of IREIT that are regularly reviewed by the chief operating decision maker, which is the management of the Manager, in order to allocate resources to segments and to assess their performance.

IREIT owns five (2017: five) properties which are all located in Germany. Revenue and net property income of the five properties (which constitute an operating segment on an aggregated basis) are the measures reported to the Manager for the purposes of resource allocation and performance assessment. The Manager considers that the properties held by IREIT have similar economic characteristics and have similar nature in providing leasing services to similar type of tenants for rental income. In addition, the cost structure and the economic environment in which each of the five (2017: five) properties operate are similar. Therefore, the Manager concluded that the five properties should be aggregated into a single reportable segment and no further analysis for segment information is presented by property.

### 22. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Manager manages the capital of the Group to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Unitholders through the optimisation of debt and net assets attributable to Unitholders, and to ensure that all other externally imposed capital requirements are complied with.

The capital structure of the Group consists of debts, which include bank borrowings and net assets attributable to Unitholders comprising issued and issuable units, and reserves. Effective 1 January 2016, IREIT and the Group are required to maintain aggregate leverage not exceeding 45% of the total asset value of the Group in accordance with the CIS Code issued by MAS. A breach will result in a non-compliance to the regulation.

As at 31 December 2018, the Group's aggregate borrowings amounted to €193.2 million (2017: €195.5 million) representing 36.5% (2017: 40.3%) of the gross asset value of the Group.

The Manager's strategy remains unchanged from 2017. The Group is in compliance with the bank covenants as at 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 23. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	Group		IREIT	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
<b>Financial assets</b>				
<i>At amortised cost</i>				
– Bank balances and cash	18,396	19,106	2,275	3,370
– Trade and other receivables	1,057	1,034	7,291	7,923
<b>Total</b>	<b>19,453</b>	<b>20,140</b>	<b>9,566</b>	<b>11,293</b>
<i>Fair value through profit or loss</i>				
Derivative financial instruments	690	142	690	142
<b>Financial liabilities</b>				
<i>At amortised cost</i>				
– Trade and other payables	3,161	2,790	550	471
– Distribution payable	11,124	11,727	11,124	11,727
– Borrowings	193,215	195,476	–	–
<b>Total</b>	<b>207,500</b>	<b>209,993</b>	<b>11,674</b>	<b>12,198</b>
<i>Fair value through profit or loss</i>				
Derivative financial instruments	–	278	–	278

### (b) Financial risk management objectives and policies

Details of the Group's and IREIT's financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk, liquidity risk and foreign currency risk.

The policies on how to mitigate these risks are set out below. The Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Interest rate risk**

IREIT's exposure to changes in interest rates relates primarily to interest-bearing financial liabilities. IREIT's policy is to maintain most of its cash and cash equivalents and borrowings in fixed rate instruments and the terms of repayment of IREIT's borrowing are shown in Note 11, and details of interest rate on IREIT's fixed deposits are shown in Note 4. As at financial period end, IREIT does not hold or issue derivative instruments to hedge its interest rate instruments.

Accordingly, no sensitivity analysis is prepared.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 23. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

#### *Credit risk*

Credit risk is the potential financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the property companies, as and when they fall due. For trade and other receivables, the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but based on historical credit losses experience (past due status of the trade receivables), adjusted as appropriate to reflect current conditions and estimates of future economic conditions at the reporting date. As at financial period end, expected credit losses from trade and other receivables are expected to be insignificant.

The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are reputable financial institutions which are regulated and carry high credit ratings assigned by international credit-rating agencies. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statement of financial position.

Approximately 89.2% (2017: 55.9%) of the Group receivables as at 31 December 2018 and 84.8% (2017: 84.5%) of Group revenue for the financial period are from two groups of companies in Germany.

#### *Liquidity risk*

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the Manager to finance the Group's and IREIT's operations. In addition, the Manager also monitors and observes the CIS Code concerning limits of total borrowings.

