



2020 INTEGRATED REPORT

DELIVERING VALUE AMIDST UNCERTAINTY

AREIT pioneered the first REIT to democratize commercial real estate for more Filipinos and reinvest capital in the Philippines



ABOUT THIS REPORT

This Integrated Report, released on April 23, 2021, was prepared in accordance with the International Integrated Reporting <IR> framework, developed by the International Integrated Reporting Council, referencing the Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The financial and non-financial information cover AREIT's operations for the calendar period ending December 31, 2020.

The specific boundary and business units to which certain performance indicators are most material and applicable are specified in the Sustainability Reporting Index, consistent with the topic boundaries reported in previous periods.

Corporate governance practices cited in this report are based on metrics defined by the ASEAN Corporate Governance Scorecard.

This report may be downloaded at <https://areit.com.ph/>. In case of questions regarding this report or its contents, contact AREIT Investor Communications and Compliance Division at investor.relations@areit.com.ph

A BRIGHT SPOT IN UNCERTAIN TIMES



AREIT, Inc. debuted on the Philippine Stock Exchange on August 13, 2020, providing a bright spot in an economy undergoing tremendous stress due to the pandemic. Shown here are Carol T. Mills, President and CEO (top, middle photo); SEC Chairperson Emilio B. Aquino (top, right photo); PSE President and CEO Ramon S. Monzon (bottom, left photo); Bernard Vincent O. Dy, AREIT Director and Ayala Land President and CEO (extreme right in bottom, right photo); Augusto D. Bengzon, AREIT Director and Treasurer and Ayala Land CFO, Treasurer and Chief Compliance Officer (extreme left in bottom, right photo); and Jose Emmanuel H. Jalandoni, AREIT Chairman (second from left, right photo)

The Philippine economy had just come out of what would be the worst-performing quarter of the year when the country's first real estate investment trust (REIT) was introduced to the investing public.

In August 2020, AREIT, Inc. was offered to the market for the first time, completing a PHP 13.6 billion IPO, twice oversubscribed.

The successful launch of AREIT, the first to be established under the REIT Law, showed the strong interest of the local market for investments that deliver value over time and contribute positively to the economy. AREIT democratized real estate, allowing many investors to share in the ownership of commercial assets in prime locations.

AREIT enabled capital recycling and reinvestment in the country, spurring development of commercial real estate in support of jobs and businesses.

As the nation battles the challenges of the pandemic, AREIT's performance over the past year has demonstrated that a properly executed REIT can be a bright spot—an engine of growth—in an otherwise desolate economic landscape.

With a total deposited value of PHP37 billion, AREIT looks forward to acquiring more assets, preserving and even increasing dividends to its shareholders, and contributing to the revival and growth of the Philippine economy.

ABOUT THE COMPANY

AREIT, Inc. (AREIT) was incorporated on September 4, 2006 as a real estate company. It was originally known as One Dela Rosa Property Development, Inc. before changing to its current name on April 12, 2019.

It is the first Real Estate Investment Trust (REIT) in the Philippines, formed primarily to own and invest in an income-generating commercial portfolio of office, retail, and hotel properties in the country that meets its investment criteria. As a commercial REIT, AREIT will focus on expanding its office, shopping center, and hotel properties but may also explore other types of real estate properties available in the market as the opportunity arises.

AREIT was publicly listed on the Philippine Stock Exchange on August 13, 2020. As of December 31, 2020, forty-five (45%) of the Company is publicly owned while its Sponsor, Ayala Land, Inc., has a 54% share.

AREIT offers an investment opportunity with a stable yield, distributing at least 90% of its distributable income from high-quality properties with strong tenant demand in its portfolio. Furthermore, with strong Sponsor support and highly-experienced fund and property management companies, AREIT Fund Managers, Inc., (AFMI) and AREIT Property Managers, Inc., (APMI) respectively, it provides the potential for revenue and net operating income growth.

MISSION

AREIT delivers excellent real estate and an investment strategy that creates sustainable value to its customers, locators, stakeholders, and the relevant communities it serves.

OUR VISION

To be the premiere and leading Real Estate Investment Trust in the Philippines with a balanced portfolio providing stable returns and long-term growth

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THE PORTFOLIO:

344 THOUSAND SQ. METERS OF GLA WITH A TOTAL DEPOSITED PROPERTY VALUE OF PHP37 BILLION



Solaris One

GLA: 46,768 sq. meters

Location: Makati CBD

Year Completed: 2008



Ayala North Exchange

GLA: 95,300 sq. meters

Location: Makati CBD

Year Completed: 2019



The 30th*

GLA: 74,704 sq. meters

Location: Pasig/Ortigas CBD

Year Completed: 2017



McKinley Exchange

GLA: 10,688 sq. meters

Location: Makati City

Year Completed: 2014



Teleperformance Cebu

GLA: 18,093 sq. meters

Location: Cebu IT Park

Year Completed: 2013



Laguna Technopark Industrial Lots*

GLA: 98,179 sq. meters

Location: Laguna Technopark, Binan, Laguna

Year Completed: N/A

*Acquired in January 2021

PERFORMANCE HIGHLIGHTS

| | 2020 | 2019 |
|---|---------|--------|
| Statement of Income (PHP millions) | | |
| Total Revenues | 1,952 | 1,563 |
| EBITDA | 1,583 | 1,362 |
| Net Income | 1,227 | 1,261 |
| Statement of Financial Position (PHP millions) | | |
| Cash and Cash Equivalents | 59 | 122 |
| Total Assets | 14,631 | 11,992 |
| Total Borrowings | – | – |
| Stockholders' Equity | 12,338 | 10,801 |
| Statement of Cashflows (PHP millions) | | |
| Net Cashflow provided by Operating Activities | 1,527 | 869 |
| Net Cash used in Investing Activities | (1,827) | 189 |
| Net Cash provided by Financing Activities | 237 | (961) |
| Financial Ratios | | |
| Current Ratio | 3.72 | 4.35 |
| Debt-to-equity ratio | – | – |
| Net debt-to-equity ratio | – | – |
| Return on Equity (Average Equity) | 11% | 12% |
| Return on Assets (Average Assets) | 9% | 11% |
| Stock Information | | |
| Market Capitalization (PHP millions) | 30,103 | – |
| Stock Price (PHP) | 29.35 | – |
| Earnings per Share (PHP) | 1.23 | 1.29 |
| Operational Highlights | | |
| Total GLA (thousands sqm) | 171 | 142 |
| Occupancy* | 98.2% | 90.3% |
| Total Tenants | 87 | 66 |
| Average Lease Rate (per sqm/month) | 810 | 822 |
| Sustainability Highlights | | |
| Economic Value Distribution (PHP millions) | | |
| Economic Value Generated | | |
| Total Revenues | 1,952 | 1,563 |
| Economic Value Distributed | | |
| Payments to Suppliers/contractors | 243 | 156 |
| Payments to Employees | – | – |
| Payments to Providers of capital | 1,019 | 974 |
| Payments to Governments | 273 | 398 |
| Payments to Communities | – | – |
| Economic Value Retained | 417 | 35 |
| Environmental Indicators | | |
| Net GHG Emissions - Commercial Properties (t-CO2e) | 7,565 | 8,640 |
| % of energy consumption in Renewable Energy | 35% | 34% |

*Lease out rate was 99.7% and 98.3% in 2020 and 2019, respectively.

MESSAGE FROM THE CHAIRMAN AND PRESIDENT



JOSE EMMANUEL H. JALANDONI
Chairman



CAROL T. MILLS
President and CEO

WE TOOK THE BOLD STEP OF LAUNCHING THE FIRST PHILIPPINE REIT, PROVIDING AN OPPORTUNITY FOR FILIPINOS TO PARTICIPATE IN COMMERCIAL REAL ESTATE AND FOR AYALA LAND TO REINVEST CAPITAL IN THE PHILIPPINES.

Over a decade ago, in July 2009, the Philippine Real Estate Investment Trust (REIT) Law was enacted, promoting the development of the capital markets, broadening the participation of Filipinos in the ownership of real estate in the country, and in the process, spurring overall economic development.

We are pleased to report that AREIT, Inc., the first Philippine REIT established under that Law, was finally offered to the public in August 2020 and performed ahead of target, proof that challenging times do not necessarily translate to losses. AREIT demonstrated how a commercial real estate investment trust could continue driving the gears of the Philippine economy even under very dire circumstances.

Despite widespread community lockdowns, we recorded a full-year net income of PHP1.23 billion on revenues of PHP1.95 billion and EBITDA (earnings before interest, taxes, depreciation, and amortization) of PHP1.58 billion, 3% and 4% higher, respectively, than originally planned. This allowed us to distribute quarterly cash dividends to our shareholders, bringing our full-year dividends on our 2020 income to PHP1.32 per share, higher than projected during our IPO.

Underpinning these impressive results are decisions and actions consistent with the spirit of *bayanihan* and the corporate vision of “enhancing land, enriching lives” that have long animated the strength of our Sponsor, Ayala Land. Ayala Land’s position as the number one office developer in the country and its more than 12 thousand hectares of land bank present a wellspring of opportunities for AREIT’s long-term growth.

To create sustainable value for AREIT’s shareholders, we carefully select properties that are best performing and hinged on quality tenancy with large global corporate locators.

MESSAGE FROM THE CHAIRMAN AND PRESIDENT

AREIT's solid fundamentals have enabled us to deliver value even during this precarious time. As a well-designed REIT, it has a large capacity to grow organically from its initial assets and inorganically from expansion and acquisition of new assets. We envision AREIT to have multiple presence nationwide, with its potential for geographical growth analogous to that of Ayala Land, starting with Makati and expanding to various key urban cities throughout the country.

Our latest acquisitions are testaments to our commitment to deliver on our targets. In January, we purchased four parcels of land at the Laguna Technopark from Technopark Land, Inc. for PHP1.1 billion. Leased by Integrated Micro-Electronics, Inc. (IMI) until December 2027, this 9.8-hectare property supports local employment and will provide sustained value for investors over the medium term. IMI, a subsidiary of Ayala Corporation, is a leading global manufacturing and technology solutions company.

In the same month, we acquired The 30th, a commercial development in Pasig City for PHP5.1 billion. Located along Meralco Avenue, it hosts a 19-storey office tower on top of a retail podium with a combined gross leasable area (GLA) of 74,704 sq. meters.

These two properties immediately doubled our portfolio of prime assets from 171 thousand to 344 thousand sq. meters and brought our deposited property value from PHP30 billion after our IPO, with Solaris One, Ayala North Exchange, McKinley Exchange in Makati City, and Teleperformance Cebu in Cebu City. Altogether, our properties to date are valued at PHP37 billion.

The narration of AREIT's journey would not be complete without recounting the preparatory work since 2018 leading up to our IPO. Launching a REIT has always been our intent even prior to the pandemic, as we

recognize the benefits of a properly executed REIT in fueling the growth of commercial real estate in the country.

The various lockdowns to stem the spread of COVID-19 and the economic contraction—the country's full-year GDP was at negative 9.6%—could have put a damper on what we had planned to be a vigorous growth engine. We moved with caution, but we did not shelve our plans. Watching the industry closely, we kept our locators engaged and our buildings open and safe throughout.

Seeing the viability of AREIT, we went ahead and completed our PHP13.6 billion IPO in August. With two times oversubscription, we did not back down. We believed we had a compelling opportunity amidst the pandemic to democratize commercial real estate for Filipinos and reinvest income in the Philippines.

As we embark on our second year as a listed company, we look forward to the reopening of the Philippine economy and reaching out to more Filipino investors as AREIT brings a positive ripple effect and promote greater inclusiveness.

Heading forward, we will always remain true to the key elements that make AREIT a best-in-class REIT—the track record of Ayala Land as the largest mixed-use developer in the country; prime location and quality of assets; stable, long-term occupancy by top global and local companies; inflation-hedged growth through contracted escalations; and an experienced professional management team.

Our investments will be made on high-quality commercial assets in prime locations, with convenient access to public transportation. Focus will continue to be on the resilient office sector, while the other commercial segments stabilize. We will also keep eye on

other opportunities, such as the industrial segment, to broaden our portfolio. We have identified new assets for acquisition, expanding to more business districts across the country.

As a final note, we recognize that being the country's pioneer REIT puts us in a unique position to lead by example—an example of promoting and spurring development, broadening investment opportunities for the general public, and regenerating capital for the Philippine economy. As experienced in countries that have earlier established REITs, we are confident that AREIT will be one of the nation's engines to sustain long-term economic growth.

The strength and soundness of AREIT have proven the mettle of the women and men who have put more than their share in setting up and delivering on the promise of the country's first REIT in a very trying time.

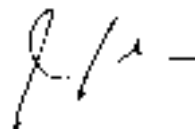
Our fund and property management companies, AREIT Fund Managers, Inc. (AFMI) and AREIT Property Managers, Inc. (APMI), are strongly aligned with the goals of AREIT. Arm in arm, we collaborate to expand and diversify AREIT's asset portfolio, achieve a 10 to 12% total shareholder return, and maintain our leadership in the Philippine REIT sector.

To the Board of Directors of AREIT, we wish to convey our sincerest thanks for their support and guidance, allowing us to competently and skillfully blaze the trail for the country's REIT sector.

To AREIT's officers and management, it's an honor to work with you on this first Philippine REIT. Thank you for staking your time, efforts, and expertise in an endeavor to democratize wealth, develop a more robust capital market, and promote reinvestment in our country.

We recognize that being the country's pioneer REIT puts us in a unique position to lead by example—an example of promoting and spurring development, broadening investment opportunities for the general public, and regenerating capital for the Philippine economy.

Lastly, we would like to thank our shareholders for trusting AREIT and allowing us to demonstrate our ability to deliver value as we have committed. We hope for your continued confidence as we expand our portfolio, maintaining our market leadership and providing stable shareholder returns.



JOSE EMMANUEL H. JALANDONI
Chairman



CAROL T. MILLS
President and CEO



BUSINESS REVIEW

Financial Performance

AREIT, Inc. (AREIT) achieved total revenues of PHP1.95 billion and EBITDA (earnings before interest, taxes, depreciation, and amortization) of PHP1.58 billion, 3% and 4% higher than its REIT Plan, respectively, mainly driven by the stable operations of its portfolio despite the ongoing pandemic. Full-year 2020 net income reached PHP1.23 billion, also better than Plan.

Portfolio

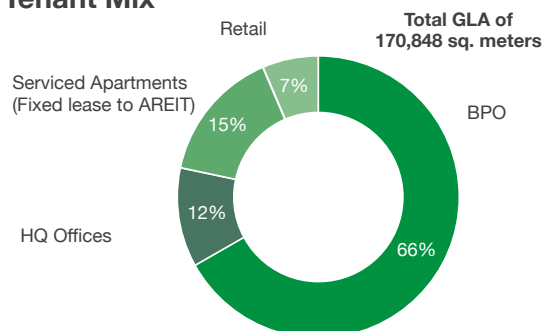
The country's first REIT ended 2020 with a portfolio of four Grade-A office buildings located in the prime business districts of Makati City and Cebu City with a total gross leasable area (GLA) of 170,848 sq. meters. AREIT debuted on the Philippine Stock Exchange with three Makati-based assets, namely Solaris One, 46,768 sq. meters of GLA; Ayala North Exchange, 95,300 sq. meters of GLA; and McKinley Exchange, 10,688 sq. meters of GLA.

In September, a month after its initial public offering, AREIT used proceeds from the sale of primary shares to purchase its fourth asset, Teleperformance Cebu with 18,093 sq. meters of GLA. This acquisition has contributed to the company's operating income since October 1, 2020.

All four assets have remained open throughout the pandemic, providing uninterrupted service to its tenants, supported by 80 building personnel on-site.

AREIT maintains a stable tenant mix composed of BPOs (66%), serviced apartments (15%), headquarter-type operations (12%), and retail (7%).

Tenant Mix



AREIT declared total dividends of PHP1.35 billion for its full-year 2020 operations. This is equivalent to PHP1.32 per share, higher than its initial projection in the REIT Plan during its IPO.

Total occupancy stood at close to 100% with an average monthly rental rate of PHP810 per sq. meter.

The weighted average lease expiry of its office tenants is 4.4 years with low tenant concentration given the current diversity.

Dividends

Consistent with its commitment to deliver consistent shareholder returns, AREIT declared total dividends of PHP1.35 billion from its full-year 2020 operations. This is equivalent to PHP1.32 per share, higher than its initial projection in the REIT Plan during its IPO.

Growth Prospects

In January 2021, AREIT completed the acquisition of two assets, increasing its GLA to 344,000 sq. meters. It first acquired The 30th, a 74,704-sq. meter commercial development located in Pasig City. This was followed by the acquisition of 98,179 sq. meters of land located at the Laguna Technopark, currently leased by Integrated Micro-Electronics, Inc.

BUSINESS REVIEW



Located in the heart of the Makati Central Business District, Solaris One on Dela Rosa Street offers close to 47,000 sq. meters of office space.



The two-tower Ayala North Exchange on the northern end of Ayala Avenue provides a complete mixed-use offering with a retail podium, BPO and headquarter-type offices, and serviced residences.

