



AREIT

Transforming
commercial real estate
to unlock value

INTEGRATED REPORT 2021

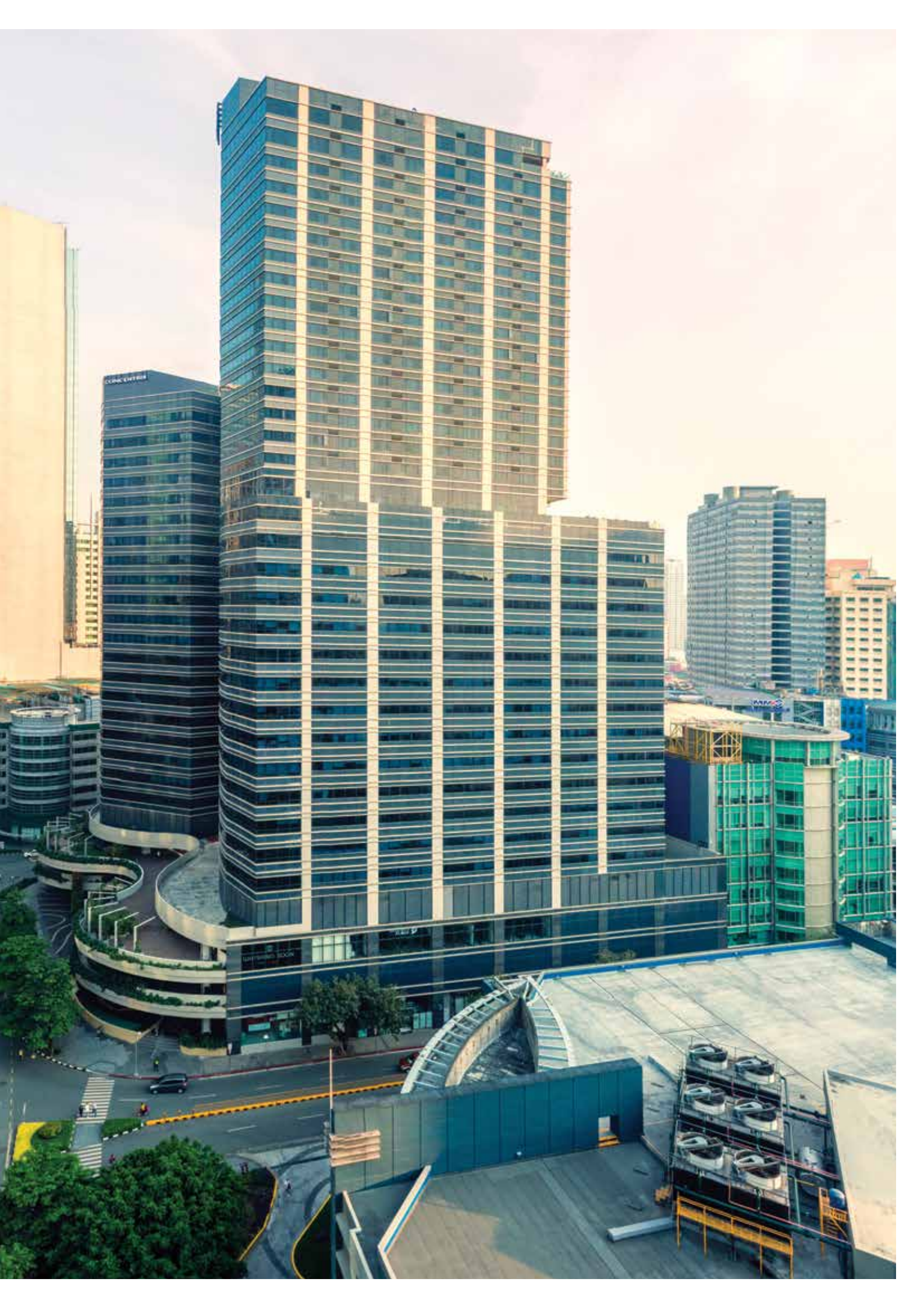
An aerial photograph of a modern city street, likely in Manila, Philippines. The street is wide and multi-laned, with several lanes of traffic including cars, buses, and motorcycles. The buildings are tall and modern, with glass facades reflecting the sky. The overall scene is a vibrant urban landscape.

