

Date: 29 September 2020

To:

HSBC Institutional Trust Services (Singapore) Limited ("Trustee")

(in its capacity as trustee of SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST)

10 Marina Boulevard
Marina Bay Financial Centre, Tower 2, #45-01
Singapore 018983

Dear Sirs,

PROPOSED MERGER OF ESR-REIT AND SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST ("SABANA REIT") BY WAY OF A TRUST SCHEME OF ARRANGEMENT (THE "PROPOSED MERGER")

- RESPONSE TO TRUSTEE'S LETTER DATED 23 SEPTEMBER 2020

We refer to your letter dated 23 September 2020 in response to our letter to you dated 3 September 2020 ("**Letter**"). All terms used but not defined herein shall carry the same meaning as provided in the Letter.

In our Letter, we had raised several issues and had requested you (the "**Trustee**") to form an opinion as to whether the Manager had failed to follow the terms of the Trust Deed to the prejudice of the participants of the Sabana REIT in putting forward the Proposed Merger.

Your response is very disappointing to say the least. Instead of providing a direct answer, your response displays a lack of consideration to the issues raised in our Letter and does nothing more than to repeat what had already transpired.

This is plain for all to see and indeed already noted in The Business Times article dated September 28, 2020 by Ben Paul titled "*Wariness among Reit managers trustees as contentious merger proposals move forward*", where it was noted that the trustee of Sabana Reit responded to our Letter "*without directly answering the question asked of it*" and "*merely outlined the steps Sabana's REIT manager took to evaluate the merger proposal, and restated the Monetary Authority of Singapore's assurance that safeguards are in place to mitigate conflicts of interest and other risks*".

We remind you that the Trustee is not merely responsible for holding assets on behalf of the Sabana REIT but also to carry out its duties in the Trust Deed and under the law.

The Trustee is required, as matter of law, to exercise due diligence and vigilance to safeguard the interests of unitholders and to ensure that the REIT is managed in accordance with the provisions laid out in the Trust Deed. The Trustee's duty in this respect is independent of any safeguards imposed by the Monetary Authority of Singapore (MAS) or any procedures required or applicable to the Proposed Merger under the law.

We firmly believe that our Letter has raised serious issues which merit proper deliberations by the Trustee on whether the Manager has failed to follow the terms of the Trust Deed to the prejudice of the participants. While we acknowledge that additional safeguards were imposed by the MAS in this instance, the lack of information as to what these additional safeguards are and whether they were indeed complied with does not give any reassurance to unitholders that their interests are indeed adequately taken care of.

It is our view that if the MAS has seen it appropriate to impose additional safeguards against the conflict of interest faced by the Manager, it is all the more apparent that the Trustee should be put on heightened alert and to scrutinize any actions of the Manager closely. This is the fundamental role of a trustee and the overriding reason for having a trustee in the first place – to *independently* assess whether the terms of the Trust Deed are complied with and whether the Manager has complied with its duties.

However, based on your response, we do not see any evidence of the Trustee having independently considered or made any assessment as to whether the issues raised in our Letter have been adequately addressed and whether any additional safeguards put in place were in fact effective to mitigate the conflicts of interest faced by the Manager.

In the circumstances, we do not have confidence that the Trustee is performing its role properly or has discharged its duties to unitholders of Sabana REIT. We strongly urge the Trustee to take necessary actions to discharge their duties as trustee and to protect the interests of unitholders.

We, as unitholders of the Sabana REIT, expressly reserve any rights we may have under the Trust Deed, at law or otherwise. Nothing herein or in our Letter shall constitute a waiver of or prejudice any of our rights or remedies available to us.

Yours faithfully,

Jan F. Moermann
CIO, Quarz Capital Management

Peter Kennan
CIO, Black Crane Capital

CC: SGX RegCo

Unitholders