The Group has net current liabilities of €90.17 million as at 31 December 2018 (2017: net current liabilities of €15.37 million). On 1 February 2019, all existing borrowings of €193.49 million were refinanced with new secured loan facilities of €200.76 million maturing in January 2026 (Note 11). Therefore, the Manager is of the opinion that, taking into account the fair value of the investment properties, presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the date of this financial statements. Hence, financial statements have been prepared on a going concern basis.

#### *Liquidity risk analysis*

The following table details the Group's and IREIT's remaining contractual maturity for its non-derivative financial liabilities (other than issued and issuable units) based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and IREIT can be required to pay.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 23. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

#### *Liquidity risk (continued)*

GROUP	Weighted average interest rate %	On demand or less than 12 months €'000	Undiscounted cash flows 2 years to 5 years €'000	Adjustments €'000	Total €'000
<b>Non-derivative financial instruments – liabilities</b>					
<b>31 December 2018</b>					
Non-interest bearing	–	14,285	–	–	14,285
Floating interest rate instrument	1.99%	360	18,807	(658)	18,509
Fixed interest rate instrument	2.05%	99,232	79,281	(3,807)	174,706
		<b>113,877</b>	<b>98,088</b>	<b>(4,465)</b>	<b>207,500</b>
<b>31 December 2017</b>					
Non-interest bearing	–	14,517	–	–	14,517
Floating interest rate instrument	1.78%	21,326	–	(271)	21,055
Fixed interest rate instrument	2.05%	3,351	178,513	(7,443)	174,421
		<b>39,194</b>	<b>178,513</b>	<b>(7,714)</b>	<b>209,993</b>
<b>IREIT</b>					
	Weighted average interest rate %	On demand or less than 12 months €'000	Undiscounted cash flows 2 years to 5 years €'000	Adjustments €'000	Total €'000
<b>Non-derivative financial instrument – liabilities</b>					
<b>31 December 2018</b>					
Non-interest bearing	–	11,675	–	–	11,675
		<b>11,675</b>	<b>–</b>	<b>–</b>	<b>11,675</b>
<b>31 December 2017</b>					
Non-interest bearing	–	12,198	–	–	12,198
		<b>12,198</b>	<b>–</b>	<b>–</b>	<b>12,198</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 23. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

#### *Liquidity risk (continued)*

The Group's derivative financial instruments are settled on a gross basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. The liquidity analysis for derivative financial instruments is prepared based on the contractual maturities as the management considers the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

The Group's derivative financial instruments are foreign currency forwards with notional amount totalling €21.10 million as at 31 December 2018 (2017: €28.44 million) of which the full amount (2017: €19.34 million) will be due for settlement within 1 year and nil amount (2017: €9.1 million) will be due between 2 to 5 years from inception date.

Group and IREIT	On demand or within 1 year €'000	Within 2 years to 5 years €'000	After 5 years €'000
<b>Derivative financial instrument</b>			
<b>31 December 2018</b>			
Gross settled:			
Foreign exchange forward contracts gross inflow	690	–	–
	<b>690</b>	<b>–</b>	<b>–</b>
<b>31 December 2017</b>			
Gross settled:			
Foreign exchange forward contracts gross inflow	68	74	–
Foreign exchange forward contracts gross outflow	(278)	–	–
	<b>(210)</b>	<b>74</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 23. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

#### *Foreign currency risk*

The functional currency of IREIT and its subsidiaries is Euro.

The foreign currency risk is managed by the Manager on an ongoing basis by using forward exchange contracts to hedge the currency risk for distribution to Unitholders. At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the company's functional currency are as follows:

#### **Group**

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2018</b> €'000	<b>2017</b> €'000	<b>2018</b> €'000	<b>2017</b> €'000
Singapore dollars	1,517	2,908	299	260

#### **IREIT**

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2018</b> €'000	<b>2017</b> €'000	<b>2018</b> €'000	<b>2017</b> €'000
Singapore dollars	1,517	2,908	253	217

#### *Foreign currency sensitivity*

The sensitivity rate used when reporting foreign currency risk to key management personnel is 5%, which is the change in foreign exchange rate that management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at the end of the reporting period. The sensitivity analysis includes the potential impact from foreign currency fluctuation on the foreign currency forward contracts (Note 6).