Transforming commercial real estate to unlock value

In July 2009, the Philippine Real Estate Investment Trust (REIT) law was enacted to introduce a new asset class that would further develop the capital markets, broaden the participation of Filipinos in the ownership of real estate in the country, and spur economic development in the process.

More than a decade after, and amidst the challenging environment brought about by the COVID-19 pandemic in 2020, Ayala Land made the bold move of launching AREIT, the first Philippine REIT offered to the public. The timing of the IPO was anchored on the firm belief on the soundness of the assets, the commitment to democratize commercial real estate for Filipinos, and the opportunity to reinvest income in the Philippines. After a year of operations, AREIT has demonstrated its commitment to expand its portfolio and provide consistent dividends and yield growth, generating a total shareholder return of 91% since its listing until December 2021. The interest for Philippine REITs soon took off in 2021 as other players came to market, resulting in a P267 billion local REIT market.

Mutually benefiting its Sponsor and the broader shareholder base, AREIT is a unique instrument which catalyzed the capital markets, opened investment opportunities in prime commercial properties, and paved the way for growth while enabling Ayala Land to reinvest and expand further the country's real estate sector.



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About this Report

AREIT's Integrated Report is made available to its stakeholders and the public on the same day as the Annual Stockholder's Meeting.

Released on April 21, 2022, it covers the results of operations for the year ending December 31, 2021.

The report follows the International Integrated Reporting <IR> framework, developed by the International Integrated Reporting Council, referencing the Global Reporting Initiative (GRI) Principles, industry-specific standards of the Sustainability Accounting Standards (SASB), and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It also discusses the corporate governance practices following the ASEAN Corporate Governance Scorecard.

The reporting index on page 83 contains the material topics, and corresponding global standards or recommendations addressed.

AREIT commissioned the Philippine branch of DNV GL AS (DNV) to undertake an independent assurance of the sustainability disclosures in this report. DNV used its assurance methodology, VeriSustain, and global best practices such as the International Standard on Assurance Engagements (ISAE) 3000 Revised, the GRI Principles for defining report content, the Report Quality Standards, and SASB industry-specific standards. DNV was not involved in developing this publication or any of its contents.

Stakeholders may download the PDF version at <https://areit.com.ph/>

In case of questions or clarifications, please get in touch with investor.relations@areit.com.ph

About the Company

AREIT Inc. (AREIT) was incorporated on 4 September 2006 as a real estate company. It was originally known as One Dela Rosa Property Development, Inc. before changing to its current name on 12 April 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 13 August 2020. As of 31 December 2021, 33% of the company is publicly traded, while the remainder is owned by its sponsor, Ayala Land, Inc.

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. With solid 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.

VISION

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

MISSION

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



The Portfolio:

PRIME PROPERTIES WITH 549K SQM OF GROSS LEASABLE AREA (GLA) AND TOTAL DEPOSITED PROPERTY VALUE OF P53 BILLION



Ayala North Exchange (2019)
95,300 sqm GLA | Makati CBD



Teleperformance Bldg Cebu (2013)
18,093 sqm GLA | Cebu IT Park



The 30th (2017)
74,704 sqm GLA | Pasig/Ortigas CBD



Solaris One (2008)
46,768 sqm GLA | Makati CBD



McKinley Exchange (2014)
10,688 sqm GLA | Makati City



Laguna Technopark Industrial Lots
98,179 sqm GLA | Binan, Laguna



Vertis North Commercial Development (2017)
164,628 sqm | Vertis North, Quezon City



One & Two Evotech (2013)
23,058 sqm | Sta. Rosa, Laguna



Ayala Northpoint Technohub (2011)
4,654 sqm | Talisay City, Negros Occidental



BPI Philam Life Makati (1998)
1,072 sqm Makati CBD



BPI Philam Life Alabang (1997)
551 sqm | Madrigal Business Park, Alabang



Bacolod Capitol Corporate Center (2018)
11,313 sqm | Bacolod City, Negros Occidental