TO CREATE SUSTAINABLE VALUE FOR AREIT'S SHAREHOLDERS, WE CAREFULLY SELECT PROPERTIES THAT ARE BEST PERFORMING AND HINGED ON QUALITY TENANCY WITH LARGE GLOBAL CORPORATE LOCATORS.



The McKinley Exchange Corporate Center at the intersection of Ayala Avenue and EDSA northbound is easily accessible to tenant employees and houses a terminal of the BGC bus service.



Completed in 2013, the 12-storey Teleperformance Cebu is located in the 27-hectare Cebu I.T. Park.

OUR LEADERS

BOARD OF DIRECTORS



JOSE EMMANUEL H.
JALANDONI
Chairman



CAROL T. MILLS
President and CEO



BERNARD
VINCENT O. DY
Director



AUGUSTO D.
BENZON
Director and Treasurer



OMAR T. CRUZ
Lead Independent
Director



ENRICO S. CRUZ
Independent Director



SIMEON C. CUA
Independent Director

BOARD OF DIRECTORS

JOSE EMMANUEL H. JALANDONI

CHAIRMAN

Filipino, 53, has served as the Chairman of the Board of AREIT, Inc. since February 5, 2020. He is a Senior Vice President and a member of the Management Committee, and the Group Head of the commercial business composed of malls, offices, hotels, resorts of Ayala Land, Inc. He is Chairman of AyalaLand Logistics Holdings Corp. and Director of Cebu Holdings, Inc., both publicly listed subsidiaries of ALI. His other significant positions are: Chairman of the Board of ALI Capital Corporation, ALI Commercial Center, Inc., ALI Makati Hotel and Residences, Inc., ALI Makati Hotel Property, Inc., ALI Triangle Hotel Ventures, Inc., Arca South Hotel Ventures, Inc., AsiaTown Hotel Ventures, Inc., Ayala Hotels, Inc., AyalaLand Hotels and Resorts Corporation, AyalaLand Medical Facilities Leasing, Inc., AyalaLand Offices, Inc., Bacuit Bay Development Corporation, Bay Area Hotel Ventures, Inc., Bonifacio Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Company, Inc., Central Bloc Hotel Ventures, Inc., Chirica Resorts Corporation, Circuit Makati Hotel Ventures, Inc., Direct Power Services, Inc., Ecoholdings Company Inc., Econorth Resort Ventures, Inc., EcoSouth Hotel Ventures, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., Integrated Eco-Resort, Inc., Lio Resort Ventures, Inc., Lio Tourism Estate Management Corporation, Makati North Hotel Ventures, North Eastern Commercial Corporation, North Liberty Resort Ventures, Inc., North

Triangle Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., Pangulasian Island Resort Corporation, Paragua Eco-Resort Ventures, Inc., Regent Horizons Conservation Company, Inc., Sentera Hotel Ventures, Inc., Sicogon Island Tourism Sicogon Town Hotel, Inc., Estate Corporation, Soltea Commercial Corporation, Southcrest Hotel Ventures, Inc., Ten Knots Development Corporation, Ten Knots Philippines, Inc., Whiteknight Holdings, Inc. and One Makati Residential Ventures, Inc. He is also a Director of the following companies: Accendo Commercial Corporation, Alabang Commercial Corporation, Arca South Integrated Terminal, Inc., Ayagold Retailers, Inc., Ayala Property Management Corporation, Cagayan de Oro Gateway Corporation, Columbus Holdings, Inc., Fort Bonifacio Development Corporation, Makati Cornerstone Leasing Corporation, Makati Development Corporation, Philippine Integrated Energy Solutions, Inc., and Station Square East Commercial Corporation. He joined ALI in 1996 and held various positions in the company. Mr. Jalandoni graduated with a Bachelor of Science degree in Legal Management from Ateneo de Manila University. He earned his master's degree in Business Administration from Asian Institute of Management. He is a chartered financial analyst.

CAROL T. MILLS
PRESIDENT AND CEO

Filipino, 48, has served as the President of AREIT, Inc. since February 10, 2014, and President and Chief Operating Officer since April 4, 2019. She is a Vice President at Ayala Land, Inc. She is also the President of Ayala Land Offices, Inc (ALO). She is also Chairman and President of various ALO subsidiaries, namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., ALO Prime Realty Corp., Glensworth Development Inc., Hillsford Property Corp., and Sunnyfield E-Office Corp.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp.; and Director of North Triangle Depot Commercial Corp., ALI Capital Corp., DirectPower Services, Inc., and Central Block Developers Inc. She joined ALI in 1993. Prior to her current position, she was Deputy Head of Business Development for Ayala Malls from 2008 to 2013, General Manager for Alabang Town Center from 2004 to 2008, and Operations Manager for Glorietta from 2000 to 2004. Ms. Mills graduated magna cum laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration. In 1998, she earned her master's degree in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire.

BERNARD VINCENT O. DY
DIRECTOR

Filipino, 57, has served as a Director of AREIT, Inc. since April 4, 2019. Mr. Dy has led Ayala Land, Inc. as President and Chief Executive Officer since April 7, 2014. He is also a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee since April 2014. He was the Head of Residential Business, Commercial Business and Corporate Marketing and Sales. He is the Chairman of Ayala Property Management Corporation, Makati Development Corporation, Alveo Land Corporation, Amaia Land Corporation, Bellavita Land Corporation, Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corporation, Philippine Integrated Energy Solutions, Inc., Avencosouth Corp., Nuevocentro, Inc., and Cebu Holdings, Inc. In addition, Mr. Dy serves as Vice Chairman of Ayala Greenfield Development Corporation and Alviera Country Club, Inc. He is also the President of Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., Fort Bonifacio Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Alabang Commercial Corporation, and Accendo Commercial Corporation. Further, He serves as Director of AyalaLand Logistics Holdings Corp., MCT Bhd in Malaysia, Avida Land Corporation, Amicassa Process Solutions, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Serendra, Inc., Alveo- Federal Land Communities, Inc., ALI Eton Property Development Corporation, and AKL Properties, Inc. Mr. Dy is the President of Hero Foundation Inc. and Bonifacio Art Foundation, Inc. He is a member of the Board of Trustees of the Ayala Foundation, Inc. and Ayala Group Club, Inc. He is a Director of the Junior Golf Foundation of the Philippines since 2010 and has served as its Vice Chairman since 2017. In 2020, he became a member of University of Chicago's Global Leaders Group. He earned a Bachelor's Degree in Business Administration from the University of Notre Dame in 1985. He received his MBA in 1989 and MA International Relations in 1997, both from the University of Chicago.

BOARD OF DIRECTORS

AUGUSTO D. BENGZON DIRECTOR AND TREASURER

Filipino, 57, has served as a Director and the Treasurer of AREIT, Inc. since April 4, 2019. He concurrently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer, Chief Compliance Officer and Treasurer. He is the Treasurer of Cebu Holdings Inc. and a Director of AyalaLand Logistics Holdings Corp., both publicly listed subsidiaries of ALI. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc.; Director, Treasurer, and Compliance Officer of Anvaya Cove Golf and Sports Club Inc.; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Avida Land Corp., Ayala Property Management Corp., Bellavita Land Corp., BGNorth Properties Inc., BGSouth Properties Inc., BGWest Properties Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc., Serendra Inc., and Vesta Property Holdings Inc.; Director and Assistant Treasurer of Ayala Greenfield Development Corp.; Director of AG Counselors Corporation, Alviara Country Club Inc., Alveo Land Corp., Ayala Land Premier, Inc., Makati Development Corp., Nuevocentro, Inc., Northgate Hotel Ventures, Inc., Portico Land Corp., Station Square East Commercial Corp., and Southcrest Hotel Ventures, Inc.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc., and Hero Foundation, Inc.; and Assistant Treasurer of Ayala Greenfield Golf & Leisure Club, Inc. He is also a Trustee of the Fe del Mundo Medical Center Foundation Philippines, Inc. and the Philippine National Police Foundation, Inc. Mr. Bengzon received his Bachelor of Science degree in Business Management from the Ateneo de Manila University. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his master's degree in Business Management. He is also an alumnus of the Trust Institute of the Philippines.

OMAR T. CRUZ LEAD INDEPENDENT DIRECTOR

Filipino, 66, has served as Lead Independent Director of AREIT since April 12, 2019. He also serves as the Chief Bancassurance Executive of the Insular Life Assurance Co., Ltd.; Trustee for the Financial Executives Institute of the Philippines; Trustee and Board Executive Committee Member for the University of Asia and the Pacific; Trustee and Board Executive Committee Member for the Center for Research and Communication Foundation, Inc.; Trustee for De La Salle University; Chairman of the Investment Committee for De La Salle Philippines; Trustee for the Philippine National Police Foundation; and Board Member of the Credit Information Bureau, Inc. He had served as Chairman of the International Treasury Committee of the International Association of Financial Executives Institution; Senior Advisor to Prudential Corporation Asia (HK); and President and CEO of BPI-Philam Life Assurance Corp. He had also served as a director for numerous entities, including Philam Life Company, BPI-Philam Life Assurance Corporation, Ayala FGU Condominium Corporation, Rufino Towers Condominium Corporation, Philam Asset Management, Inc., and Tower Club, Inc. He had also worked for the national government, serving as Treasurer of the Republic of the Philippines from 2005 to 2007. Mr. Cruz graduated with a Bachelor of Science degree in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University. He also achieved his master's in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific.

ENRICO S. CRUZ

INDEPENDENT DIRECTOR

Filipino, 63, has been an independent director of AREIT since February 5, 2020. He is also an Independent Director of Security Bank Corporation, Da Vinci Capital Holdings Inc, Maxicare Healthcare Corporation, CIBI Information Inc. and Vice Chairman of SB Capital Investment Corporation. He was the Chief Country Officer of Deutsche Bank Manila Branch from June 2003 to July 2019, responsible for the operation of Deutsche Bank entities in the Philippines. He was concurrently the bank's Head of Corporate Finance overseeing debt origination, equity capital markets, advisory and corporate/institutional sales activities. He joined Deutsche Bank in July 1995 where he established the Global Markets (GM) franchise in the Philippines. Prior to Deutsche Bank, Eric was Senior Vice President at Citytrust Banking Corporation (CTBC), an affiliate of Citibank N.A.. He joined CTBC in 1979 as an Executive Development Program Trainee and worked in various operations departments until he was named Head of Centralized Operations Department. He was then tasked in 1989 to head the Treasury Sales and Trading Group until his move to Deutsche Bank. He previously served as a Director of the Bankers Association of the Philippines (BAP) in 2003-2007, 2011-2015 and 2017-2019 and was a past president of the Money Market Association of the Philippines. Eric obtained his B.S. in Business Economics and MBA from the University of the Philippines. He was named by the UP College of Business as a Distinguished Alumnus in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association in 2015.

SIMEON S. CUA

INDEPENDENT DIRECTOR

Filipino, 63, has served as an Independent Director of AREIT, Inc. since April 4, 2019. He also serves as Chairman of Santi Village Development, Inc.; President and Chief Executive Officer of Philippine Racing Club, Inc.; President and Chief Executive Officer of Cualoping Securities Corp.; President of Philippine Newton Global Solutions, Inc.; President of Palm Integrated Commodities, Inc.; Vice President and Treasurer of Greater Buhangin Housing Development, Inc.; and Chief Finance Officer of Davao Newtown Development, Inc. He is also a Director of PRCI Circuit Makati, Inc., Davao Samal Golden Village, Inc., and Sta. Lucia Land, Inc. Mr. Cua earned a Bachelor of Science degree as well as a Bachelor of Laws degree from Ateneo de Manila University.

MANAGEMENT TEAM



CAROL T. MILLS
President and CEO



ELAINE MARIE F.
ALZONA
CFO and Chief
Compliance Officer



AMELIA ANN
T. ALIPAO
Data Protection Officer



MICHAEL ANTHONY
L. GARCIA
Investor Relations Officer



SOLOMON M.
HERMOSURA
Corporate Secretary



JUNE VEE D.
MONTECLARO-
NAVARRO
Assistant Corporate
Secretary



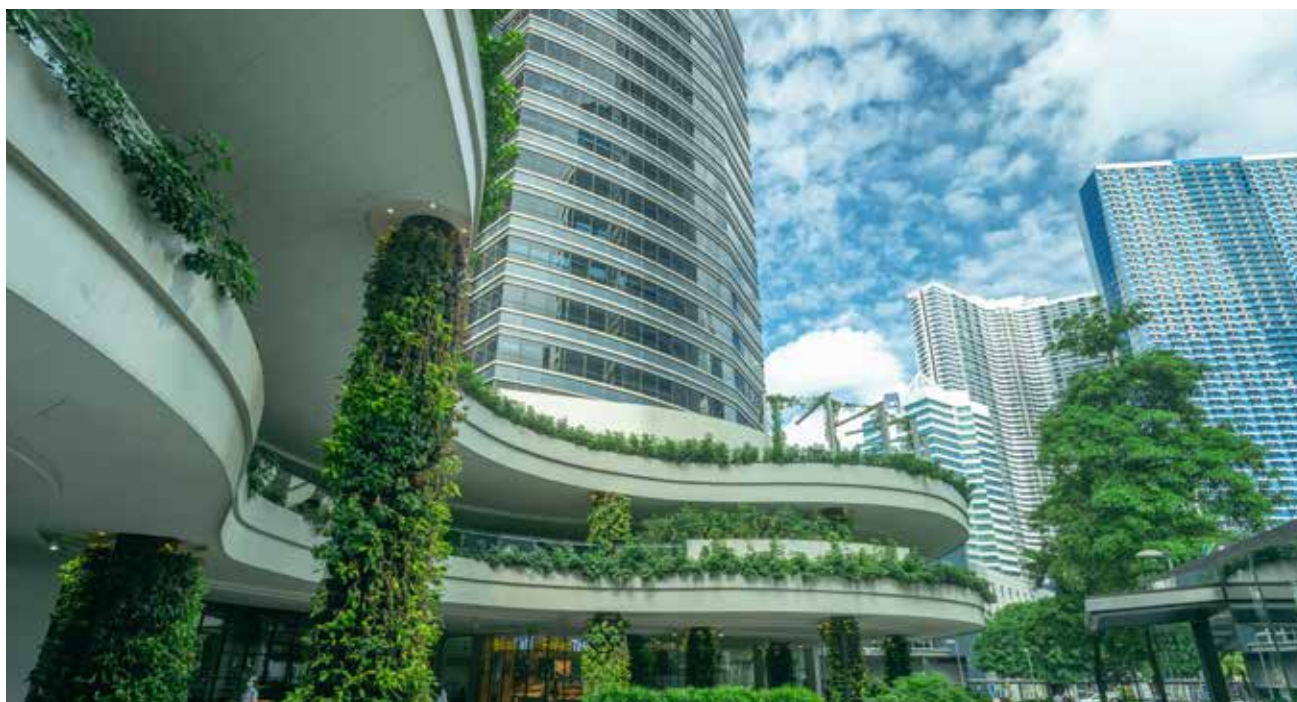
NIMFA AMBROSIA
L. PEREZ-PARAS
Assistant Corporate
Secretary



MA. FLORENCE
THERESE dG.
MARTIREZ-CRUZ
Head of Legal

BUSINESS MODEL

BUSINESS MODEL



AREIT, Inc. is the first Real Estate Investment Trust (REIT) in the Philippines and is the commercial REIT of Ayala Land, Inc. As a commercial REIT, AREIT will focus on expanding its office, shopping center, and hotel properties but may also explore other types of real estate properties available in the market as the opportunity arises.

AREIT aims to provide its shareholders with an investment instrument delivering stable yield and distributing at least 90% of its income from high-quality properties with strong tenant demand in its portfolio of assets. To deliver on its commitment, AREIT's principal strategy is to invest in income-generating real estate properties that meet the following investment criteria:

1. The property should be located in a prime area or business district in Metro Manila or in key provinces in the Philippines.
2. It should be primarily, but not exclusively, a commercial property. Other property types available in the market may also be considered as long as it is income-generating and provides attractive dividend yield.
3. The property must have stable occupancy, tenancy, and income from long term leases with strong, high-credit grade tenant locators.
4. It should provide attractive dividend growth and be yield accretive.

Three-year Investment Strategy

In accordance with the Philippine REIT Law, AREIT Fund Managers, Inc. (AFMI), is mandated to manage and grow the portfolio of AREIT consistent with its investment criteria. To achieve this, AFMI will employ the following strategies:

- 1. Proactive asset management and enhancement strategy.** AFMI will actively manage AREIT's property portfolio to achieve growth in revenue and net operating income and maintain optimal occupancy levels. AFMI and AREIT Property Managers, Inc. (APMI) will help drive organic growth, build strong relationships with the tenants of the properties, and explore enhancement and growth opportunities within the existing properties.
- 2. Investment and acquisition strategy.** AFMI will acquire quality income-producing commercial properties situated in high-growth areas that fit the investment criteria to enhance returns for investors and increase potential opportunities for future income and capital growth.