If the relevant foreign currency strengthens by 5% against the functional currency of the company, profit will increase by:

	<b>Group</b>		<b>IREIT</b>	
	<b>2018</b> €'000	<b>2017</b> €'000	<b>2018</b> €'000	<b>2017</b> €'000
Singapore dollars	1,116	1,554	1,118	1,557

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 23. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair value of the other financial assets and financial liabilities is disclosed in the respective notes to the financial statements.

## 24. FUTURE MINIMUM COMMITMENTS

There are no capital expenditure commitments which are contracted but not provided for.

The Group leases out their investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2018 €'000	2017 €'000
Within 1 year	31,936	31,558
After 1 year but within 5 years	105,357	111,089
After 5 years	6,192	19,438
<b>Total</b>	<b>143,485</b>	<b>162,085</b>

## 25. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability to directly or indirectly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or the Group with the Trustee, the Manager, and substantial Unitholders. Related parties may be individuals or other entities.

In the normal course of the operations of the Group, asset management fees and Trustee's fees have been paid or are payable to the Manager and Trustee respectively.

During the period, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

	Group and IREIT	
	2018 €'000	2017 €'000
<u>DBS Trustee Limited as Trustee</u> Trustee's fee	99	95
<u>IREIT Global Group Pte. Ltd. as Manager</u> Management base fee	2,515	2,598

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At 1 January 2018 €'000	Financing cash flows €'000	Non-cash changes		At 31 December 2018 €'000
			Distribution to Unitholders €'000	Amortisation of upfront debt transaction costs €'000	
Bank Borrowings (Note 11)	195,476	(2,570) <sup>(i)</sup>	–	308	193,215
Distribution Payable	11,727	(23,234)	22,631	–	11,124
	<b>207,203</b>	<b>(25,804)</b>	<b>22,631</b>	<b>308</b>	<b>204,339</b>

<sup>(i)</sup> The financing cash flows comprise €2.55 million of repayment of bank borrowings and €20,000 of upfront debt transaction costs paid during the year.

## 27. EVENTS OCCURRING AFTER REPORTING DATE

On 1 February 2019, all existing borrowings of €193.49 million were refinanced with new secured loan facilities of €200.76 million maturing in January 2026. The balance proceeds after refinancing-related transaction costs will be used for general working capital and corporate purposes.

On 7 March 2019, IREIT paid a distribution of S\$ 2.85 cents per unit, for the period from 1 July 2018 to 31 December 2018.

On 12 March 2019, IREIT issued 1,338,159 units at an issue price of S\$0.7213 per unit to the Manager as payment of 100% of the base fee component of the management fee payable to the Manager for the period from 1 October 2018 to 31 December 2018.

## OTHER INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

### INTERESTED PERSON TRANSACTIONS

For the financial year ended 31 December 2018

The transactions entered into with interested persons during the financial year, which fall under the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Property Funds Appendix of the Code on Collective Investment Schemes (excluding transactions of less than S\$100,000 each) are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	€'000	€'000
<b>IREIT Global Group Pte. Ltd.</b>		
– Base fees	2,515	–
<b>DBS Trustee Limited</b>		
– Trustee fees	99	–

Save as disclosed above, there were no additional interested person transactions and IREIT has not obtained a general mandate from Unitholders for interested person transactions.

## OTHER INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

### FEES PAYABLE TO THE MANAGER

The Manager's key financial objectives are to provide Unitholders with regular and stable distributions and the potential for sustainable long-term growth in DPU and NAV per Unit, while maintaining an appropriate capital structure for IREIT. The fees payable to the Manager are structured to motivate the Manager towards achieving the key financial objectives.