Performance Highlights

	2021	2020	2019
Statement of Income (In Php million)			
Total Revenues	3,316	2,036	1,672
EBITDA*	2,397	1,542	1,303
Net Income	2,433	6,265	3,704
Statement of Financial Position (In Php million)			
Cash and Cash Equivalent	92	59	122
Total Assets	56,504	35,100	30,811
Total Borrowings	3,847	-	-
Stockholders' Equity	48,888	32,808	26,232
Statement of Cashflows (In Php million)			
Net Cashflow provided by Operating Activities	2,130	1,527	869
Net Cash used in Investing Activities	(4,138)	(1,827)	189
Net Cash provided by Financing Activities	2,041	237	(961)
Financial Ratios			
Current Ratio	0.67	3.55	4.17
Debt-to-Equity ratio	0.08	-	-
Net Debt-to-Equity ratio	0.08	-	-
Return on Equity (Average Equity)	5%	19%	N/A
Return on Assets (Average Assets)	6%	21%	N/A
Stock Information (As of 31 December)			
Market Capitalization (In Php million)	73,333	30,103	-
Stock Price (In Php)	48.60	29.35	-
Earnings per Share (In Php)	1.64	6.29	3.79
Operational Highlights			
Total GLA (In million square meters)	549	171	142
Occupancy	98%	96%	90%
Total Tenants	106	87	66
Average Lease Rate (per sqm/month)	540	810	822
Sustainability Highlights			
Economic Value Distribution (In Php million)			
Economic Value Generated			
Total Revenues	3,316	2,036	1,672
Economic Value Distributed			
Payments to suppliers/contractors	683	327	265
Payments to employees			
Payments to providers of capital	1,903	1,019	974
Payments to governments	236	(3,114)	892
Payments to communities			
Economic Value Retained	494	3,804	(459)
Environmental and Social Indicators			
Net GHG Emissions (Scopes 1 and 2, in t-CO ₂ e)	-	4,106	3,541
% of energy consumption in Renewable Energy	71%	35%	34%

*Earnings Before Interest, Taxes, Depreciation and Amortization



JOSE EMMANUEL H. JALANDONI
CHAIRMAN

CAROL T. MILLS
PRESIDENT AND CEO

Joint Message from The Chairman and The President

“AREIT is in a momentum of growth and hope as we emerge from the pandemic. By adhering to our core principles, we rise above short-term challenges and set sights on long-term value and progress.”

2021 marked AREIT’s first full year of operations after it listed as the first Philippine Real Estate Investment Trust (REIT) in August of 2020. The year was beset by the prolonged challenges of the pandemic with repeated lockdowns due to prevailing Covid-19 cases across the globe. Meantime, interest in Philippine REITs took off as four other REIT players came to market. The total market capitalization of Philippine REITs reached P267 billion at the close of 2021 (within over a year since AREIT was listed on the exchange).

Amidst this backdrop of economic challenges and new competition, AREIT focused on growth. Being first to list, the company had a head start to enlarge its portfolio while establishing its capacity to deliver yield and capital appreciation – the two main investment objectives of a REIT. We executed our growth plans, thereby providing increasing returns for our shareholders.

In 2021, the company recorded revenues of P3.3 billion and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of P2.4 billion, 63% and 55%, higher, respectively, as a result of our stable operations driven by high occupancy and collection, both at a rate of 98%. With operational efficiencies and healthy margins, we achieved a net income of P2.4 billion, inclusive of our investment properties’ net fair value change amounting to P165 million. Excluding this, net income registered at P2.3 billion, 56% higher than 2020.

In January, we acquired The 30th, a 75-thousand square meter (sqm) commercial development located in Pasig City from Ayala Land, as well as a 9.8-hectare land parcel at the Laguna Technopark from Technopark Land, Inc. and leased by Integrated Micro-Electronics, Inc., both of which are subsidiaries of Ayala Corporation. These two assets immediately contributed to our operations in the first quarter of 2021. Shortly after, we announced plans to enter a property-for-share swap with our Sponsor, Ayala Land, involving commercial properties valued at P15.5 billion, located within prime business districts in the country. Upon the Securities and Exchange Commission’s approval in October, the deed of exchange took effect, and income from the said properties accrued to AREIT beginning the 4th quarter of 2021.