- 3. Capital and risk management strategy.** AFMI will manage and source capital to maximize overall returns. This may include accessing the capital markets to source appropriately priced and structured debt and equity offerings, monitor and implement hedging arrangements and assess alternative forms of capital and other capital management strategies where appropriate.

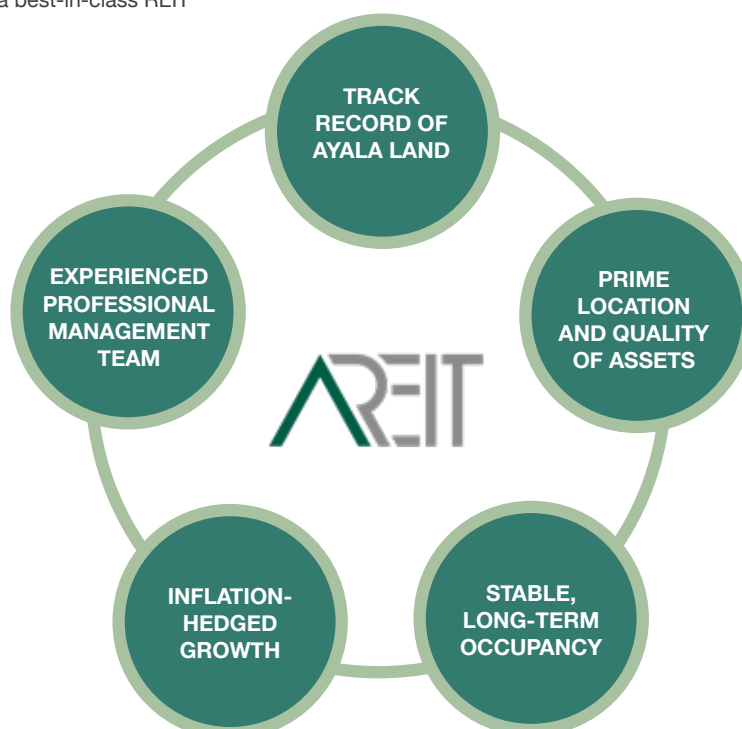
Investment Objectives

Over the medium to long-term, AREIT aims to achieve three key objectives:

1. Achieve a total shareholder return of 10 to 12% through the organic growth of its portfolio and new acquisitions.
2. Grow and diversify AREIT's asset portfolio by sector, by location, and by income contribution which will be funded either through debt or equity capital.
3. Maintain AREIT's leadership among Philippine REITs by asset size and market capitalization.

The AREIT Advantage

Elements that make AREIT a best-in-class REIT



EXTERNAL ENVIRONMENT

| EXTERNAL FACTOR | IMPACT TO PHILIPPINE COMMERCIAL REAL ESTATE |
|--|---|
| <p>COVID-19</p> <ul style="list-style-type: none"> • Community Quarantines: The Philippine government imposed varying degrees of community lockdowns to curb the spread of the virus. The strictest level, enhanced community quarantine (ECQ), was imposed on March 17, 2020 and was in effect until May 15, 2020. Less restrictive quarantines, i.e., modified enhanced community quarantine (MECQ), general community quarantine (GCQ), and modified general community quarantine (MGCQ), were implemented thereafter depending on the number of cases and healthcare capacity of each province. ECQ was once more imposed on March 22, 2021 in what has been constituted as the “NCR+ bubble,” covering Metro Manila and the provinces of Bulacan, Cavite, Laguna, and Rizal, due to the rising cases in these areas. • Vaccination: The national government approved PHP82.5 billion in funding for its vaccination program targeting 60 million Filipinos. An additional PHP55 billion is currently under Congress deliberation for inclusion in Bayanihan Act 3. | <ul style="list-style-type: none"> • Malls: Restrictions on mobility slowed foot traffic and tenant operations in malls. Only tenants providing essential goods and services were allowed to operate while the ECQ lasted. Foot traffic and tenant operations improved as provinces transitioned to GCQ and MGCQ. In coordination with pertinent government agencies, strict health protocols have been put in place to ensure the safety of mall patrons. To make up for slower foot traffic, malls and tenants have started to adopt digital and other alternative selling platforms. • Offices: Offices remained resilient as BPOs and HQ-type operations continued despite the lockdowns. While some offices have allowed their employees to work from home, connectivity and data security concerns necessitate on-premise office operations. • Hotels and Resorts: Travel bans impacted hotels and resorts occupancies, with the industry hitting a record low of 20%, according to Colliers International. • Real Estate Logistics and Warehousing: Increased e-commerce activity arising from mobility restrictions and social distancing will boost the demand for real estate logistics and warehousing facilities in the near to medium term. In 2020, the segment contributed 31% of gross value added to the Philippine economy. |
| <p>The Philippine Economy</p> <ul style="list-style-type: none"> • GDP: The Philippine economy was severely impacted by COVID-19 with GDP contracting by 9.6%, the worst annual decline since 1947. The lowest drop for the year, at -16.9%, was recorded in the second quarter, at the height of the ECQ. Gradual improvement was seen from the third to the fourth quarter as the economy started to reopen. • Bayanihan Acts 1 and 2 and BSP Policies: The Philippine government passed Bayanihan Acts 1 and 2 which realigned government spending to prioritize programs and measures to help Filipinos cope with the financial impact of the pandemic. The Bangko Sentral ng Pilipinas also introduced accommodative policies to shore up the economy. Altogether, these accounted for PHP1.9-trillion worth of stimulus, equivalent to 14% of the country’s GDP. | <ul style="list-style-type: none"> • A strong domestic economy is a key indicator of the real estate sector’s health, providing a leading indicator of demand. • The economic slowdown was also reflected in the commercial real estate sector as developers pushed back on the completion of projects. When the economy starts to reopen, the sector is expected to follow suit, with the resumption of build-out projects. |

| EXTERNAL FACTOR | IMPACT TO PHILIPPINE COMMERCIAL REAL ESTATE |
|---|---|
| <p>Inflation, Interest Rates, and Foreign Exchange</p> <ul style="list-style-type: none"> • Inflation: Inflation was stable at 2.6%, well within the government's range of 2 to 4%. • Interest Rates: To spur economic growth, the BSP cut interest rates by a total of 200 bps, bringing the policy benchmark to an all-time low of 2.00%. • Foreign Exchange: The Philippine peso appreciated by 5% versus the US dollar despite the uncertain environment. | <ul style="list-style-type: none"> • Stable inflation rates ensure that interest rates will be kept at low levels in support of continued GDP growth. It is also an indication that the cost of materials are stable for the buildout of projects. • A lower interest-rate environment provides corporates with access to cheaper debt capital to fund their growth plans and opportunities to refinance higher interest rate loans. • A stronger peso is supportive of the importation of construction materials. |
| <p>Social and Demographics</p> <ul style="list-style-type: none"> • Household Consumption: Despite the recession, domestic consumption drove the Philippine economy, accounting for 73.7% of GDP. • Population: According to the latest national census (2015), the Philippines had a total population of 100.98 million, 83.2% of whom were between 18 and 59 years old, with a median age of 24.2 years. • GDP per capita: As of end-2020, GDP per capita at constant prices dropped by 5.2% to USD3,330. • Unemployment: Unemployment rose to 10.3%, more than double the prior year's level. Labor participation also ended lower at 59.5%, compared to 61.3% in 2019. | <ul style="list-style-type: none"> • Domestic consumption will fuel sales in malls and shopping centers, and drive domestic tourism which will benefit the hotels and resorts business. However, in the short term, this will be muted by mobility restrictions. • The country's young, mobile, and tech-savvy working population continues to support economic activity and will sustain demand in the property sector in the long term. This younger demographic is more attuned to new digital selling platforms and will support the growth of e-commerce in the medium to long term. • Filipino talent is a key driver for BPO (business process outsourcing) and KPO (knowledge process outsourcing) locators to continue investing in the country. Filipinos are highly regarded for their adaptability and accent-neutrality. • Improvements in per capita income and employment levels will support the demand attributed to malls, hotels and resorts, and offices. • Rising unemployment will be a short-term risk to the sector as purchasing necessities may be prioritized over investing in properties. |
| <p>Remittances</p> <ul style="list-style-type: none"> • Remittances from overseas Filipinos remained resilient in 2020, down by only 0.8% to USD29.9 billion, much lower than the initial estimate of 5%. | <ul style="list-style-type: none"> • Cash remittances provide consumers with additional purchasing power driving household consumption, which in turn feeds into shopping, tourism, and vehicle and home purchases. |

EXTERNAL ENVIRONMENT

| EXTERNAL FACTOR | IMPACT TO PHILIPPINE COMMERCIAL REAL ESTATE |
|--|--|
| Tourism <ul style="list-style-type: none"> • International Tourism: Foreign tourist arrivals dropped by 84% to 1.32 million due to travel restrictions. • Tourism Receipts: Total tourism receipts fell by 83% to PHP81.4 billion from PHP482 billion in 2019. | <ul style="list-style-type: none"> • Foreign and local travel restrictions will severely impact occupancy rates of hotels and resorts in the short to medium term. |
| Infrastructure Program <ul style="list-style-type: none"> • Spending: Infrastructure spending was down by 23% to PHP681 billion as the government realigned funds for its COVID-19 response. As a percentage of GDP, infrastructure spending fell to 4.5% from 5.4% in 2019. • 2021 Budget and Recovery: For 2021, the government is increasing the national budget to PHP1.2 trillion, equivalent to 5.9% of GDP. Increased infrastructure spending is expected to aid in the recovery of the economy. | <ul style="list-style-type: none"> • The rollout of infrastructure projects will expand and accelerate development across various regions in the country as well as help jumpstart the economy. This will create new central business districts, offering greater expansion opportunities for commercial real estate. • Developments outside Metro Manila open up opportunities for wider economic growth, creating wealth for more Filipinos, driving incomes higher, and creating strong markets for property developers. |
| Tax Reform <ul style="list-style-type: none"> • Corporate Income Tax: The CREATE law was enacted in March 2021, lowering corporate income tax rates to 25% for large corporations and 20% for small and medium enterprises. | <ul style="list-style-type: none"> • The law is expected to generate USD90 billion in foreign direct investments (FDI) and 1.8 million jobs for Filipinos in the next 10 years. Increased FDI will be beneficial to the offices and industrial warehousing segments, while job generation can potentially benefit shopping centers and residential products. • Clarity on tax incentives for foreign investors and a lower tax rate for domestic companies will attract more investment into the country, potentially benefiting demand for office space and industrial warehousing. |
| POGOs <ul style="list-style-type: none"> • Office Vacancy: As of end-2020, Colliers International estimates that POGOs have vacated 250,000 sq. meters of office GLA due to tax issues and manpower shortages arising from travel restrictions. | <ul style="list-style-type: none"> • POGO operations have lifted the demand for office space. However, the sustainability of its business operations remain a key risk to office landlords. More POGO departures from the country will increase vacancy rates and may drive lease rates lower. As of end-2020, Metro Manila office vacancy reached 9.1% from 4.3% in 2019. |
| Natural Calamities <ul style="list-style-type: none"> • The Philippines is an archipelagic country in the southwestern Pacific Ocean, bounded by the Philippine Sea, the West Philippine Sea, and the Celebes Sea. It is situated on the Pacific Ring of Fire. In January 2020, Taal Volcano erupted, impacting the nearby provinces in the Southern Luzon area. In the second half of the year, the country was hit by three major typhoons, namely Quinta, Rolly and Ulysses, causing damage to properties and major flooding. | <ul style="list-style-type: none"> • The eruption of Taal Volcano impacted the operations of malls and hotels and resorts in Tagaytay City and the nearby areas in Cavite, Laguna, and Batangas provinces. • Typhoons Quinta, Rolly, and Ulysses caused major property damage in the Calabarzon (Cavite, Laguna, Batangas, Rizal, and Quezon) provinces, the Bicol region, Eastern Visayas, Cagayan Valley, and even Metro Manila, bringing strong winds and flooding in the affected areas. • Natural calamities will adversely impact the operations of commercial leasing assets in the short term, as consumers in the affected areas prioritize the purchase of essential goods over other expenditures. |

OUTLOOK

COVID-19 severely impacted the Philippine economy. The mandatory lockdowns constrained mobility and economic activity, resulting in the GDP contracting by a record 9.6% for fiscal year 2020. Despite the challenges brought about by the pandemic, the Philippine office sector was a silver lining that proved to be resilient and continued to operate even during this crisis. Buoyed by the sector's performance during the year, AREIT nevertheless remains cautiously optimistic about the prospects for 2021, as the vaccination program is implemented nationwide.

Economic indicators have started to improve, demonstrating a momentum for recovery. From a 16.9% decline in the second quarter, the country's GDP slowed by only 8.3% in the fourth. Remittances from overseas Filipinos were resilient, reaching USD29.9 billion, only 0.8% lower than the previous year. Moreover, gross international reserves reached an all-time high of USD110 billion, equivalent to 12 months' worth of imports, supported by a strong Philippine peso which appreciated by 5% to PHP48.03 to USD1.

The Philippine government has also worked to stimulate the economy. Through the two emergency laws, Bayanihan Acts 1 and 2, enacted in March and September respectively, and the accommodative policies of the Bangko Sentral ng Pilipinas (BSP), the government has released close to PHP1.9 trillion, or 14% of the country's GDP, to revive the economy. The CREATE law was also passed in the first quarter of 2021, lowering corporate income tax to 20% for micro, small, and medium enterprises and 25% for other corporations. The law is aimed at attracting more investments into the country, thus spurring demand for commercial real estate.

AREIT aims to build on the momentum of its IPO and continue to grow its portfolio to deliver stable returns and value to its shareholders. In January 2021 alone, it completed the acquisition of The 30th Commercial Development in Pasig City and fully-leased out commercial land in Laguna Techopark, increasing its total gross leasable area (GLA) to 344,000 sq. meters. It is also looking to complete a PHP15-billion asset-

for-share infusion by its sponsor, Ayala Land, of 10 properties with a total of 205,000 sq. meters of GLA. Once completed, the infusion will expand AREIT's total GLA to 549,000 sq. meters, more than thrice its GLA at the time of IPO.

Nonetheless, AREIT is cognizant of the changes in the operating environment. Rising COVID-19 cases remains to be the greatest risk to economic recovery as this may lead to the reimposition of stricter quarantine levels and other restrictions. Inflation has also been on the uptrend in the first two months of 2021, which may impact business confidence and prompt the BSP to implement tighter monetary policies. This may temper the delivery of new office buildings as developers push back completions. The exit of some POGOs (Philippine offshore gaming operators) from the country may also continue to impact office vacancy rates, which have already risen from 2019 levels. AREIT will adjust and recalibrate its plans depending on the country's overall health situation and the resulting economic environment.

Climate change and geohazards also remain as threats as evidenced by the heavy floods brought about by the three major typhoons and the eruption of Taal Volcano in 2020. AREIT is aligned with its Sponsor's climate adaptation and climate mitigation actions, such as shifting to renewable energy and investing in resource efficiency programs. It will also look into green building certifications as applicable.

AREIT remains positive about the long-term growth prospects of the economy and the commercial real estate sector despite the disruptions caused by COVID-19. The country's fundamentals remain intact, with a consumption-driven economy supported by remittances and BPO revenues. The recently passed CREATE law and a young working population will be key to attracting investments and driving continued demand for commercial properties.

With the underlying strength of the economy and the strong support of its sponsor, AREIT will continue to grow its portfolio and deliver sustainable returns to its shareholders.

HOW AREIT CREATES VALUE

NATURAL

Best-in-class Sponsor and strategic locations within CBDs

INTELLECTUAL

Experienced, committed and professional management team

MANUFACTURED

Solid portfolio of grade-A commercial properties

BUSINESS PROCESS

Proactive asset management and asset enhancement

Through its Property Manager, AREIT Property Managers, Inc. (APMI), AREIT actively manages its portfolio to maintain occupancy levels, strengthen relationships with its clients, and look for growth opportunities in existing projects.

Growth through investments

AREIT Fund Managers, Inc. (AFMI) will look to acquire quality income-generating commercial properties to build on AREIT's

OUTPUTS

Four properties located in two major business districts of Makati and Cebu

- 98% occupancy rate
- PHP810/sq. meter average monthly lease rate
- 4.4-year weighted average lease expiry
- 87 tenants

- Four PEZA accredited properties
- Total gross leasable space of 171,000 sq. meters
- Renewable energy sourcing for Solaris One

OUTCOMES

- Two buildings are connected to pedestrian walkways -- the Makati elevated walkway and the EDSA-Ayala Avenue intersection promoting pedestrian mobility
- One bus terminal at McKinley Exchange supporting transport connectivity

- Distributed FY2020 dividends of PHP1.32/share
- 12% total to shareholders return as of end-2020

- Provided uninterrupted service to tenants even during the community quarantines
- Reduced net Scope 2 and Scope 3 emissions by 3,931 t-CO₂e and 4,605 t-CO₂e, respectively
- Lower energy and water consumption by 14% and 7%

CONTRIBUTION TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



HUMAN

Commitment to job generation

SOCIAL

Highly trusted brand

FINANCIAL

Stable recurring income and steady, inflation-hedged dividends

and acquisitions

existing portfolio. These will be located in high-growth commercial areas in line with AREIT's investment criteria.