The management fees which the Manager is entitled to for the management of IREIT's portfolio comprise the following two components:

#### Base Fee<sup>1,2</sup>

Under Clause 15.1.1 of the Trust Deed, the Manager is entitled to a Base Fee which is computed based on 10.0% per annum of the Annual Distributable Income of IREIT (calculated before accounting for the Base Fee and the Performance Fee).

#### Performance Fee<sup>1</sup>

Under Clause 15.1.2 of the Trust Deed, the Manager is entitled to a Performance Fee which is computed based on 25.0% of the difference in DPU of IREIT in a financial year with the DPU in the preceding financial year (calculated before accounting for the Performance Fee but after accounting for the Base Fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year.

The management fees have an incentive-based element which has been designed to align the interest of the Manager with those of the Unitholders through incentivising the Manager to grow distributable income. In addition, the Performance Fee rewards the Manager appropriately by associating the fee payable with the value the Manager delivers to the Unitholders as a whole in the form of higher DPU. The Manager is incentivised to improve the long-term performance of IREIT's assets on a sustainable basis (as opposed to taking excessive short-term risks) through proactive portfolio management in line with IREIT's strategy, efficient asset management and employing an optimum mix of debt and equity. This deters the Manager from exposing IREIT to excessive short term risks by deferring asset enhancement initiatives or repairs and maintenance as it would be in the Manager's interest to aim for long-term sustainability.

The Manager is also entitled to the following fees upon the successful completion of an acquisition or divestment.

#### Acquisition Fee<sup>1,3</sup>

Under Clause 15.2.1(i) of the Trust Deed, the Manager is entitled to receive an Acquisition Fee at a rate not exceeding a maximum of 1% of the acquisition price for any real estate purchased directly or indirectly by IREIT (pro-rated if applicable to the proportion of IREIT's interest in the real estate acquired).

#### Divestment Fee<sup>1,3</sup>

Under Clause 15.2.1(ii) of the Trust Deed, the Manager is entitled to receive a Divestment Fee at a rate not exceeding a maximum of 0.5% of the sale price of any real estate directly or indirectly sold or divested by IREIT (pro-rated if applicable to the proportion of IREIT's interest in the real estate sold).

The Acquisition Fee and Divestment Fee seek to incentivise the Manager to actively seek potential opportunities to acquire new properties and/or to unlock the underlying value of existing properties within IREIT's asset portfolio through divestments, in order to generate long term benefits to the Unitholders. As the Manager undertakes these activities over and above the provision of ongoing management services, the fees also serve to compensate the Manager for the additional costs and resources expended.

Note:

1 The Manager may elect to receive the fees in cash or Units or a combination of cash and Units (as it may in its sole discretion determine).

2 The Manager has elected to receive 100.0% of its Base Fee in the form of Units for the year ended 31 December 2018.

3 As set out under Clause 15.2.4 of the Trust Deed and as stipulated in Appendix 6 – Investment: Property Funds of the CIS Code, in the case of an interested party transaction, the fee is paid in the form of Units at the prevailing market price and such Units should not be sold within one year from their date of issuance.

## STATISTICS OF UNITHOLDINGS

AS AT 1 MARCH 2019

### DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99	25	0.56	1,154	0.00
100 – 1,000	493	10.96	424,532	0.07
1,001 – 10,000	2,547	56.64	12,504,012	1.98
10,001 – 1,000,000	1,415	31.46	75,775,315	11.99
1,000,001 AND ABOVE	17	0.38	543,306,464	85.96
<b>TOTAL</b>	<b>4,497</b>	<b>100.00</b>	<b>632,011,477</b>	<b>100.00</b>

### TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	DBS NOMINEES (PRIVATE) LIMITED	215,969,229	34.17
2	CITIBANK NOMINEES SINGAPORE PTE LTD	140,836,306	22.28
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	56,162,442	8.89
4	DB NOMINEES (SINGAPORE) PTE LTD	51,295,000	8.12
5	RAFFLES NOMINEES (PTE.) LIMITED	37,034,407	5.86
6	PHILLIP SECURITIES PTE LTD	11,518,025	1.82
7	LIM CHAP HUAT	7,311,450	1.16
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,700,150	0.59
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,208,245	0.51
10	DBSN SERVICES PTE. LTD.	2,983,750	0.47
11	UOB KAY HIAN PRIVATE LIMITED	2,966,800	0.47
12	ABN AMRO CLEARING BANK N.V.	2,901,300	0.46
13	OCBC SECURITIES PRIVATE LIMITED	2,460,150	0.39
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,478,205	0.23
15	NG CHENG HWA	1,300,000	0.21
16	RHB SECURITIES SINGAPORE PTE. LTD.	1,141,750	0.18
17	HSBC (SINGAPORE) NOMINEES PTE LTD	1,039,255	0.16
18	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	998,585	0.16
19	MEREN PTE LTD	977,400	0.15
20	LOH JIN	935,800	0.15
<b>TOTAL</b>		<b>546,218,249</b>	<b>86.43</b>

## STATISTICS OF UNITHOLDINGS

AS AT 1 MARCH 2019

### ISSUED UNITS

There were 632,011,477 Units (voting rights: one vote per Unit) issued in IREIT as at 1 March 2019.

Market capitalisation: S\$467,688,492.98 (based on closing price of S\$0.740 per Unit on 1 March 2019).

### UNITHOLDINGS OF DIRECTORS OF THE MANAGER AS AT 21 JANUARY 2019

No	Name of Director	Direct Interest	Deemed Interest
1	Mr Lim Kok Min, John	290,000	–
2	Mr Tan Wee Peng, Kelvin	300,000	–
3	Mr Nir Ellenbogen	145,000	–
4	Mr Tong Jinquan <sup>(a)</sup>	51,137,000	297,245,264
5	Mr Ho Toon Bah	–	–
6	Mr Bruno de Pampelonne	–	–

### SUBSTANTIAL UNITHOLDERS AS AT 1 MARCH 2019

No	Name of Substantial Unitholders	Direct Interest	Deemed Interest
1	Goodness Investments Limited	297,245,264	–
2	The Longemont (HongKong) Management Limited <sup>(a)</sup>	–	297,245,264
3	Shanghai Changfeng Real Estate Development Co., Ltd <sup>(a)</sup>	–	297,245,264
4	Shanghai Summit (Group) Co., Ltd <sup>(a)</sup>	–	297,245,264
5	Mr Tong Jinquan <sup>(a)</sup>	51,137,000	297,245,264
6	Tikehau Capital SCA	52,602,742	–
7	Mr Lim Chap Huat	33,460,000	–

Note (a) 297,245,264 Units are held by Goodness Investments Limited ("Goodness Investments"), which is a wholly-owned subsidiary of The Longemont (HongKong) Management Limited ("The Longemont"). The Longemont is a wholly-owned subsidiary of Shanghai Changfeng Real Estate Development Co., Ltd ("Shanghai Changfeng"), which is 51.3% owned by Shanghai Summit (Group) Co., Ltd ("Shanghai Summit") and 48.7% owned by Mr Tong Jinquan. Shanghai Summit is wholly-owned by Mr Tong Jinquan. Accordingly, each of Mr Tong Jinquan, Shanghai Summit, Shanghai Changfeng and The Longemont has a deemed interest in the 297,245,264 Units held by Goodness Investments.

### PUBLIC FLOAT

Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure at least 10% of its listed securities are at all times held by the public. Based on the information made to the Manager as at 1 March 2019, approximately 31.14% of IREIT's Units were held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

IREIT did not hold any treasury units as at 1 March 2019.

## NOTICE OF ANNUAL GENERAL MEETING



(a real estate investment trust constituted on 1 November 2013 under the laws of the Republic of Singapore (as amended))

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of the holders of units of IREIT Global ("**IREIT**", and the holders of units of IREIT, "**Unitholders**") will be held at Meeting Rooms 300-301, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Monday, 29 April 2019 at 2.00 p.m., to transact the following business:

### AS ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited (the "**Trustee**"), the Statement by IREIT Global Group Pte. Ltd. (the "**Manager**") and the Audited Financial Statements of IREIT for the financial year ended 31 December 2018 together with the Auditor's Report thereon.