From a portfolio of 344 thousand sqm and an Assets Under Management (AUM) of P37 billion in 2020, we expanded to 549 thousand sqm and P53 billion, a 60% increase in gross leasable area (GLA) and 43% in AUM,

JOINT MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

respectively. More importantly, 45,500 jobs are housed across our properties today, generating income and livelihood across sectors in our society and encouraging further expansion of businesses throughout the country.

These efforts enabled AREIT to generate dividends per share of P1.77, a 34% increase from 2020 and 12% higher than our original REIT plan projection during the IPO. Combined with share price appreciation and dividend per share growth, AREIT was the best performing REIT with a total shareholder return that reached as high as 91% since the IPO.

This feat underscores our priority to deliver to our investors a compelling yield that grows over time, derived from stable recurring income with contracted escalations as well as the contribution of new assets in the portfolio.

Several prestigious institutions have recognized our business initiatives. Asiamoney awarded AREIT as the Most Outstanding IPO in the Philippines according to their poll of Asia's Outstanding Companies. With increased trading volumes and market activity, AREIT became the first Philippine REIT to be included in the FTSE EPRA Nareit Asia ex-Japan REITs 10% capped Index, Small Cap, and Micro Cap indices. It is also a constituent of the MSCI Philippine Small Cap Index, and the PSE Philippine Property, Mid Cap, and Dividend Yield Indices.

In December, AREIT embarked on another first for Philippine REITs: the company issued its maiden bond offering worth P3 billion with a two-year tenor and a fixed rate of 3.04% per annum. The bond was rated PRS Aaa by PhilRatings, and is the only two-year tenor issue in 2021. With overwhelming interest from local bond investors, it was 5.6 times subscribed.

This issuance was used to refinance our loan related to the acquisition of The 30th and was the first tranche of the company's P15 billion Debt Securities Program registered with the SEC to fund growth initiatives. This successful bond offer demonstrated how the debt capital market enabled REITs to deliver yield accretion and expanded AREIT's stakeholder base to include bond investors, creating more value shared across a broader market.

Beyond financial objectives, AREIT looks at the future with a commitment to our Environmental, Social and Governance goals following the ASEAN Corporate Governance Scorecard. In 2021, we successfully achieved our goal of neutralizing our Scope 1 and 2 carbon emissions, and we are moving towards net-zero carbon operational emissions. Aligned with the COP26 summit, we believe this is the most significant, impactful environmental initiative we have undertaken. By shifting from coal to renewable energy in our buildings, we achieved AREIT's ESG objectives, and enabled our building locators to meet their ESG standards.

All in all, AREIT's journey as the first Philippine REIT is one of four stories: a story of the unexpected, a story of resilience, a story of inclusion, and a story of continued growth.

Looking back, AREIT was conceived against all odds, being the first in untested waters, and going beyond conventional thinking. Upon listing, our mindset was that of future growth, not necessarily about being the largest from the very start. Being the pioneer, we made sure we delivered on our promise that our business remained strong and resilient, at the same time demonstrated our ability to give value back to our investors the way a REIT should. We felt obliged to set the proper benchmark, not just

for ourselves but also for our stakeholders, to ensure that the Philippines would have a flourishing REIT market.

Today, AREIT has over 23,000 individual shareholders, enabling many Filipinos to invest and participate in the growth of the country's prime commercial real estate assets.

As we reach our second year, we remain committed to delivering and executing our growth plans, giving further value to you, our shareholders. Believing in the fundamentals of our country with rising Gross Domestic Product, a young population with high domestic consumption, overseas remittances, and continued global outsourcing, we continue to focus our investment on prime commercial real estate across the country, especially as the economy re-opens.