Capital and risk management

To fund its expansion initiatives, AREIT will tap various capital markets and assess alternative forms of capital management strategies as needed.

136 service providers employed

Implemented health and safety protocols in all sites, in line with government guidelines

- EBITDA of PHP1.6 billion, 4% higher than the REIT Plan
- Net income of PHP1.2 billion
- No debt as of FY2020

Provided safe workspaces to 21,290 tenant employees

96% customer satisfaction rating across all properties

- FinanceAsia Best IPO South East Asia
- The Asset Philippines Best IPO
- 5th Annual ALB Philippine Law Awards 2020 Equity Market Deal of the Year
- Annual International Finance Law Review (IFLR) Equity Deal of the Year
- PRS AAA rating with stable outlook



SUSTAINABILITY FOUR FOCUS AREAS



Aligned with its Sponsor's thrust of monitoring important issues such as the economic, environmental, and social impacts of its developments, AREIT adopts Ayala Land's sustainability four focus areas in identifying relevant factors to its business.

AREIT has adopted Ayala Land's sustainability four focus areas—site resilience, pedestrian mobility and transit connectivity, resource efficiency, and local economic development—consistent with the Sponsor's practice of monitoring the economic, environmental, and social impacts of its developments.

Site resilience reduces vulnerability of communities to the effects of climate change and natural disasters. Pedestrian mobility and transit connectivity improve urban mobility. Resource efficiency addresses the continuing loss of natural resources. Local economic development seeks to alleviate socio-economic imbalances.

Identified in a 2014 materiality assessment, the four focus areas remain relevant today, together with the issues emerging from the COVID-19 pandemic. The four areas frame the push for sustainability within the Ayala Land Group, AREIT included, serving as general guides to the organization's operations, mitigating sustainability risks, and providing value to the business, environment, and society.

These focus areas are likewise aligned with key sustainability reporting frameworks such as the UN Sustainable Development Goals (SDGs), six capitals of the Integrated Reporting <IR> Framework, Global Reporting Initiative (GRI) Indicators, Sustainability Accounting Standards Board (SASB) Material Topics, and Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations.

AREIT puts emphasis on the focus areas of resource efficiency and local economic development. The construction, development, and masterplanning of AREIT properties are undertaken by its Sponsor. Upon turnover of the properties, either through acquisition or infusion, AREIT and its property management arm AREIT Property Managers, Inc. (APMI) assume responsibility for the properties' operations and maintenance, ensuring alignment with Ayala Land's sustainability initiatives and targets. APMI, in turn, contracts Ayala Property Management Corporation (APMC) with respect to the management of the properties' physical buildings, equipment, and common area services.

Ayala Land's Four Focus Areas and the UN Sustainable Development Goals

With the establishment of the United Nations Sustainable Development Goals (SDGs) in 2015, Ayala Land aligned each of the focus areas with the relevant SDGs.



Site Resilience

Extreme weather events, rising sea levels, and other hazards associated with climate change can undermine AREIT's properties and operations. Sponsor Ayala Land strengthens the corresponding sites to enable them to quickly recover from environmental stress, by undertaking technical due diligence to screen for geohazards, providing space for refuge and rainwater absorption, and using native trees to enhance biodiversity and ecosystems.



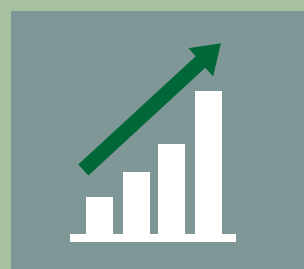
Pedestrian Mobility and Transit Connectivity

AREIT properties are located in the master-planned Ayala Land estates, ensuring mobility and connectivity. In these estates, people are provided with alternatives to using motor vehicles and abundant opportunities for walking and commuting. There are also numerous walkways, pedestrian-only areas, and convenient access to transit stops and transportation terminals in these places.



Resource Efficiency

AREIT is committed to support its Sponsor's goal of reaching carbon neutrality for all commercial properties by end-2022. Ayala Land's operations and developments are planned so that natural resources and construction materials, such as steel and cement, are used judiciously and efficiently, reducing overall consumption and GHG emissions. Energy and water conservation programs and waste management schemes are also in place and are regularly audited for further improvement.



Local Economic Development

AREIT's properties cater to various office and retail tenants that generate employment and business opportunities in their corresponding localities. By providing spaces to these tenants, AREIT contributes to nation building and creates value for the community.

SUSTAINABILITY FOUR FOCUS AREAS

Sustainability Four Focus Areas and AREIT's Material Topics

AREIT uses the UN SDGs and GRI, SASB, and TCFD topics that correspond to the Sponsor's four focus areas to measure and report its own performance and impact on local and global development. Other material topics pertain to corporate governance, risk management, labor practices, and decent employment.

| | Sustainability Four Focus Areas | | | | Other Material Topics | |
|---------|---|--|---|---|---|---------------------------------------|
| | Site Resilience | Pedestrian Mobility and Transit Connectivity | Resource Efficiency | Local Economic Development | Corporate Governance and Risk Management | Labor Practices and Decent Employment |
| GRI | 303: Water and Effluents 307: Environmental Compliance | 203: Indirect Economic Impacts 416: Customer Health and Safety | 204: Procurement Practices 301: Materials 302: Energy 303: Water and Effluents 305: Emissions 306: Waste 308: Supplier Environmental Assessment | 202: Market Presence 203: Indirect Economic Impacts | 201: Economic Performance 205: Anti-Corruption 206: Anti-Competitive Behavior | 403: Occupational Health and Safety |
| SASB | IF-RE-450: Climate Change Adaptation | | IF-RE-130: Energy Management IF-RE-140: Water Management IF-RE-410: Management of Tenant Sustainability Impacts IF-RE-450: Climate Change Adaptation | | IF-RE-450: Climate Change Adaptation | |
| TCFD | Strategy Metrics and Targets | | Strategy Metrics and Targets | | Governance Strategy | |
| UN SDGs | 13: Climate Action 15: Life on Land | 3: Good Health and Well-Being 9: Industry, Innovation, Infrastructure | 6: Clean Water and Sanitation 12: Responsible Consumption and Production | 1: No Poverty 8: Decent Work and Economic Growth 10: Reduced Inequalities | | 8: Decent Work and Economic Growth |

A materiality assessment is conducted annually on key issues across the Ayala Land group based on the four focus areas. The table shows the relevance of each focus area to commercial real estate.

| | | Offices | Retail | Hotels |
|--|---|---------|--------|--------|
| Site Resilience | Undertake technical due diligence to screen for geohazards and comply with environmental laws and regulations | | | |
| | Provide space for refuge and rainwater absorption (water resources, soil, safety) | | | |
| | Use and protect native plants and trees | | | |
| Pedestrian and Mobility Transit Connectivity | Provide pedestrian-only areas and walkways | | | |
| | Provide transit stops and transportation terminals | | | |
| Resource Efficiency | Use construction materials judiciously | | | |
| | Implement energy and water conservation programs | | | |
| | Implement waste management programs | | | |
| | Monitor and reduce GHG emissions | | | |
| Local Economic Development | Invest in communities' human capital | | | |
| | Prioritize local hiring | | | |
| | Allocate space for homegrown businesses | | | |

Highly material
 Moderately material
 Least material

ENVIRONMENTAL STEWARDSHIP



AREIT properties aim to reduce their carbon emissions to contribute to the carbon neutrality program of Ayala Land. Moreover, AREIT has fully aligned itself with its Sponsor's sustainability principles.

Pedestrian Mobility and Transit Connectivity

<GRI 203>

Most of AREIT's properties are strategically located in the mixed-use, integrated, and sustainable estates of Ayala Land and are thus readily accessible to commuters and pedestrians.

In the Makati CBD, Ayala North Exchange and Solaris One are both connected to the elevated walkway and underpass network of the estate, providing access to the main transport hub in Ayala Center. Both buildings are also near the bus and jeepney stops along Ayala Avenue.

The McKinley Exchange Center is strategically located at the intersection of Ayala Avenue and EDSA (Epifanio delos Santos Avenue), Metro Manila's main thoroughfare connecting the northern and southern sections of the metropolis. Located on the northbound side of EDSA,

it also houses a terminal for public utility vehicles going into Bonifacio Global City (BGC) in Taguig, thereby serving as a main entry point into BGC. The terminal serves 42 buses and 80% of the bus services' total daily ridership. The McKinley Exchange Center is also connected to the Ayala Center on the other side of EDSA through an elevated covered walkway.

Teleperformance Cebu is located within the 27-hectare Cebu I.T. Park and is strategically located near the Sponsor's Central Bloc mixed-use development which currently hosts a mall, a Seda hotel, and two office towers.

Resource Efficiency

AREIT properties adhere to Ayala Land's principle of resource efficiency. Measures are in place to promote the conscientious use of energy and water and the management of waste in these properties.

Energy Management <GRI 302; SASB IF-RE-130, IF-RE-410>

Total energy consumption of AREIT properties declined by 14% to 24 million kWh due to fewer tenant personnel on-site owing to the community quarantines. Energy consumption of leased areas ended 9% lower to 13.3 million kWh. Similarly, consumption within the organization dropped by 19% to 10.7 million kWh. Electricity intensity in both common areas and tenant areas, measured as kWh consumption per sq. meter of occupied floor area, has also decreased over the years. In 2020, intensity decreased by 23% and 17% for common areas and tenant areas, respectively.

| Energy Consumption (kWh) | 2018 | 2019 | 2020 |
|---------------------------|-------------------|-------------------|-------------------|
| Within the Organization | | | |
| Electricity (Common Area) | 6,817,125 | 12,832,288 | 10,403,113 |
| Fuel | 161,185 | 351,277 | 296,957 |
| Outside the Organization | | | |
| Electricity (Leased Area) | 9,818,731 | 14,650,248 | 13,282,268 |
| Total | 16,797,041 | 27,833,813 | 23,982,338 |

| Electricity Intensity* | Unit | 2018 | 2019 | 2020 |
|------------------------|-------------|--------|--------|--------|
| Whole Building | kWh/sqm GFA | 189.76 | 157.47 | 125.48 |
| Common Area | kWh/sqm GCA | 209.15 | 245.17 | 188.93 |
| Leased Area | kWh/sqm GLA | 178.28 | 119.90 | 99.35 |

Legend: GFA – Gross Floor Area; GCA – Gross Common Area; GLA – Gross Leasable Area; OCC – Occupancy Rate

* To take into account significant changes in the occupancy rate during the pandemic, intensity was measured as kWh consumption per sq. meter of occupied area.

Water Management <GRI 303; SASB IF-RE-140, IF-RE-410>

Water consumption of properties also saw a significant reduction due to fewer tenant employees on premises. Within AREIT common areas, water consumption declined by 9% to 191,705 cubic meters, while consumption in leased areas dropped by 2% to 92,883 cubic meters, for a combined decrease of 7% to 284,588 cubic meters. Consequently, common area and tenant area water intensity, measured as cubic meter consumption per sq. meter of occupied floor area, also decreased by 13% and 10%, respectively.

| Water Consumption (m³) | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|
| Within the Organization (Common Area) | 196,647 | 209,753 | 191,705 |
| Outside the Organization (Leased Area) | N/A | 94,640 | 92,883 |
| Total | 196,647 | 304,393 | 284,588 |

Note: Breakdown of consumption between common area (within the organization) and leased area (outside the organization) started in 2019. For 2018, water consumption of the whole building was classified as within the organization.

| Water Intensity | Unit | 2018 | 2019 | 2020 |
|-----------------|------------|------|------|------|
| Whole Building | m³/sqm GFA | 2.24 | 1.74 | 1.51 |
| Common Area | m³/sqm GCA | - | 4.01 | 3.48 |
| Tenant Area | m³/sqm GLA | - | 0.77 | 0.69 |

Legend: GFA – Gross Floor Area; GCA – Gross Common Area; GLA – Gross Leasable Area; OCC – Occupancy Rate

* To take into account significant changes in occupancy rate in light of the pandemic, intensity has been measured as cubic meter consumption per sq. meter of occupied area.

ENVIRONMENTAL STEWARDSHIP

Carbon Neutrality <GRI 305; SASB IF-RE-450; TCFD Strategy, Metrics and Targets >

AREIT supports its Sponsor's goal to become carbon-neutral across all its commercial properties by 2022. It continues to look for opportunities to shift a greater proportion of its properties to renewable energy sources.

Renewable Energy. Solaris One has been purchasing electricity from renewable sources since 2017 through a power purchase agreement undertaken by its retail electricity supplier. Renewable energy accounts for 35% of AREIT's total energy consumption as of end-2020.

| Energy Mix | 2018 | 2019 | 2020 |
|-----------------------------|------|------|------|
| Electricity (Renewable) | 63% | 34% | 35% |
| Electricity (Non-Renewable) | 35% | 63% | 63% |
| Fuel | 2% | 3% | 2% |

Emissions. Total net emissions in 2020 reached 7,565 t-CO₂e, a 12% reduction due to lower electricity and fuel use. Solaris One's shift to renewable energy sources has reduced AREIT's net Scope 2 and Scope 3 emissions in 2020 by 3,931 t-CO₂e and 4,605 t-CO₂e, respectively. Consistent with lower emissions in 2020, its emissions intensity also decreased by 18%.

The emissions are computed using the GHG Protocol Corporate Accounting and Reporting Standard. For Scope 1 emissions, the 2014 IPCC 5th Assessment Report is used as reference for the GWPs (global warming potential) per greenhouse gas type. Greenhouse gases reported include carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O). Scope 2 emissions declared are market-based, with emission factors calculated by the properties' retail electricity suppliers. For properties that shifted to purchasing electricity from renewable energy power plants, Scope 2 emissions were zeroed out from the date of shifting. Total renewable energy consumption per year is backed up by iRECs (International REC Standard) certification.

| Net Emissions in t-CO ₂ e | 2018 | 2019 | 2020 |
|--------------------------------------|--------------|--------------|--------------|
| Scope 1 | 41 | 206 | 104 |
| Scope 2 | 1,444 | 3,335 | 3,079 |
| Scope 3 | 1,669 | 5,099 | 4,383 |
| Total | 3,154 | 8,640 | 7,565 |

| Emissions Intensity | 2018 | 2019 | 2020 |
|--|-------|-------|-------|
| Whole Building (kg-CO ₂ e/sqm GFA)* | 35.51 | 48.33 | 39.53 |

* To take into account significant changes in occupancy rate in light of the pandemic, intensity has been measured as kg-CO₂e of Scope 2 and 3 emissions per sq. meter of occupied floor area.

Circular Economy <GRI 306>

Solid Waste. AREIT has adopted a circular waste management model, in line with its Sponsor's practice. With the help of Ayala Property Management Corporation, waste generated by AREIT's properties are sent either to recyclers or to the landfill. As of end-2020, 7,692 kg of waste was diverted and sent to recyclers. Total waste generated decreased to 365,350 kgs. from 478,491 kgs. the previous year due to lower tenant occupancies in 2020.

| Solid Waste Generation and Diversion | 2018 | 2019 | 2020 |
|--------------------------------------|---------|---------|---------|
| Total Waste Generation (kg) | 274,665 | 478,491 | 365,350 |
| Sent to Landfill | | | |
| Food | 78,405 | 235,132 | 173,915 |
| Residual | 187,074 | 219,298 | 173,815 |
| Compostable | 149 | 7,335 | 9,928 |
| Diverted from Landfill | | | |
| Sent to Recyclers | 9,037 | 16,726 | 7,692 |

Hazardous Waste. AREIT, through APMC, complies with the requirements of proper hazardous waste management in accordance with Republic Act 6969 (Toxic Substances and Hazardous and Nuclear Waste Act of 1990) and Department of Environment and Natural Resources (DENR) Administrative Order 2013-22 (Revised Procedures and Standards for the Management of Hazardous Wastes).

AREIT's properties have designated hazardous wastes storage rooms and DENR-controlled Hazardous Wastes Generators' ID Numbers. All hazardous waste generated from these properties are transported and treated by DENR-accredited vendors.

Under the Bantay Kalikasan program of the ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI), used lead acid batteries, industrial oil, and waste electronic and electrical equipment are recycled, with proceeds from the sale of these materials donated to ALKFI for their reforestation programs. Other hazardous wastes are transported and treated by DENR-accredited transporters and disposal facilities. For every treated waste, a Certificate of Treatment is provided by haulers as proof of proper disposal and is reported by APMC to DENR.

| Hazardous Waste Generated in 2020 | Amount |
|---|-------------|
| D406 ULAB (Used lead acid batteries) | 0.34 tonnes |
| D407 CFL (Compact fluorescent lightbulbs) | 0.26 tonnes |
| I101 Used industrial oil | 900 liters |
| J201 Containers | 3.11 tonnes |
| M506 WEEE (Waste electrical and electronic equipment) | 0.22 tonnes |

Note: All hazardous waste generated in 2020 is currently stored on-site due to restrictions brought about by the pandemic. Hauling to resume in 2021.