**(Ordinary Resolution 1)**

2. To re-appoint Deloitte & Touche LLP as Independent Auditors of IREIT and to hold office until the conclusion of the next AGM and to authorise the Manager to fix their remuneration.

**(Ordinary Resolution 2)**

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without any modifications:

3. That authority be and is hereby given to the Manager, to:

- (a)
  - (i) issue units in IREIT ("**Units**") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

## NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders shall not exceed twenty per cent. (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:
  - (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting IREIT (as amended) (the “**Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by the Unitholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of IREIT or (ii) the date by which the next AGM of IREIT is required by the applicable regulations to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and

## NOTICE OF ANNUAL GENERAL MEETING

- (6) the Manager and the Trustee, be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of IREIT to give effect to the authority conferred by this Resolution.

**(Ordinary Resolution 3)**

*(Please see Explanatory Note)*

BY ORDER OF THE BOARD  
**IREIT GLOBAL GROUP PTE. LTD.**  
(Company Registration No. 201331623K)  
As manager of IREIT

Lee Wei Hsiung  
Wang Shin Lin, Adeline  
Company Secretaries

Singapore  
29 March 2019

### **Important Notice:**

1. A Unitholder who is not a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

"relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity;

## NOTICE OF ANNUAL GENERAL MEETING

- (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy must be deposited at the office of the Manager's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 27 April 2019 at 2.00p.m. being 48 hours before the time fixed for the AGM.

### Explanatory Note:

#### Ordinary Resolution 3

Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of IREIT or (ii) the date by which the next AGM of IREIT is required by the applicable regulations to be held, whichever is earlier, to issue Units and to make or grant instruments (such as securities, warrants or debentures) convertible into Units and issue Units pursuant to such instruments, up to a number not exceeding 50.0% of the total number of issued Units (excluding treasury Units, if any), of which up to 20.0% may be issued other than on a pro rata basis to Unitholders (excluding treasury Units, if any).

For determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the issued Units at the time Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisition or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

#### Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

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(a real estate investment trust constituted on 1 November 2013 under the laws of the Republic of Singapore (as amended))

# PROXY FORM ANNUAL GENERAL MEETING

## IMPORTANT:

1. Relevant intermediaries (as defined in the Notes Overleaf), may appoint more than two proxies to attend and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. A CPF/SRS Investor who wishes to attend the Annual General Meeting as proxy has to submit his request to his CPF Agent Bank so that his CPF Agent Bank may appoint him as its proxy within the specified timeframe (CPF Agent Bank: Please refer to Notes 3 and 5 on the reverse side of this form on the required details.)

## Personal data privacy

By submitting an instrument appointing a proxy or proxies and/or representative(s), a unitholder of IREIT Global accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 March 2019.

I/We \_\_\_\_\_ (Name(s) and NRIC Number(s)/Passport Number(s)/Company Registration Number) of \_\_\_\_\_ (Address)

being a unitholder/unitholders of IREIT Global, hereby appoint:

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

or failing which, the Chairman of the Annual General Meeting ("AGM") of IREIT Global, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM of IREIT Global to be held at Meeting Rooms 300-301, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on 29 April 2019 at 2.00 p.m. and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	Number of Votes For <sup>(*)</sup>	Number of Votes Against <sup>(*)</sup>
	<b>ORDINARY BUSINESS</b>		
1.	To receive and adopt the Report of the Trustee, the Statement by the Manager and Audited Financial Statements for the financial year ended 31 December 2018 and the Auditor's Report thereon.		
2.	To re-appoint Deloitte & Touche LLP as the Independent Auditors of IREIT and authorise the Manager to fix their remuneration.		
	<b>SPECIAL BUSINESS</b>		
3.	To authorise the Manager to issue Units and to make or grant convertible instruments.		