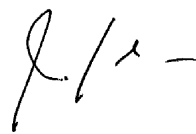
For 2022, the company intends to infuse 124,299 sqm of prime office buildings in Cebu valued at P11.3 billion through another asset-for-share swap with our Sponsor, Ayala Land. Once implemented, this will bring our total portfolio to 673 thousand sqm and P64 billion in AUM, further boosting the company's dividend per share alongside the contribution of new assets acquired late last year. This transaction brings us ahead of our target to double in size two years from the IPO while increasing the company's income generating capacity, diversifying our geographical reach, and expanding our client base.

AREIT is in a momentum of growth and hope as we emerge from the pandemic. By adhering to our core principles of being in prime locations, having quality and

long-term occupancy, contracting inflation-hedged escalations, undertaking accretive acquisitions, and complementing these by our Sponsor's track record of management and execution, we can rise above the short-term challenges and set our sights on long-term value and progress.

I would like to thank our Board of Directors for their guidance and insights, our regulators for enabling and paving the way for a transparent REIT regime, our Sponsor Ayala Land for its vision on AREIT as an enabler for capital recycling and growth, and our officers and management, for their hard work and selfless commitment to the company's goals. AREIT is indeed a product of the synergy and collaborative spirit across the group.

To our shareholders and stakeholders, we are grateful for the trust that you have accorded to AREIT. We will continue to strive to achieve our goals and deliver long-term value.



Jose Emmanuel H. Jalandoni
Chairman



Carol T. Mills
President and CEO

Business Review



Financial Performance

AREIT Inc., the first Philippine Real Estate Investment Trust (REIT) and the commercial REIT vehicle of leading property developer, Ayala Land, Inc., delivered on its commitment to grow and provide increasing returns for its shareholders.

AREIT achieved total revenues of P3.32 billion and EBITDA (earnings before interest, taxes, depreciation, and amortization) of P2.40 billion, 63% and 55% higher year-on-year, respectively. Full-year 2021 net income reached P2.43 billion, inclusive of a net fair value change in investment properties of P165 million. Excluding the net fair value change in investment properties, net income registered at P2.27 billion, 56% higher than the net income before the net change in fair value and a one-time deferred tax of P1.45 billion in 2020.

In December 2021, AREIT became the first Philippine REIT to offer a bond to the public and list in the PDEX. Its maiden bond offering was a fixed rate bond amounting to P3 billion,

with a two-year tenor and a fixed rate of 3.0445% per annum. This was the only two-year tenor issued in 2021, and was 5.6 times subscribed, indicative of the overwhelming interest from local bond investors. The bonds, representing the first tranche of debt securities issued under AREIT's P15 billion debt securities program registered with the SEC, have been rated PRS Aaa by PhilRatings. The company closed the year with a solid balance sheet with a net gearing of 0.08:1.

Portfolio

From IPO to today, AREIT's assets grew from three properties at 153 thousand square meters gross leaseable area (GLA), to thirteen properties at 549 thousand square meters. Assets Under Management (AUM) likewise increased from P30 billion to P53 billion.

In 2021, the company purchased The 30th, a 75 thousand square meter commercial development located in Pasig City, and 98 thousand square meters of land at Laguna Technopark leased by Integrated Micro-Electronics, Inc. It also secured the

Securities and Exchange Commission's (SEC) approval for a property-for-share swap with Ayala Land, Inc. (ALI) and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc., in exchange for properties including Vertis North Office Towers and Mall, BPI Philam Life Office Condo Units in Makati and Alabang, One and Two Evotech BPO Buildings in Nuvali, and Bacolod Capitol, and Ayala Northpoint BPO Buildings in Negros Occidental. The properties acquired from the share swap deal have contributed to the company's operating income beginning October 1, 2021.

The properties are strategically located in leading commercial centers in Metro Manila and key provinces. All office properties are accredited by the Philippine Economic Zone Authority (PEZA).

AREIT continues to maintain a stable tenant mix composed of BPO's (55%), serviced apartments (5%), headquarter type operations (8%), and retail (14%); and sustained a high occupancy of 98%. The weighted average lease expiry of its office tenants is 3.8 years, similar to local office REIT peers.