SOCIAL ENGAGEMENT



AREIT actively engages its various stakeholders to deliver on its investment strategy of creating sustainable long-term value.

Tenants, Tenant Employees, Hotel Guests, and Shoppers

Property managers act as the account manager working with the tenants' designated facilities managers. Regular meetings are held with tenants with varying degrees of frequency. On average, the meetings are held once a month for all tenants and as often as once a week for anchor tenants.

Office leasing officers regularly engage their counterparts, who are key executives like Country Heads, VP for Operations, and Regional or Global Real Estate Heads, to discuss operational issues and expansion plans.

For retail tenants, regular coordination meetings are also conducted by the property managers.

Tenants are also updated on key developments affecting the property through a central telegram group and through notices placed in the common areas and lobbies of the buildings.

Customer satisfaction surveys are conducted regularly. The AREIT properties achieved an average score of 96% in 2020. Seda Residences Makati, an anchor tenant of Ayala North Exchange, achieved a 90% guest satisfaction rating and third-party ratings of 8.9 and 9.1 from travel sites booking.com and Agoda, respectively.

Employees and Workers

AREIT's entire workforce, including its officers, are seconded from Sponsor Ayala Land and its subsidiaries.

Ayala Land prioritizes employee well-being through programs that build on their capabilities, support high performance levels, and promote their health and safety at all times.

Contribution to Local Economic Development

AREIT contributes to local employment through its tenants and service providers. As of end-2020, its properties provided employment opportunities to 21,290 tenant employees and 136 service providers.

| Property | Tenant Employees | Service Providers |
|--|------------------|-------------------|
| Ayala North Exchange (BPO, HQ, retail) | 8,050 | 59 |
| McKinley Exchange (BPO, retail) | 2,500 | 23 |
| Solaris One (BPO, retail) | 5,200 | 29 |
| Teleperformance Cebu (BPO) | 5,540 | 25 |
| TOTAL | 21,290 | 136 |

Health and Safety <GRI 403>

The properties are managed by on-site property managers to look after the safety of the tenants' employees. Aligned with Ayala Land's five-point plan, AREIT ensured continued service to its customers even when the strictest community lockdown, ECQ, was in place. A service complement of 80 persons stayed on-site and proactively provided safety support to tenants in their respective properties.

Health and safety protocols according to government guidelines are implemented in all AREIT properties, including mandatory wearing of Personal Protective Equipment (PPEs), temperature checks at entry points, and regular sanitation of high-touch surfaces.

As of end-2020, no major incident was recorded in the properties.

Compensation and Rewards

All employees of AREIT, Inc. are seconded from Ayala Land and receive no compensation or salary from AREIT.

AREIT pays management fees to Ayala Land to cover part of the compensation of the executive officers of AREIT.

The Sponsor provides compensation and benefits mandated by national labor laws and its own performance incentives program. The company rejects any form of forced and compulsory labor. All of its regular employees receive life insurance, in-patient and out-patient health coverage, disability and invalidity coverage, retirement benefits, and medical allowances. Project employees are provided with health insurance coverage and are entitled to service incentive leaves and overtime pay.

The Sponsor also provides variable pay such as performance-based incentives directly linked to an individual's key deliverables established at the start of the year.

Ethical Behavior <GRI 205>

AREIT upholds high standards of accountability and ethics in line with the Sponsor's code of ethics. The company regards its personnel with utmost respect and professionalism.

Any individual or entity may report suspected irregularities or misconduct involving AREIT employees, business partners, suppliers, and service providers through the Ayala Land Group's business integrity channels. These reports may be sent to the Sponsor's whistleblower officer at myreport@ayaland.com.ph, or through SMS at +63 917 3118510, face-to-face meetings, and the website of Ayala Land's auditor, <https://proactivehotline.grantthorntonsolutions.ph/report/aligroup/>.

SOCIAL ENGAGEMENT

Business Partners, Suppliers, and Service Providers <GRI 204, 205, 308>

Recognizing the rights of all business partners, suppliers, and service providers, AREIT strives to maintain long-term and mutually beneficial relationships through impartial dealings and adherence to strict moral and ethical conduct.

The company provides vendors and trade partners with equal opportunities and promotes fair and open competition by encouraging the highest level of productivity, efficiency, quality, and cost-competitiveness.

Suppliers across the Ayala Land Group, including AREIT, are accredited upon their full compliance with the Sponsor's standards and requirements, with preference for those who practice environmental responsibility. AREIT supports the Sponsor's "greening the supply chain" campaign, requiring suppliers to accomplish a "Green Metrics" form to verify their environmental and social practices, including programs on managing environmental impacts and sustainability reporting. As much as possible, materials and supplies are sourced locally.

To ensure that business partners, suppliers, and service providers strictly comply with policies to prevent fraudulent activities, AREIT's Internal Audit Division conducts vendor audits in accordance with the provisions of the Sponsor's Vendor's Code of Ethics. This code is regularly updated to enhance sustainable development provisions as well as to conform to the ISO guidelines for Sustainable Procurement 20400:2017. It may be viewed at <https://www.ayalaland.com.ph/vendor-qualification/>.

In 2020, there were no audits conducted on vendors of AREIT's properties.

Child labor has no place in AREIT. Vendors, service providers, and suppliers are carefully audited to make sure they do not employ underage workers in their operations. No aspect of our operations has been identified as susceptible to child, forced, or any other form of illegal labor.

Creditors

AREIT acknowledges the rights of its creditors and is committed to honoring its contracted financial obligations and any financial covenant they may contain. Creditors have access to readily available information about AREIT for them to adequately assess the company's credit standing. As of end 2020, AREIT had no outstanding debt.

Shareholders and Analysts

Shareholder' rights to participate in decisions concerning fundamental corporate changes

Shareholders have the right to participate in decisions concerning fundamental corporate changes, such as, but not limited to, amendments to AREIT's articles of incorporation and bylaws, issuances of additional shares, transfer of all or a substantial portion of the company's assets, approval of remuneration-related matters, nomination of candidates for the board, and election of directors through voting.

Shareholders' voting rights

Each common and share of AREIT entitles the person in whose name the share is registered in the books of the corporation to one vote.

Shareholders' rights to participate effectively and vote in General Shareholder Meetings

Each shareholder is entitled to as many votes as the shares registered under the shareholder's name.

Shareholders are given the right to approve remuneration-related matters of the company's non-executive and independent directors during general meetings, whether regular or special.

Non-controlling or minority shareholders have the right to nominate candidates to the Board of Directors. For more information on the voting procedures, see page 57 of this report.

Analyst briefings, investor meetings, roadshows and conferences

AREIT conducts semi-annual briefings for both equity and credit analysts and communicates directly with institutional and individual investors through one-on-one meetings, video conference calls, and written communications such as e-mail.

During its initial public offering, the company also hosted REIT education briefings in partnership with its underwriters.

The President and CEO, Chief Finance Officer, together with the Head of Investor Relations, periodically join investor conferences and non-deal roadshows organized by stock brokers, virtually while the pandemic continues, to ensure regular discussions with institutional shareholders.

In 2020, AREIT hosted 9 large-group briefings including its first analyst briefing as a listed company in October for its 9M 2020 results.

AREIT held 41 one-on-one meetings and met with 52 firms. The Chairman, President and CEO, and Chief Finance Officer participated in the meetings during its pre-IPO roadshow.

National and Local Government

AREIT supports the initiatives of both the national and local governments especially on the implementation of safety protocols in its properties. It regularly coordinates with the Bureau of Fire Protection and the Office of the Building Official. Its properties participate in the nationwide earthquake and fire drills organized by the National Disaster Risk Reduction Management Council. Its property management teams also participate in the Safety Competition led by the Safety Organization of the Philippines.

Media

AREIT regularly engages the media through briefings and news releases. It is focused on accessibility, making sure that media inquiries and concerns are addressed in a timely manner, via phone, e-mail, and other means of communication.

AREIT aims to establish an honest and transparent relationship with media representatives through appropriate communication and regular coordination. AREIT's media engagement is at all times guided by the company's commitment to good corporate governance and high ethical standards.

CORPORATE GOVERNANCE AND RISK MANAGEMENT



AREIT adopts a corporate governance structure that aims to create and sustain value not only for its shareholders but also for its other stakeholders.

Even prior to its public listing, in 2019, AREIT adopted a Corporate Governance Manual to ensure compliance with leading practices on good corporate governance, the Real Estate Investment Trust Act of 2009, and its Implementing Rules and Regulations (REIT Law), and related rules and regulations of the SEC. It also adopted an insider trading policy and a related party transactions policy to comply with the guidelines of the SEC.

Governance Structure

Board of Directors

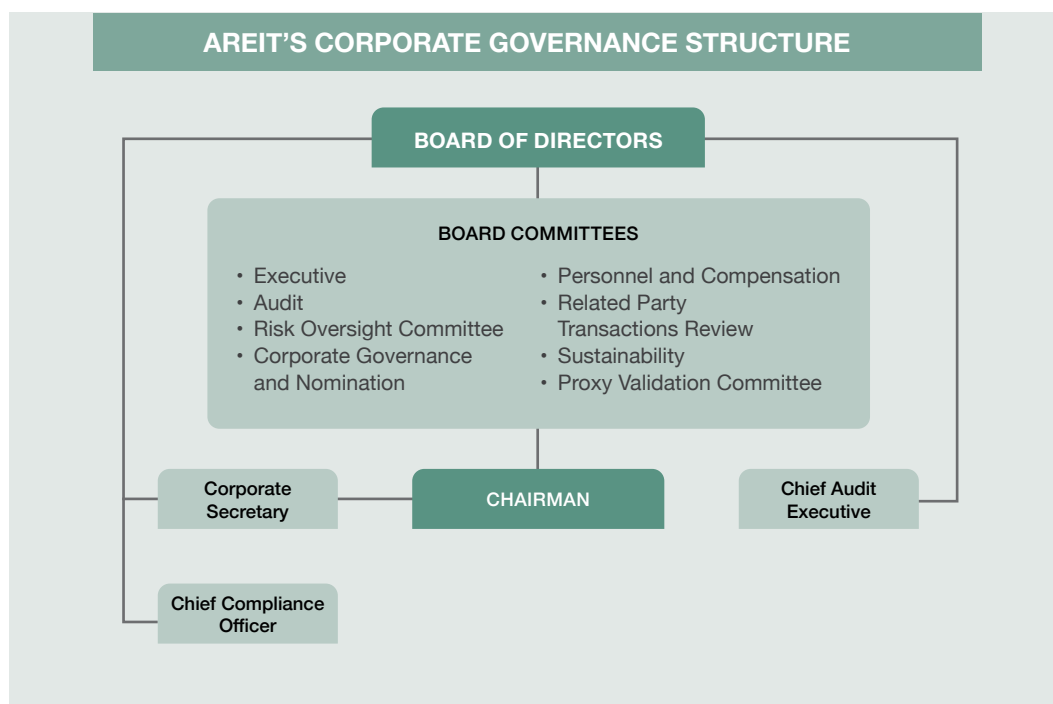
The Board of Directors is the supreme authority in matters of governance and managing the business of AREIT. Within their chartered authority, the directors acting as a board have the fullest powers to regulate the concerns of the company according to their best judgment. It shall be the board's responsibility to promote and adhere to the principles and best practices of corporate governance,

to foster the long-term success of the company, and to secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the company, its shareholders, and other stakeholders.

Board Committees

The board is assisted by eight committees with delegated functions in accordance with AREIT's charter documents, and Corporate Governance Manual.

These are the Executive, Audit, Risk Oversight, Corporate Governance and Nomination, Personnel and Compensation, Related Party Transactions Review, Sustainability, and Proxy Validation committees. Each committee's responsibilities are discussed in pages 52 to 56, "Board Committees," of this report.



The Chairman, and President and CEO

The Chairman, and the President and Chief Executive Officer (CEO) are separate individuals, with clearly defined responsibilities, to ensure an appropriate balance of power, increased accountability, and greater capacity of the board for independent decision-making.

The Chairman of the board is Mr. Jose Emmanuel H. Jalandoni. He assumed the post on February 5, 2020.

The Chairman chairs all board and stockholders' meetings; when he is not available, the President may head such meetings. The Chairman also ensures that each director freely expresses his opinions on any matter under discussion.

The President and CEO is Ms. Carol T. Mills, who assumed the position on February 5, 2020. As President, Ms. Mills supervises and manages the business affairs of the company upon the direction of the board and executes on behalf of the company all contracts, agreements, and other instruments affecting the interests of the company which require the approval of the board, among others.

Corporate Secretary

The Corporate Secretary ensures that all board members receive adequate and timely information ahead of board meetings. He also serves as legal adviser to the directors on their responsibilities and obligations.

Each board member may separately and independently access the Corporate Secretary.

AREIT's Corporate Secretary is Mr. Solomon M. Hermosura, who assumed the post on April 4, 2019.

Chief Compliance Officer

The Chief Compliance Officer (CCO) ensures AREIT's adherence to corporate principles and best practices, and compliance with all regulations that govern the company.

AREIT's CCO is Ms. Elaine F. Alzona, who concurrently serves as the company's Chief Finance Officer.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Chief Audit Executive

The Chief Audit Executive (CAE), reporting to the Audit Committee, leads the Internal Audit group in ensuring compliance with internal control procedures and assists the committee in supporting the corporate governance process through the provision of checks and balances. The Internal Audit group assists the committee and the board in the discharge of their duties and responsibilities as provided in the Code of Corporate Governance for Publicly Listed Companies.

AREIT's CAE is Ms. Rowena P. Libunao, who was appointed on February 24, 2021.

AREIT has established policies and practices which are posted on its website, <https://areit.com.ph>. They are also available in this Integrated Report, Annual Corporate Governance Report, and the Corporate Governance Manual. AREIT is governed by its Corporate Governance Manual and complies with all listing and disclosure rules of the PSE, and the SEC.

Board Matters

Board Composition

The board is composed of seven members, majority of whom are independent and non-executive directors. Directors hold office for a term of one year or until their successors are elected and qualified.

Skills, Competency, and Diversity

Careful attention is given to ensure that there is independence and diversity, subject to the possession

of the necessary knowledge, abilities, and experience determined by the board as necessary for it to properly perform its functions. Collectively, the board possesses the required knowledge, skills and competencies, and experience in general business, real estate, industry, law, and finance to properly perform its duties.

The board regularly reviews its composition considering the evolving requirements of the company and best practices in corporate governance. The board members' diverse professional backgrounds and expertise facilitate the effective execution and oversight of corporate governance in AREIT.

Independent Directors

Independent directors, who may serve for not more than nine years, are not to hold any interest or relationship with AREIT that may hinder, compromise, or interfere with their independent judgment and exercise of responsibilities as director.

Following the REIT Law which requires at least 33% of the board of directors to be independent, AREIT has three independent directors out of its seven-member board, or 42.8%.

Following the Code of Corporate Governance for Publicly Listed Companies, as well as the REIT Act, on April 12, 2019, AREIT appointed Mr. Omar T. Cruz as lead independent director, serving as an intermediary between the Chairman and the other directors whenever necessary, among other responsibilities.

AREIT Board of Directors 2020

| BOARD OF DIRECTOR 2020 | DESIGNATION | YEAR APPOINTED (No. of years in the board) | EXPERTISE |
|----------------------------|---------------------------------|---|--|
| Jose Emmanuel H. Jalandoni | Executive, Chairman | March 11, 2008 (12) | Commercial leasing, business management, finance |
| Carol T. Mills | Executive, President and CEO | February 10, 2014 (6) | Office and malls leasing, business management |
| Bernard Vincent O. Dy | Non-executive | February 10, 2012 (8) | Real estate, accounting and finance |
| Augusto D. Bengzon | Executive, Treasurer | April 4, 2019 (1) | Finance and treasury |
| Omar T. Cruz | Non-executive, Lead Independent | April 4, 2019 (1) | Insurance, finance, investments |
| Simeon S. Cua | Non-executive, Independent | April 4, 2019 (1) | Business management and real estate |
| Enrico S. Cruz | Non-Executive, Independent | 5 February 2020 | Finance and capital markets |

Fund Manager

As required by the REIT Law, AREIT engaged the services of AREIT Fund Managers, Inc. (AFMI) on February 5, 2020 as Fund Manager. AFMI is duly licensed by the SEC to act as a REIT Fund Manager, and possesses all the qualifications and none of the disqualifications imposed by relevant laws, rules, and regulations. Majority of the members of the Fund Manager are independent directors, all of whom have working knowledge of the real estate industry, fund management, corporate finance, and other relevant finance-related functions. The Fund Manager is a wholly-owned subsidiary of Ayala Land, Inc.