\* If you wish to exercise all your votes "For" or "Against", please mark with an "X" within the relevant box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

**Total number of Units held**

Signature of Unitholder (s)/ Common Seal of Corporate Unitholder

**IMPORTANT : Please read the notes overleaf before completing this Proxy Form.**

## Notes to the Proxy Form

1. A unitholder of IREIT Global ("**Unitholder**") who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting ("**AGM**") is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, it should annex to the instrument appointing proxies (the "**Proxy Form**") the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of unitholding (number of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

"**relevant intermediary**" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of IREIT Global, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this Proxy Form will be deemed to relate to all the Units held by the Unitholder.
  5. The Proxy Form must be deposited at the office of the Manager's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 27 April 2019 at 2.00 p.m., not less than 48 hours before the time set for the AGM.
  6. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the AGM.
  7. The Proxy Form shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised. The Manager and the Trustee shall be entitled and be bound, in determining the rights to vote and other matters in respect of a completed Proxy Form submitted to it, to have regard to any instructions and/or notes set out in the Proxy Form. The Manager and the Trustee shall have the right to reject any Proxy Form which has not been duly completed.
  8. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a duly certified copy of such power of attorney must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
  9. The Manager and the Trustee shall have the right to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, each of the Trustee and the Manager: (a) may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by CDP to the Manager; and (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Register as at a time not earlier than 48 hours prior to the time of the AGM, supplied by CDP to the Trustee and to accept as the maximum number of votes which in aggregate that Unitholder and his proxy/ies (if any) are able to cast on a poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the Proxy Form.
  10. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.

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# CORPORATE DIRECTORY

## THE MANAGER

### IREIT Global Group Pte. Ltd.

8 Marina View  
#15-07A, Asia Square Tower 1  
Singapore 018960  
Tel: +65 6718 0590  
Fax: +65 6718 0599

## TRUSTEE

### DBS Trustee Limited

12 Marina Boulevard  
Level 44, DBS Asia Central  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: +65 6878 8888  
Fax: +65 6878 3977

## BOARD OF DIRECTORS (THE MANAGER)

### Mr Lim Kok Min, John

Chairman and Independent Non-Executive Director

### Mr Tan Wee Peng, Kelvin

Independent Non-Executive Director

### Mr Nir Ellenbogen

Independent Non-Executive Director

### Mr Bruno de Pampelonne

Non-Executive Director

### Mr Tong Jinquan

Non-Executive Director

### Mr Ho Toon Bah

Non-Executive Director

## AUDIT AND RISK COMMITTEE (THE MANAGER)

### Mr Tan Wee Peng, Kelvin

Chairman

### Mr Lim Kok Min, John

Member

### Mr Nir Ellenbogen

Member

## NOMINATING AND REMUNERATION COMMITTEE (THE MANAGER)

### Mr Nir Ellenbogen

Chairman

### Mr Lim Kok Min, John

Member

### Mr Bruno de Pampelonne

Member

## AUDITORS

### Deloitte & Touche LLP

6 Shenton Way  
#33-00 OUE Downtown 2  
Singapore 068809  
Partner-in-charge: Mr Xu Jun  
(Appointed with effect from financial year ended 31 December 2015)

## PROPERTY MANAGERS

### LEOFF Asset Management GmbH

Weißliliegasse 7  
55116 Mainz  
Germany

### Jones Lang LaSalle GmbH

Wilhelm-Leuschner-Str.78  
60329 Frankfurt  
Germany

## COMPANY SECRETARIES

### Mr Lee Wei Hsiung, ACIS

### Ms Wang Shin Lin, Adeline, ACIS

## UNIT TRUST REGISTRAR

### Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: +65 6536 5355  
Fax: +65 6438 8710

## STOCK EXCHANGE QUOTATIONS

SGX Stock Code: UD1U

Bloomberg Code: IREIT:SP

Reuters Code: IREI.SI



**IREIT Global Group Pte. Ltd.**  
A subsidiary of Tikehau Capital



(As manager of IREIT Global)  
Company Registration No. 201331623K

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