Dividends

AREIT consistently distributed quarterly dividends that increased since its IPO in August 2020. Dividends continue to grow particularly in periods with new asset infusions, demonstrating that every acquisition is accretive to the company and its investors.

For full year 2021, dividends per share totaled P1.77, an increase of 34% over 2020 dividends of P1.32 per share, and 12% higher than its REIT plan projection in the IPO.

Growth Prospects

As part of AREIT's commitment to continuously grow its asset portfolio and increase total shareholder value, AREIT will be entering into another property-for-share swap with its sponsor Ayala Land to infuse six Cebu office buildings valued at P11.26 billion in exchange for 252 million new shares at a swap price of P44.65 per share. This will double AREIT's AUM to P64 billion and increase GLA more than four times to 673 thousand sqm before the end of this year.

The properties are centrally located within premier business parks in Cebu with good access to transportation and talent pool. All six buildings have good operating track record with tenants consisting of leading BPO companies in the region.

AREIT's three-year strategy include plans to grow its asset portfolio at an average of 100 thousand sqm of GLA in 2023 and 2024, translating to an increase of P10-15 billion in its AUM annually during the period. The company maintains its thrust to grow and diversify its asset portfolio by sector, location, and income contribution, and achieve a total shareholder return range of 10-12%.

Constituent Indices and Awards

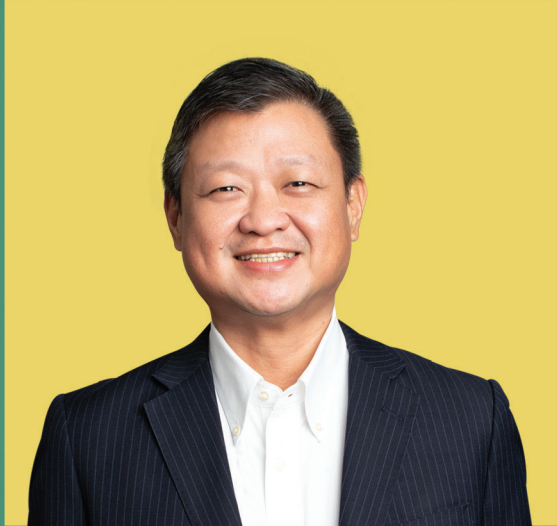
AREIT became the first Philippine REIT to be included in the FTSE EPRA Nareit Asia Ex-Japan REITs 10% capped Index. It is also a constituent of six other indices, the FTSE Micro and Small cap indices, the MSCI small cap index, PSE property index and PSE dividend yield and Midcap indices.

AREIT was also awarded Most Outstanding IPO in the Philippines by Asiamoney in its 2021 Asia's Outstanding Companies Poll.





Our Leaders



JOSE EMMANUEL H. JALANDONI
Chairman



CAROL T. MILLS
President and CEO

Board of Directors



BERNARD VINCENT O. DY
Director



AUGUSTO D. BENGZON
Director



MARIANA ZOBEL DE AYALA
Director



OMAR T. CRUZ
Lead Independent Director



ENRICO S. CRUZ
Independent Director



JESSIE D. CABALUNA
Independent Director (As of December 2021)



SIMEON C. CUA
Independent Director (Resigned effective December 2021)