The Fund Manager has general power of management over the assets of the company, pursuant to the Fund Management Agreement, a five-year, renewable agreement defining the relationship between AREIT and the Fund Manager. The Fund Manager's main responsibility is to manage the company's assets and liabilities for the benefit of the company's shareholders. The Fund Manager manages the assets of the company with a focus on generating rental income and, if appropriate, increasing the company's assets over time to enhance the returns from the investments of the company and, ultimately, the distributions to the company's shareholders.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Board of Directors of the Fund Manager is entrusted with the responsibility for the overall management of the Fund Manager. It is composed of highly qualified individuals with track records in real estate, fund management, corporate finance, and other relevant finance-related functions.

| 2020 AFMI BOARD OF DIRECTORS | DESIGNATION | YEAR APPOINTED | EXPERTISE |
|---------------------------------|------------------------------|-------------------|--|
| Ma. Luisa D. Chiong* | Executive, Chairman | March 15, 2021 | Finance, accounting, and real estate |
| Patricia Gail Y. Samaniego | Executive, President and CEO | December 27, 2019 | Office and mall leasing and business development |
| Ma. Angela E. Ignacio | Non-executive, Independent | January 29, 2020 | Economics, banking, and finance |
| Eduardo F. Saguil | Non-executive, Independent | January 29, 2020 | Real estate, finance, and capital markets |
| Jessie D. Cabaluna | Non-executive, Independent | January 29, 2020 | Accounting and audit assurance |

*Appointed on March 15, 2021

Property Manager

Pursuant to the REIT Law, AREIT engaged the services of AREIT Property Managers, Inc. (APMI) on February 5, 2020 as its Property Manager. APMI is an independent corporate entity, duly qualified to perform the responsibilities of a REIT Property Manager. To ensure its autonomy, majority of the members of the Property Manager are independent directors, all of whom have working knowledge of the real estate industry and property portfolio management. The Property Manager is a wholly-owned subsidiary of Ayala Land.

The Property Manager's executive officers are primarily responsible for the day-to-day management of AREIT properties, pursuant to the Property Management Agreement, a five-year, renewable agreement defining the relationship between the company and the Property Manager. For other services, such as janitorial, technical, and security services, the Property Manager may engage third-party companies. The Property Manager manages the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the properties.

In addition, the Property Manager oversees the overall management, maintenance, and repair of the structure and utilities of the company's properties; formulation and implementation of policies and programs with respect to building management; maintenance and improvement; securing and administration of routine management services, including security control, fire precautions, communication systems and emergency management; and building management operations.

The Board of Directors of the Property Manager is entrusted with the overall management of the Property Manager. It is composed of highly qualified individuals with track records in real estate and property portfolio management.

APMI BOARD OF DIRECTORS 2020

| 2020 APMI BOARD OF DIRECTORS | DESIGNATION | YEAR APPOINTED | EXPERTISE |
|---------------------------------|------------------------------|------------------|---|
| Francisco Ma. D. Roxas | Executive, Chairman | May 7, 2019 | Office leasing and operations and business management |
| Benjamin S. Borja, III | Executive, President and CEO | January 30, 2020 | Property management and architecture |
| Alfonso Victorio G. Reyno, III | Non-executive, Independent | January 30, 2020 | Business management and law |
| Abelardo M. Tolentino, Jr. | Non-executive, Independent | May 7, 2019 | Architecture and urban and regional planning |
| Joselito N. Luna | Non-executive, Independent | January 30, 2020 | Architecture and urban and regional planning |

Guidance on Directorships outside AREIT

A director may with due discretion accept and hold directorships outside AREIT, provided that such directorships do not, in the director's opinion, detract him from diligently performing his duties as AREIT director. An independent director shall hold no more than five board seats in any group of publicly listed companies while executive directors shall hold no more than two board seats in listed companies outside the Ayala Group.

Meetings and Attendance

Regular meetings of the Board of Directors are held at least six times annually, the schedule of which is set at the start of the year.

In 2020, the board held four regular and five special meetings. The average attendance rate was 100%. As established in the board charter, a minimum attendance of 75% is required for each member to be eligible for re-election.

Board meeting materials shall be distributed to the board at least five business days before the relevant meeting.

Board Meetings Attendance 2020

| DIRECTOR | FULL BOARD | | AUDIT | | CORPORATE GOVERNANCE AND NOMINATION | | RELATED PARTY TRANSACTIONS REVIEW | |
|----------------------------|-----------------|-----------|-----------------|-----------|-------------------------------------|-----------|-----------------------------------|-----------|
| | Attended / Held | % Present | Attended / Held | % Present | Attended / Held | % Present | Attended / Held | % Present |
| Jose Emmanuel H. Jalandoni | 9/9 | 100% | | | | | | |
| Carol T. Mills | 9/9 | 100% | | | | | | |
| Bernard Vincent O. Dy | 9/9 | 100% | | | | | | |
| Augusto D. Bengzon | 9/9 | 100% | 4/4 | 100% | | | | |
| Omar T. Cruz | 9/9 | 100% | 4/4 | 100% | 3/3 | 100% | 3/3 | 100% |
| Enrico S. Cruz | 9/9 | 100% | 4/4 | 100% | 3/3 | 100% | 3/3 | 100% |
| Simeon S. Cua | 9/9 | 100% | | | 3/3 | 100% | 3/3 | 100% |

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Remuneration

Each AREIT director is entitled to receive a reasonable per diem allowance for attendance to each meeting of the Board of Directors. Any additional compensation, other than per diems, shall be subject to stockholders' approval.

Pursuant to the REIT Act, the total annual compensation of all directors and officers of the company shall not exceed 10% of the net income before regular corporate income tax of the company during the immediately preceding taxable year, and shall be disclosed in accordance with the relevant rules and regulations.

Each independent director receives a fixed per diem of PHP40,000 for every board meeting attended, and a fixed per diem of PHP20,000 for every committee meeting attended.

No director, in his or her personal capacity, was contracted and compensated by the company for services other than those of a director. AREIT has no other arrangement regarding the remuneration of its directors and officers aside from those stated in this section.

Independent Directors Gross Remuneration in 2020

| DIRECTOR | TOTAL REMUNERATION |
|----------------|--------------------|
| Omar T. Cruz | 340,000 |
| Enrico S. Cruz | 340,000 |
| Simeon S. Cua | 280,000 |

AREIT officers are seconded from Ayala Land and thus do not receive any compensation from AREIT. The compensation of these officers, long-time employees of Ayala Land, are paid by the Sponsor. In turn, AREIT pays Ayala Land management fees, which include fees for key management personnel services.

The total compensation of the CEO and the four most highly compensated officers is disclosed in the Definitive Information Statement (DIS) sent to all shareholders. The total annual compensation reported forms part of the management fees paid to Ayala Land that covers the compensation of the executive officers of AREIT. Said amounts include the basic salary and variable pay, such as performance-based cash bonuses.

Disclosure of Conflict of Interest

Each independent director submits to the Corporate Secretary a confirmation letter stating that at the time of his election, appointment, or re-appointment as director, he holds no interests affiliated with the company, or in the management of its controlling shareholder. A director with any material conflict of interest determined to be permanent in nature shall be disqualified from the board.

If an actual or potential conflict of interest should arise on the part of the directors, whether involving a related party transaction or not, a director is required to abstain from participating in the discussion and voting on the approval of the proposed transaction and any action to be taken to address the conflict. The board may follow any additional process to preclude such conflict. No person shall qualify or be eligible for nomination or election to the board if he is engaged in any business that competes with or is antagonistic to the interest of the company.

Training and Continuous Education

AREIT requires all board members to participate in continuing professional education. Moreover, new directors undergo an orientation program to ensure they have all the information they need to fulfill their duties and responsibilities. The orientation program typically consists of a presentation of AREIT's operations, business performance, and financial results, as well as a discussion of disclosure obligations of directors, conflict-of-interest situations, relevant governance issues, and an optional tour of the company's properties.

On November 10, 2020, all of AREIT's directors attended the training program, "The Board Agenda 2020: The Business of Building Back Better," organized by the Institute of Corporate Directors and SEC.

Board Committees

In accordance with its bylaws, the board may create committees deemed advantageous or necessary to run the company and promote good governance.

Each committee shall have a board-approved charter outlining their powers, duties, and responsibilities. Among other provisions, the charter states the members' qualifications; the committee's composition, powers, duties, and responsibilities; and rules governing the exercise of such powers, duties, and responsibilities. The board may delegate some of its powers, duties, and responsibilities to any of the board committees.

| COMMITTEE | EXECUTIVE | AUDIT | RISK | RELATED PARTY TRANSACTIONS REVIEW | CORPORATE GOVERNANCE AND NOMINATION | PERSONNEL AND COMPENSATION | SUSTAINABILITY |
|----------------------------|-----------|-------|------|---|---|-------------------------------|----------------|
| Jose Emmanuel H. Jalandoni | C | | | | | | |
| Carol T. Mills | M | | | | | | C |
| Bernard Vincent O. Dy | | | | | | | |
| August D. Bengzon | | M | M | | | | |
| Omar T. Cruz | | M | C | M | M | C | |
| Enrico S. Cruz | | C | M | M | M | M | |
| Simeon S. Cua | M | | | C | C | M | |

Legend: C - Chairman; M - Member

Executive Committee

The Executive Committee consists of at least three but not more than five members, a third of whom shall be independent directors. A majority of the members of this committee shall be members of the Board of Directors. The board may, from time to time, increase the membership of the Executive Committee, and appoint additional members therein, who may or may not be directors.

The current members of the Executive Committee are: Mr. Jose Emmanuel H. Jalandoni, Chairman of the board; Ms. Carol T. Mills, President and CEO; and Mr. Simeon S. Cua, non-executive, independent director, all citizens of the Republic of the Philippines.

The Executive Committee shall, under the company's bylaws, exercise any of the powers and attributes of the Board of Directors, to the extent allowed by law, during the intervening period between meetings of the Board of Directors. The committee shall report on all resolutions it has adopted to the board at the meeting of the Board of Directors immediately succeeding the meeting of the Executive Committee during which such resolutions were approved.

The Executive Committee's power and authority do not cover the following: approval of any action for which shareholders' approval is also required; filling of vacancies on the board or the Executive Committee; amendment or repeal of bylaws or the adoption of new bylaws; amendment or repeal of any resolution of the Board of Directors which by its express terms may not be amended or repealed; distribution of cash dividends; and exercise of powers delegated by the board exclusively to other committees, if any.

Audit Committee

The Audit Committee consists of three members, a majority of whom are independent directors. The committee is chaired by an independent director as well. The current members of the Audit Committee are: Mr. Enrico S. Cruz, non-executive and independent director and chair of the committee; Mr. Omar T. Cruz, non-executive and independent director; and Mr. Augusto D. Bengzon, Treasurer and director.

Mr. Enrico S. Cruz has significant auditing experience and accounting expertise, previously serving as the Chief Country Officer and Global Markets Head of Deutsche Bank AG Manila Branch, and Senior Vice President of CityTrust Banking Corporation. Mr. Omar T. Cruz has extensive experience in banking and finance; he has previously served as the Treasurer of the Republic of the Philippines. Mr. Bengzon is currently serving as the Treasurer of AREIT and the Treasurer and Chief Finance Officer of Ayala Land, Inc., and has significant experience and expertise in the company's financial management systems and business operations.

The Audit Committee supports corporate governance through oversight of the company's senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in a number of areas including financial reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It has the primary responsibility to conduct and assess the independence, professional qualifications, and competence of the independent auditor, and thereafter recommend the latter's appointment and remuneration to the board. The committee may also recommend the removal of the independent auditor, ensuring rotation in the engagement of audit partners.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Through the provision of checks and balances, the Audit Committee is expected to bring positive results in supervising and supporting the management of the company.

The Audit Committee performed the following duties and responsibilities in 2020:

1. Assisted the board in the fulfilment of its oversight responsibility relating to the accuracy of the company's financial statements, soundness of its financial reporting process, robustness of internal control, internal audit activities, annual independent audit of the financial statements, and compliance with legal and regulatory requirements;
2. Reviewed, approved, and endorsed the 2020 Audited Financial Statements of the company as audited by its external auditor, SyCip Gorres Velayo & Co. (SGV), as well as the quarterly unaudited financial statements;
3. Reviewed and approved the contents of the Management Representation Letter;
4. Recommended the re-election of SGV as AREIT's external auditor for 2021 and the corresponding audit fee structure;
5. Reviewed and approved the overall scope and respective audit plans of SGV and internal auditors and discussed the results of their audits and assessments of AREIT's internal controls and overall quality of the financial reporting process; and
6. Reviewed and discussed the status of audit recommendations.

Risk Oversight Committee

The Risk Oversight Committee is composed of three members, a majority of whom are independent directors, and chaired by an independent director as well. The Risk Oversight Committee consists of: Mr. Omar T. Cruz, lead independent director and chair of the committee; Mr. Enrico S. Cruz, non-executive and independent director; and Mr. Augusto D. Bengzon, Treasurer of the company. All three members possess an adequate understanding of the assessment, management, and mitigation of risks to which the company is exposed.

The Risk Oversight Committee assists the board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its

risk management systems, business operations, and the proper safeguarding and use of its resources and assets. The committee provides a general evaluation of and assistance in the overall improvement of the company's risk management, control, and governance processes. Notwithstanding this committee's roles and responsibilities, AREIT management is primarily responsible for the development, implementation, and reporting of the company's risk management framework, processes, and strategies.

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is composed of the company's three independent directors, Messrs. Enrico S. Cruz, Omar T. Cruz, and Simeon S. Cua, who chairs the committee.

The committee oversees all matters related to corporate governance and nomination, and election of directors.

In 2020, the Corporate Governance and Nomination Committee accomplished the following:

1. Implemented and maintained a process that ensures that all directors nominated for election at the annual stockholders meeting have all the qualifications and none of the disqualifications for directors as stated in the bylaws, the Corporate Governance Manual, and relevant rules and regulations of the company;
2. Reviewed and evaluated the profiles of the nominees for directors for the current year; approved, upon delegation by the Board, the final list of nominees; and approved and endorsed the appointments of key officers; and
3. Approved and endorsed the amendment of the insider trading policy and the engagement of an external facilitator to support the board's self-assessment exercise.

Personnel and Compensation Committee

The Personnel and Compensation Committee consists of the company's three independent directors, Messrs. Simeon S. Cua, Enrico S. Cruz, and Omar T. Cruz, who serves as chair.

The committee is responsible for objectively recommending a formal and transparent framework for remuneration and evaluation of the members of the Board and the company's key executives to enable them to run the company successfully. No member of the Personnel and Compensation Committee may act to fix his own compensation, except to determine the uniform compensation of all directors.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee is composed of the company's three independent directors, Messrs. Enrico S. Cruz, Omar T. Cruz, and Simeon S. Cua, who chairs the committee:

The Related Party Transactions Review Committee accomplished the following in 2020:

1. Assisted the board in the fulfilment of its oversight responsibility relating to the review of all related party transactions (RPTs), except pre-approved RPTs; the formulation, revision and approval of the policy on RPTs; and the conduct of any investigation required to fulfill its responsibilities on RPTs;
2. Adopted the RPT policy as required by the SEC; and
3. Reviewed, discussed, approved, and endorsed the following RPTs: engagement of AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. as the Fund Manager and Property Manager, respectively, of the company; and acquisition by the company of Teleperformance Cebu from wholly-owned Ayala Land subsidiary ALO Prime Realty Corporation, The 30th Commercial Development from Ayala Land, and parcels of land located in Laguna Technopark in Biñan, Laguna from Technopark Land, Inc.

No related party transaction of the company may be classified as financial assistance to any entity.

In the last three years, there was no case of non-compliance with the laws, rules, and regulations pertaining to significant or material related party transactions.

Sustainability Committee

The Sustainability Committee is composed of three members: Ms. Carol T. Mills, President and chair of the committee and CEO; Ms. Elaine Marie F. Alzona; and Ms. Anna Maria M. Gonzales.

The committee provides oversight and identifies and assesses significant social, ethical, and environmental interdependencies that might impact the long-term business objective of the company to be recognized as a responsible and sustainable corporation in the property sector.

AREIT's Internal Audit

The Internal Audit Group provides AREIT with independent and objective assurance and advisory services aimed at adding value and improving the organization's operations. It implements an effective system of internal control that ensures the integrity of the financial reports and protection of the assets of the company for the benefit of all shareholders and other stakeholders.

It provides the board, management, and the stockholders and other stakeholders with reasonable assurance that the company's key organizational and procedural controls are effective, appropriate, and complied with. It also reviews, audits, and reports on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risk; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.

The company continues to improve the internal audit function by benchmarking against best practices.

On February 24, 2021, AREIT appointed Ms. Rowena P. Libunao as its Chief Audit Executive.

External Audit, Audit and Audit-related Fees

The principal accountant and external auditor of AREIT is the accounting firm SyCip Gorres Velayo and Co. (SGV), with Mr. Dolmar C. Montañez as the partner-in-charge for the 2020 audit year.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

AREIT paid SGV the following fees in the last two years.

| YEAR | AUDIT AND AUDIT-RELATED FEES (PHP) | OTHER FEES (PHP) |
|------|---------------------------------------|---------------------|
| 2020 | 699,562.50 | 3,453,432.50 |
| 2019 | 685,500.00 | 945,000.00 |

For 2019 and 2020, the other fees paid to SGV were higher than the audit and audit-related fees due to the engagement of SGV as external auditor for the preparation of the necessary documents required for AREIT's application for registration with the SEC and listing with the Philippine Stock Exchange.

PROCESS AND CRITERIA FOR NOMINATIONS, ELECTION, AND RE-APPOINTMENTS TO THE BOARD

Process and Criteria for Board Nominations

Pursuant to the Revised Corporation Code, all AREIT shareholders including minority shareholders have the right to nominate candidates to the board. The list of nominees' names, together with their written consent, shall be filed and submitted to the Corporate Governance and Nomination Committee through the Office of the Corporate Secretary at least 30 business days before the date of the annual stockholders meeting.

The Corporate Governance and Nomination Committee reviews and evaluates the qualifications of all nominees based on the following:

- Ownership of at least one share of the capital stock of the company;
- A college degree or its equivalent, or adequate competence and understanding of the fundamentals of doing business or sufficient competence and experience in managing a business in lieu of formal education;
- Membership in good standing in a relevant industry, and membership in business or professional organizations;
- Integrity, probity, diligence, and assiduousness in the performance of their functions;
- Directorships in other companies, taking into account the nature of the business of said companies, number of directorships in other companies, and age of the director.
- For independent directors, beneficial equity ownership in the company or in related companies,

which must not exceed 2%, and term limits under applicable laws, rules, and regulations.

The committee may consider and recommend to the board other qualifications that may be provided by relevant laws or any amendment thereto, including independence criteria or standards for independent directors.

The committee may also identify and recommend qualified individuals for nomination and election to the board. For this purpose, the committee may engage professional search firms and other external parties.

Election and Re-appointments to the Board

In accordance with the bylaws and rules of procedure of the annual stockholders' meeting, stockholders entitled to vote shall elect the company's directors.

Directors are elected by ballot, following the plurality electoral system. In electing the directors, stockholders may vote such number of shares they own for as many persons as many votes as the number of directors to be elected, or cumulate said shares as the number of directors to be elected multiplied by the number of the shares owned, or distribute them on the same principle among as many candidates as they may see fit, provided that the total number of votes cast shall not exceed the number of their shares multiplied by the total number of directors to be elected.

The Proxy Validation Committee shall validate proxies and tabulate votes, and the voting results are validated by an independent auditor. No candidate for the office of director may be a member of this committee.

Proxy Validation Committee

The Proxy Validation Committee is composed of three individuals empowered to validate proxies and tabulate votes. These individuals are not members of the board, and their term of office is fixed by the board. The board may appoint members to the committee in cases of vacancy.

This committee is chaired by Ms. June Vee D. Monteclaro-Navarro, Assistant Corporate Secretary. The other members are Ms. Nimfa Ambrosia L. Perez-Paras, Assistant Corporate Secretary, and Ms. Elaine Marie F. Alzona, Chief Finance Officer and Chief Compliance Officer.

Policies and Practices

Annual Stockholders Meeting Notice of the ASM

The Notice of the Annual Stockholders Meeting (ASM) and the Definitive Information Statement (DIS) are sent to stockholders at least 28 days before the meeting date.

The notice is in English, and contains the agenda, rationale, and explanation for each item that requires stockholders' approval. Each resolution taken up in the ASM deals with only one agenda item. The results of the preliminary tabulation of votes for each resolution are reported by the Corporate Secretary during the meeting and the results of the final tabulation of votes are reflected in the minutes of the meeting.

The DIS contains the profile and personal data of all the directors, including those up for election or re-election, and of the auditors recommended for election. In 2020, the principal accountant and external auditor of the company, SGV, was recommended for re-election at the ASM.

The DIS also indicates and explains the dividend policy and the total amount payable.

Voting Procedure

The rules of conduct and voting procedures are set forth in the notice of the ASM sent by email to all stockholders who have provided the company with their e-mail addresses, posted on the company's website, and disclosed to the Philippine Stock Exchange. Each stockholder is entitled to one vote per share.

A stockholder may vote electronically in absentia using the Voting in Absentia & Shareholder System or by appointing the Chairman as proxy. A stockholder voting electronically in absentia shall be deemed present for purposes of quorum.

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in the DIS, and shall be received by the Corporate Secretary at corporate.secretary@areit.com.ph. For the 2021 ASM, the proxies may be e-mailed and received by the Corporate Secretary on or before April 14, 2021.

All votes shall be counted and tabulated by the Proxy Validation Committee, and the results shall be validated by an independent third party.

As the stockholders take up an item in the agenda, the Corporate Secretary reports on the preliminary votes received and tabulated. For each of the items, the final votes are reflected in the minutes of the ASM.

The minutes of the ASM are posted on the AREIT website, <https://areit.com.ph>, within five days of the ASM. The minutes include the comments and questions raised by stockholders in attendance and the respective answers provided by the board. The minutes also indicate the attendance of directors in the ASM.

Virtual ASM

AREIT's annual stockholders meeting in 2021 will be its first ASM as a publicly listed company. It will be conducted virtually through <http://www.ayalagroupshareholders.com/>

Dividend Declaration

AREIT declared cash dividends on its common shares on the following dates: August 17, 2020; November 17, 2020; and February 24, 2021. These translated to a total of PHP1.35 billion or PHP1.32 per outstanding common share, representing a 110% payout ratio on the net income after tax attributable to shareholders in 2020.

The declaration of cash dividends is contingent on the earnings, cash flow, and financial condition of the company. Cash dividends are paid to all stockholders of common shares within 30 days from the date of the declaration.

The declaration of cash dividends is approved by the Board of Directors only. The approval by the stockholders is not required for the same.

The company intends to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income of the preceding fiscal year, in compliance with the requirements of the REIT Law, including, but not limited to, the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided under Section 42 of the Revised Corporation Code, among others, the terms and conditions of its outstanding loan facilities, and the absence of circumstances which

CORPORATE GOVERNANCE AND RISK MANAGEMENT

may restrict the payment of such amount of dividends, including, but not limited to, instances when there is a need for special reserves for probable contingencies.

The failure to distribute at least 90% of the annual Distributable Income will subject the company, if such failure remains unremedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by the company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90% of the annual Distributable Income may be a ground to delist the company from the PSE.

Disclosure and Transparency

AREIT is committed to the highest standards of disclosure, transparency, and fairness in information dissemination. The public is provided with financial and operational information regularly through various structured and unstructured disclosures submitted to regulatory authorities such as the SEC and PSE. In addition, any material information about the company that has an impact on the latter's valuation, stock price, and trading volume is reported to the public.

All disclosures are immediately posted on the company's website at <https://www.aret.com.ph/company-disclosures/disclosures/pse>.

Ownership Structure

In accordance with SEC requirements, the list of beneficial owners of more than 5% of the company's total outstanding stock is disclosed on a quarterly basis. Direct and indirect shareholdings of directors and senior management and the respective changes in shareholdings are also disclosed accordingly.

Unstructured Disclosures in 2020

- AREIT debuts on the PSE, successfully completes its IPO
- Stabilization Report for the week of August 10-14
- Results of the AREIT, Inc. Board Meeting (August 17, 2020)
- Stabilization Report for the week of August 17-20
- Stabilization Report for the week of August 24-28
- Stabilization Report for the week of September 1-4
- Stabilization Period Closing Date
- Stabilization Report for the week of September 7-11
- Summary of Stabilization Activities Conducted and Exercise of Over-allotment Option
- AREIT Acquires Teleperformance Cebu
- Report on Shares bought by the Stabilization Agent
- Results of the AREIT, Inc. Board Meeting (October 22, 2020)
- Acquisition of The 30th Commercial Development
- Notice of 9M 2020 Analyst Briefing
- AREIT's 9M 2020 results
- Board Approval for 3Q 2020 Cash Dividends
- Quarterly report of AREIT Fund Managers, Inc. for 3Q2020
- Setting of 2021 Stockholders' Meeting
- Three-year AREIT Investment Strategy

The details of the parent or holding company, subsidiaries, associates, joint ventures, and special purpose enterprises or vehicles are also available in the AREIT website, <https://www.aret.com.ph/>; SEC 17-A and 17-Q reports; SEC 20-IS; and Integrated Report.

No member of the board or management owns 2% or more of the outstanding capital stock of the company.

Fairness Evaluation in Cases of Mergers, Acquisitions, and Takeovers

In cases of mergers, acquisitions, and takeovers requiring shareholder approval, the board may appoint an independent party to evaluate the fairness of the terms of the transaction.

ANTI-CORRUPTION PROGRAMS AND PROCEDURES <GRI 205>

Trading Blackout Policy

AREIT has a trading blackout policy that prohibits covered persons from buying or selling AREIT shares during a prescribed period after they have become aware of undisclosed material information. Covered persons refer to members of the board, all members of the management team, consultants, advisers, AREIT employees, and immediate family members of the aforementioned parties.

The prescribed period covers five trading days before and two trading days after the date of disclosure of quarterly and annual financial results, and two trading days after the disclosure of any material information other than annual or quarterly financial results.

Within 10 days of their appointment, directors and identified key officers shall submit their initial statement of ownership of shares in AREIT through SEC Form 23-A. Thereafter, they are required to submit any change in their beneficial ownership of shares in AREIT through SEC Form 23-B within three business days of the transaction date. These forms are submitted to the PSE and SEC.

Related Party Transactions Policy

The company has a related party transactions policy to ensure that all RPTs of AREIT, its affiliates, and other related entities or persons are conducted at arm's length, fair, and inure to the best interest of the company and its subsidiaries or affiliates and their shareholders.

The RPT policy defines related party relationships and transactions and the guidelines and categories that govern the review, approval, and ratification of said transactions by the board or shareholders to ensure that such relationships are disclosed according to the International Accounting Standards (IAS) 24 and other applicable disclosure requirements.

No RPT may be classified as financial assistance to any entity.

At its option, the board may require that an RPT it has approved be also submitted to the stockholders for consideration and ratification.

Whistleblower Policy

All employees, business partners, suppliers, and other stakeholders are encouraged and empowered to report any activity deemed illegal or unethical through the Ayala Land Group AREIT's business integrity channels. These channels may be used by persons covered by this policy to freely, directly, and without fear of retaliation report suspected fraud, misconduct, and violations of laws, rules, and regulations within AREIT to people of authority.

The business integrity channels accept reports made anonymously. Whistleblowers may choose the manner by which they may be contacted without compromising their anonymity, including providing an e-mail address or mobile number. If a whistleblower chooses to identify himself, whoever receives the report should ask the former if he is willing to be identified in the course of the investigation.

Whistleblowers may report, among others, conflicts of interest, misconduct or policy violations, theft, fraud, or misappropriation, falsification of documents, financial reporting concerns, and any act of retaliation taken.

The public may also report any information relating to illegal or unethical activity or violation of stockholder rights to the whistleblower officer, Ms. Rowena P. Libunao, through the Ayala Land Group Business Integrity Channels. This may be done through email at myreport@ayaland.com.ph, through face-to-face meetings; auditor's website <https://proactivehotline.granthorntonsolutions.ph/report/aligroup/> and text message/SMS at +63 917 3118510.

AREIT's whistleblower policy will be subject for approval by the Board of Directors at its next regular board meeting.

All information on corporate governance is available on the AREIT website, <https://www.aret.com.ph/>.

Business Gifts Policy

AREIT recognizes the common practice of expressing gratitude by means of giving and receiving gifts. However, the company limits this practice and the actual value of gifts exchanged should be within the boundaries of proper and ethical behavior.

RISK MANAGEMENT

AREIT's board-level Risk Oversight Committee has overall supervision of the company's risk management and mitigation strategies. In coordination with AREIT management, the committee will develop a formal enterprise risk management plan which will include the following:

1. Registry of risks;
2. Well-defined risk management goals, objectives, and oversight;
3. Uniform processes of assessing risks and developing strategies to manage prioritized risks;
4. Designing and implementing risk management strategies; and
5. Continuing assessments to improve risk strategies, processes, and measures.

AREIT currently adopts a holistic view of its potential risk exposures identified prior to its listing in August 2020. The risks are classified according to three categories: general risks relating to business operations, risks relating to the Philippines, and risks relating to AREIT properties. The sub-risks and corresponding mitigating measures appear in the table below.

General Risks Related to Business Operations

| Sub-Risk | Mitigating Measure |
|---|--|
| Exposure to risks inherent to the Philippine property market | AREIT's portfolio is composed of grade-A commercial properties located in prime locations, ensuring stable tenancy. |
| Potential conflicts of interest between the Sponsor and AREIT, its Fund Manager, and its Property Manager | AREIT and its Sponsor are publicly listed companies which adhere to stringent corporate governance standards. Transactions between the two companies are led by their respective Related Party Transactions Review committees, composed entirely of independent directors. |
| Risks associated with debt financing | The company takes a prudent approach to financial management and cost control, closely monitoring capital and cash positions and maintaining discipline in capital commitments. |
| Lack of experience by the fund and property management companies | This risk is mitigated by the management experience of the leadership of AREIT's fund and property managers as well as the committed support of its Sponsor. |

Risks Relating to the Philippines

| Sub-Risk | Mitigating Measure |
|--|---|
| Volatility of the Philippine peso against the US dollar and other currencies | AREIT implements conservative financial and operating controls and policies which take into account the prevailing business, economic, and political environment. |
| Political upheavals | |
| Unforeseen shifts in the Philippine economy | |
| New regulatory requirements for the property development sector | |
| Natural and man-made disasters including the COVID-19 pandemic | |
| Geopolitical conflicts | |

Risks Relating to AREIT Properties

| Sub-Risk | Mitigating Measure |
|--|---|
| Loss of locators or key tenants | The AREIT Property Manager takes an active lease management approach aimed at achieving growth in revenue and net operating income through optimal occupancy levels. |
| Loss of accreditation from the Philippine Economic Zone Authority (PEZA) and of similar benefits | Through its Property Manager, AREIT ensures that its properties are fully compliant with all PEZA-accreditation requirements. It also ensures continued compliance with all local and national regulatory requirements. |
| Delays or defaults of lessees | AREIT applies stringent due diligence prior to closing any lease agreement. It also requires rent prepayment and imposes steep penalties on payment delays and pre-termination of leases. |
| Market changes in demand for new types of office space | AREIT and its Sponsor actively monitor the Philippine commercial real estate market to assess trends, ensuring that AREIT's products remain relevant to the market. Its Fund Manager's active asset management strategy allows AREIT to be responsive to its tenants' evolving needs. |

FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of 2020 Operations

In 2020, net income after tax of AREIT, Inc. (AREIT) decreased by 3% from PHP1,261.41 million in 2019 to PHP1,227.18 million in 2020. The decrease was primarily due to a one-time gain from finance lease recognized in 2019 amounting to PHP397.14 million.

Revenues

Total revenues increased by 25% to PHP1,951.63 million in 2020 from PHP1,563.08 million the previous year. This was mainly driven by higher rental income and net dues.

Rental income increased by 13% to PHP1,495.72 million from PHP1,323.92 million. The increase was primarily attributable to the addition of McKinley Exchange Corporate Center and Teleperformance Cebu in the company's property portfolio in February 2020 and October 2020, respectively.

Dues increased by 59% to PHP305.09 million from PHP192.32 million, because of lower utilities consumption and lower manpower deployment while community quarantines were in place.

Interest income from finance lease receivables increased significantly to PHP150.81 million from PHP46.84 million, attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the company, which commenced in September 2019.

Cost and Expenses

Direct operating expenses increased by 34% to PHP585.30 million from PHP436.02 million, primarily attributable to increases in management fee of PHP62.31 million; taxes and licenses, PHP38.18 million; depreciation, PHP34.95 million; and land lease, PHP13.03 million. These increases were related to the operations of McKinley Exchange Corporate Center and Teleperformance Cebu.

General and administrative expenses increased by 249% to PHP49.47 million from PHP14.18 million, mainly due to costs incurred for the company's initial public offering (IPO).

Other Income (Charges)

Interest income increased by 35% to PHP78.67 million from PHP58.26 million, primarily due to a rise in interest income from intercompany loans to PHP78.31 million from PHP57.95 million.

Interest expense significantly increased by 421% to PHP65.42 million from PHP12.56 million. The increase was primarily attributable to the recognition of interest expense on lease liabilities amounting to PHP51.49 million.

Provision for Income Tax

Provision for income tax decreased by 64% from PHP294.45 million to PHP106.58 million, mainly due to derecognition of deferred taxes.

Capital Expenditure

AREIT acquired Teleperformance Cebu from ALO Prime Realty Corporation, a wholly owned subsidiary of Ayala Land, Inc., on September 15, 2020 for a total amount of PHP1,450.00 million.

Financial Condition

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

The Company has no debt as of December 31, 2020.

Return on equity was at 11% as of December 31, 2020.

| Key Financial Ratios | 2020 | 2019 |
|--------------------------------------|------|------|
| Current Ratio ⁽¹⁾ | 3.72 | 4.35 |
| Debt to Equity ⁽²⁾ | - | - |
| Profitability Ratios | | |
| Return on Asset ⁽³⁾ | 9% | 11% |
| Return on Equity ⁽⁴⁾ | 11% | 12% |
| Asset to Equity Ratio ⁽⁵⁾ | 1.19 | 1.11 |

(1) Current assets/current liabilities

(2) Total debt/Average Stockholder's equity

(3) Total Net Income/Total Average Assets

(4) Total Net Income/Average Stockholder's equity

(5) Total asset/Total Stockholder's equity

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of AREIT, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to so.

The Board Directors is responsible is responsible for overseeing the Company's reporting process.

The Board Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the Stockholders, has audited the consolidated financial statements of the Company and its subsidiaries in accordance with Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


JOSE EMMANUEL H. JALANDONI
Chairman, Board of Directors


CAROL T. MILLS
President & Chief Executive Officer


ELAINE F. ALZONA
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 24 2021 at Makati City, affiants exhibiting to me their respective Passports, to wit:

| Name | Passport No. | Date & Place of Issue |
|----------------------------|--------------|----------------------------------|
| Jose Emmanuel H. Jalandoni | P1697725A | 21 January 2017 / DFA NCR South |
| Carol T. Mills | P9958069A | 17 December 2018 / DFA NCR South |
| Elaine F. Alzona | P6005978B | 22 December 2020 / DFA NCR East |

Doc. No. 3 ;
Page No. 2 ;
Book No. XXXIV ;
Series of 2021.
**Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy**




ROBERTO T. ONGSIAKO
Notary Public - Makati City
Appt. No. M-155 until December 31, 2020
Extended until June 30, 2021
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 - RSM Chapter
PTR No. 8533473ME - 01/04/2021 - Makati City
MCLE Compliance No. VII - 0000267 - 07/30/2019
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Opinion

We have audited the financial statements of AREIT, Inc. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Fair Value Disclosure of Investment Properties

The Company operates four mixed-use office buildings located in Luzon and Visayas. The Company accounts its investment properties using cost model and discloses the fair value as required under Philippine Accounting Standard 40, *Investment Property*. The carrying value and total fair value of the Company's investment properties amounted ₱8,303.80 million and ₱30,928.39 million, respectively, as of December 31, 2020. Management determined the fair value of the investment properties based on the valuations carried out by an external valuer using the discounted cash flow model.

We identified the disclosure on fair value of the Company's investment properties as a key audit matter because it involves significant management and external valuer assumptions and estimations. These assumptions include discount rates and growth rates, which are influenced by the prevailing market rates and comparable market transactions and subject to higher level of estimation uncertainty due to the current economic conditions.

The Company's disclosures on the fair value of investment properties are included in Note 7 to the financial statements.

Audit Response

With the assistance from our internal valuation specialists, we evaluated the valuation methodology adopted and the underlying assumptions used in the valuations of investment properties as of December 31, 2020. These assumptions include discount rates, growth rates and free cash flows.

We evaluated the competence, capabilities and independence of the external valuer by considering their qualifications, experience and reporting responsibilities. We also assessed the adequacy of disclosure of valuation of investment properties in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management 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, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

We communicate with those charged with governance 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 those charged with governance 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 in our independence, and where applicable, related safeguards.

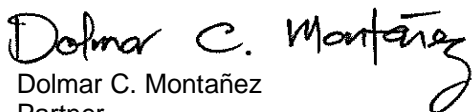
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of AREIT, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez
Partner

CPA Certificate No. 112004

SEC Accreditation No. 1561-AR-1 (Group A),

January 31, 2019 valid until January 30, 2022

Tax Identification No. 925-713-249

BIR Accreditation No. 08-001998-119-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8534336, January 4, 2021, Makati City

February 24, 2021

STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|--|------------------------|-----------------|
| | 2020 | 2019 |
| ASSETS | | |
| Current Assets | | |
| Cash (Notes 4 and 20) | P58,977,547 | P122,180,606 |
| Receivables (Notes 5, 19 and 20) | 2,384,189,473 | 1,994,499,843 |
| Other current assets (Notes 6 and 20) | 281,312,797 | 157,602,667 |
| Total Current Assets | 2,724,479,817 | 2,274,283,116 |
| Noncurrent Assets | | |
| Noncurrent portion of receivables (Notes 5 and 20) | 2,600,726,540 | 2,556,978,813 |
| Investment properties (Note 7) | 8,303,802,471 | 6,192,374,393 |
| Property and equipment (Note 8) | 12,053 | 20,089 |
| Other noncurrent assets (Note 6) | 1,001,662,147 | 968,057,313 |
| Total Noncurrent Assets | 11,906,203,211 | 9,717,430,608 |
| | P14,630,683,028 | P11,991,713,724 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts and other payables (Notes 9 and 20) | P513,927,478 | P274,477,842 |
| Current portion of deposits and other liabilities (Notes 11 and 20) | 129,399,846 | 166,793,502 |
| Income tax payable | 54,444,350 | 71,241,649 |
| Current portion of lease liability (Note 17) | 34,300,129 | – |
| Construction bonds (Notes 10 and 20) | – | 11,105,498 |
| Total Current Liabilities | 732,071,803 | 523,618,491 |
| Noncurrent Liabilities | | |
| Deposits and other liabilities - net of current portion (Notes 11 and 20) | 722,693,405 | 600,134,138 |
| Lease liability- net of current portion (Note 17) | 837,543,814 | – |
| Deferred tax liabilities - net (Note 18) | – | 67,232,321 |
| Total Noncurrent Liabilities | 1,560,237,219 | 667,366,459 |
| Total Liabilities | 2,292,309,022 | 1,190,984,950 |
| Equity (Note 12) | | |
| Paid-up capital | 10,929,864,050 | 10,451,224,050 |
| Treasury shares | (673,299,700) | (673,299,700) |
| Additional paid-in capital | 785,681,404 | – |
| Retained earnings | 1,296,128,252 | 1,022,804,424 |
| Total Equity | 12,338,374,006 | 10,800,728,774 |
| | P14,630,683,028 | P11,991,713,724 |

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|-------------------------|-----------------------|---------------------|
| | 2020 | 2019 | 2018 |
| REVENUE | | | |
| Rental income (Notes 7, 13 and 17) | ₱1,495,723,891 | ₱1,323,922,868 | ₱696,017,710 |
| Dues (Notes 7 and 14) | 305,087,397 | 192,320,957 | 169,314,125 |
| Interest income from finance lease receivables (Notes 14 and 17) | 150,814,117 | 46,837,607 | — |
| | 1,951,625,405 | 1,563,081,432 | 865,331,835 |
| COSTS AND EXPENSES | | | |
| Direct operating expenses (Notes 7 and 16) | 585,302,407 | 436,017,048 | 181,014,314 |
| General and administrative expenses (Note 16) | 49,474,313 | 14,181,546 | 4,174,082 |
| | 634,776,720 | 450,198,594 | 185,188,396 |
| OTHER INCOME (CHARGES) - Net | | | |
| Gain under finance lease (Notes 15 and 17) | — | 397,139,330 | — |
| Interest income (Notes 4, 15 and 19) | 78,670,585 | 58,261,841 | 17,172,535 |
| Interest expense (Notes 11 and 16) | (65,419,124) | (12,562,538) | (16,810,309) |
| Other income (Note 15) | 3,660,620 | 137,200 | 357,743 |
| | 16,912,081 | 442,975,833 | 719,969 |
| INCOME BEFORE INCOME TAX | 1,333,760,766 | 1,555,858,671 | 680,863,408 |
| PROVISION FOR INCOME TAX (Note 18) | 106,576,453 | 294,448,184 | 143,772,034 |
| NET INCOME | 1,227,184,313 | 1,261,410,487 | 537,091,374 |
| OTHER COMPREHENSIVE INCOME | — | — | — |
| TOTAL COMPREHENSIVE INCOME | ₱1,227,184,313 | ₱1,261,410,487 | ₱537,091,374 |
| Basic/Diluted Earnings Per Share (Note 21) | ₱1.23 | ₱1.29 | ₱3.16 |

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

| | Years Ended December 31 | | |
|---|-------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| PAID-UP CAPITAL (Note 12) | | | |
| Common Shares - P10 par value | | | |
| Balance at beginning and end of year | P10,451,224,050 | P10,451,224,050 | P12,924,300 |
| Conversion of preferred shares | - | - | 1,623,299,700 |
| Issuance of new shares | 478,640,000 | - | 8,815,000,050 |
| Balance at end of year | 10,929,864,050 | 10,451,224,050 | 10,451,224,050 |
| Preferred Shares - P1 par value | | | |
| Balance at beginning of year | - | - | 1,623,299,700 |
| Conversion to common shares | - | - | (1,623,299,700) |
| Balance at end of year | - | - | - |
| | 10,929,864,050 | 10,451,224,050 | 10,451,224,050 |
| ADDITIONAL PAID-IN CAPITAL (Note 12) | | | |
| Issuance of new shares | 785,681,404 | - | - |
| Balance at end of year | 785,681,404 | - | - |
| TREASURY SHARES (Note 12) | | | |
| Balance at beginning of year | (673,299,700) | (673,299,700) | (653,299,700) |
| Redemption of shares | - | - | (20,000,000) |
| Balance at end of year | (673,299,700) | (673,299,700) | (673,299,700) |
| RETAINED EARNINGS (Note 12) | | | |
| Balance at beginning of year | 1,022,804,424 | 722,691,606 | 677,952,254 |
| Total comprehensive income/Net income | 1,227,184,313 | 1,261,410,487 | 537,091,374 |
| Share issuance costs | - | - | (108,352,022) |
| Cash dividends | (953,860,485) | (961,297,669) | (384,000,000) |
| Balance at end of year | 1,296,128,252 | 1,022,804,424 | 722,691,606 |
| | P12,338,374,006 | P10,800,728,774 | P10,500,615,956 |

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|--|-------------------------|----------------|-----------------|
| | 2020 | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱1,333,760,766 | ₱1,555,858,671 | ₱680,863,408 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 7, 8 and 16) | 225,537,616 | 190,607,039 | 76,009,715 |
| Interest expense (Notes 11 and 16) | 65,419,124 | 12,562,538 | 16,810,309 |
| Gain under finance lease (Note 15 and 17) | – | (397,139,330) | – |
| Interest income from finance lease receivables (Notes 15 and 17) | (150,814,117) | – | – |
| Interest income (Notes 4, 15 and 19) | (78,670,585) | (105,099,448) | (17,172,535) |
| Operating income before working capital changes | 1,395,232,804 | 1,256,789,470 | 756,510,897 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in: | | | |
| Receivables | 60,676,759 | (262,130,803) | (179,870,857) |
| Other assets | (157,314,964) | (5,345,676) | (854,489,082) |
| Increase (decrease) in: | | | |
| Accounts and other payables | 280,552,617 | (79,193,659) | 205,735,959 |
| Deposits and other liabilities | 71,237,359 | 81,861,675 | (9,990,617) |
| Construction bonds | (11,105,498) | 8,367,056 | (61,309) |
| Cash generated from (used in) operations | 1,639,279,077 | 1,000,348,063 | (82,165,009) |
| Interest received | 78,670,585 | 58,261,841 | 17,172,535 |
| Income tax paid | (190,606,074) | (189,868,211) | (108,026,492) |
| Net cash flows provided by (used in) operating activities | 1,527,343,588 | 868,741,693 | (173,018,966) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease (increase) in due from related parties (Notes 19 and 23) | (343,300,000) | 199,000,000 | (1,097,810,451) |
| Payments for additions to investment properties (Note 7) | (1,483,807,649) | (10,392,521) | (7,022,857,532) |
| Net cash flows provided by (used in) investing activities | (1,827,107,649) | 188,607,479 | (8,120,667,983) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payments of dividends (Note 12) | (953,860,485) | (961,297,669) | (384,000,000) |
| Payments of principal portion of lease liability (Note 17) | (32,796,936) | – | – |
| Net proceeds from issuance of shares (Notes 12 and 16) | 1,223,218,423 | – | 8,706,648,028 |
| Redemption of shares (Note 12) | – | – | (20,000,000) |
| Net cash flows provided by (used in) financing activities | 236,561,002 | (961,297,669) | 8,302,648,028 |
| NET INCREASE (DECREASE) IN CASH | (63,203,059) | 96,051,503 | 8,961,079 |
| CASH AT BEGINNING OF YEAR | 122,180,606 | 26,129,103 | 17,168,024 |
| CASH AT END OF YEAR (Note 4) | ₱58,977,547 | ₱122,180,606 | ₱26,129,103 |

See accompanying Notes to Financial Statements.

For a complete copy of AREIT's 2020 Audited Financial Statements including its notes, please see <https://areit.com.ph/investor-relations/financial-performance>

SUSTAINABILITY REFERENCE INDEX

This section maps the disclosures found in the report with the six capitals of the <IR> framework, Global Reporting Initiative (GRI) Standards indicators, Sustainability Accounting Standards Board (SASB) material topics, and Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

| Dimension | Material Topic | <IR> | GRI Standards | SASB | TCFD | UN SDGs | Page Number(s) |
|---------------|------------------------------------|----------------------------------|-------------------|-------------------------------------|------------------------------|-----------------------|--------------------|
| Economic | Project Quality and Responsibility | Natural and Manufactured Capital | - | - | Strategy Risk Management | 9, 11 | 7-9, 26-27, 61 |
| | Business Ethics | Corporate Governance | 205 206 | - | Governance | - | 46-61 |
| | Indirect Economic Impacts | Social and Relationship Capital | 203 | - | - | 1, 3, 8, 9, 10, 11 | 7-11, 32-33, 42-45 |
| | Supply Chain Management | Social and Relationship Capital | 204 308 | - | | 9, 11, 12 | 44 |
| Environmental | Resource Efficiency | Natural and Manufactured Capital | 302 303 306 | IF-RE-130 IF-RE-140 IF-RE-410 | Metrics and Targets | 9, 11, 12, 13, 14, 15 | 35, 38-41 |
| | Environmental Compliance | Natural and Manufactured Capital | 307 | - | Risk Management | 11, 12, 14, 15 | 38-41 |
| | Climate Action | Natural and Manufactured Capital | 305 | IF-RE-450 | Strategy Metrics and Targets | 13 | 38-41 |
| Social | Workforce Health and Safety | Human Capital | 403 | - | - | 3, 8 | 43 |
| | Customer Relationship | Social and Relationship Capital | - | - | - | 11 | 42 |
| | Customer Health and Safety | Human Capital | 416 | - | - | 3 | 43 |

| Boundary of Environmental Data | 2018 | 2019 | 2020 |
|--------------------------------|----------------------------------|--|--|
| Properties Covered | Mckinley Exchange Solaris One | Mckinley Exchange Solaris One Ayala North Exchange | Mckinley Exchange Solaris One Ayala North Exchange |

STATEMENT OF MANAGEMENT RESPONSIBILITY

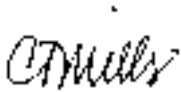
AREIT's 2020 Integrated Report

The management of AREIT, Inc. applied their collective mind in the preparation of AREIT's 2020 Integrated Report in accordance with the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> Framework.

This was supervised by the President and CEO, Ms. Carol T. Mills and the Chief Finance Officer and Compliance Officer, Ms. Elaine F. Alzona, who are responsible for the integrity of this report.

This report contains certain forward-looking statements that may involve risks or uncertainties as they relate to future events and circumstances that may be beyond AREIT's control.

In addition, regulations of the Philippine Stock Exchange (PSE) prohibit making price sensitive forecasts without considerable independent review and process. The management therefore advise readers to use caution regarding interpreting any forward-looking statements in this report.



Carol T. Mills
President and CEO



Elaine F. Alzona
CFO and Chief Compliance Officer

CORPORATE INFORMATION

AREIT, INC.

28F Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City 1226, Philippines
Tel (632) 7908-3296
Fax (632) 7750-6766

Corporate Website: www.aret.com.ph

STAKEHOLDER INQUIRIES

For inquiries or concerns from analysts, institutional investors, the financial community, customers, and the general public, please contact:

Customer, Media and General Inquiries:
investor.relations@aret.com.ph

Investor Communications:
investor.relations@aret.com.ph

Corporate Governance:
corporate.secretary@aret.com.ph

SHAREHOLDER SERVICES AND ASSISTANCE

For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificates, please contact:

BPI Stock Transfer Agency
3F Buendia Center
372 Senator Gil Puyat Ave.
Makati City, Philippines
Tel (632) 8580 4693 to 95
Email: stocktransferoffice@bpi.com.ph

Produced by: **Investor Communications and Compliance**

Michael Blase V. Aquilizan
Michael Anthony L. Garcia

Sustainability

Fiona Aira P. Cerdan
Anna Maria M. Gonzales

Editorial Consultant: Leah B. del Castillo
Design and Layout: Perez Numedia, Inc.
Concept: Wunderman Thompson

Contributors:
Finance Group, Legal and Corporate Services



AREIT, Inc.
28F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City 1226, Philippines
Telephone: (632) 7908-3296
Fax No: (632) 7750-6766