OUR LEADERS

JOSE EMMANUEL H. JALANDONI

CHAIRMAN

Filipino, 54, 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 commercial businesses including malls, offices, hotels, resorts of Ayala Land, Inc. He is Chairman of AyalaLand Logistics Holdings Corp., also a publicly listed subsidiary of ALI. His other significant positions are: Chairman, President and Chief Executive Officer of Northgate Hotel Ventures, Inc. and Southcrest Hotel Ventures, Inc. He is Chairman of the Board of 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., One Makati Hotel Ventures, Inc., One Makati Residential Ventures, Inc., Pangulasian Island Resort Corporation, Paragua Eco-Resort Ventures, Inc., Regent Horizons Conservation Company, Inc., Sentera Hotel Ventures, Inc., Sicogon Island Tourism Estate Corporation, Sicogon Town Hotel, Inc., Estate Corporation, 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, ALI Capital Corporation, Anvaya Cove Golf and Sports Club, Inc., Ayagold Retailers, Inc., Ayala Property Management Corporation, Cagayan de Oro Gateway Corporation, Columbus Holdings, Inc., Fort Bonifacio Development Corporation, Lio Tourism Estate Association, Makati Cornerstone Leasing Corporation, Makati Development Corporation, Philippine FamilyMart CVS, Inc., Philippine Integrated Energy Solutions, Inc., SIAL CVS, Inc., SIAL Specialty Retailing, Inc., and Station Square East Commercial Corporation. He joined ALI in 1996 and held various positions in the Company. He graduated with a degree of Bachelor of Science 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, 49, has served as the Company's President since February 10, 2014 and President and Chief Operating Officer since April 4, 2019. She is a Vice President of Ayala Land, Inc. She is also the President of Ayala Land Offices, Inc., the office leasing and development arm of Ayala Land since 2013 with 1.4 million square meters of leasable space across 72 office buildings in the Philippines. She is Chairman and President of various Ayala Land Offices 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., as well as, Director of ALL Capital Corp., DirectPower Services, Inc. and Central Block Developers Inc. She joined ALL in 1993 and 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. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

BERNARD VINCENT O. DY
DIRECTOR

Filipino, 58, has served as a Director of AREIT, Inc. since April 4, 2019. He is the President and Chief Executive Officer of Ayala Land, Inc. and is a member of the Ayala Group Management Committee of Ayala Corporation since April 2014. He is also a Director AyalaLand Logistics Holdings Corporation and MCT Bhd of Malaysia, all of which are publicly listed companies. Concurrently, he is the Chairman of Alveo Land Corporation, Amaia Land Corporation, Avencosouth Corp., Aviana Development Corp., Ayagold Retailers, Inc., Ayala Property Management Corporation, Bellavita Land Corporation, BGNorth Properties, Inc., BGSouth Properties, Inc., BGWest Properties, Inc., Cagayan De Oro Gateway Corp., Makati Development Corporation, Portico Land Corporation, Station Square East Commercial Corporation, and Vesta Property Holdings, Inc.; Vice Chairman of Alviera Country Club, Inc., Aurora Properties Incorporated, and Ayala Greenfield Development Corporation, and Director of AKL Properties, Inc., ALL Eton Property Development Corporation, Alveo-Federal Land Communities, Inc., Amicassa Process Solutions, Inc., AyalaLand Medical Facilities Leasing, Inc., Nuevocentro, Inc., Philippine Integrated Energy Solutions, Inc., Serendra, Inc., and Whiteknight Holdings, Inc. He is also the President and CEO of Berkshires Holdings, Inc., Bonifacio Land Corporation, Columbus Holdings, Inc., Emerging City Holdings, Inc., and Fort Bonifacio Development Corporation; President of Accendo Commercial Corporation, Alabang Commercial Corporation, Bonifacio Art Foundation, Inc., Ceci Realty Inc., and Hero Foundation Inc.; Member of the Board of Trustees of Ayala Foundation, Inc. and Ayala Group Club, Inc.; and Director of the Junior Golf Foundation of the Philippines since 2010 and Vice Chairman since 2017. He earned a degree of BBA in Accountancy from the University of Notre Dame in 1985, an MBA in 1997, and Masters in International Relations in 1989 from the University of Chicago.

OUR LEADERS

AUGUSTO D. BENGZON

DIRECTOR

Filipino, 58, has served as a Director of AREIT, Inc. since April 4, 2019. He also served as Treasurer of AREIT, Inc. from April 4, 2019 to August 12, 2021. He currently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer, Chief Compliance Officer & Treasurer. He is a Director of ACE Enexor, Inc. and Treasurer of AyalaLand Logistics Holding Corp., publicly listed companies under the Ayala Group. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc., Anvaya Cove Golf and Sports Club, Inc. and Anvaya Cove Beach and Nature Club, Inc.; Director and Chief Finance Officer of Altaraza Development Corporation; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Avida Land Corp., Ayala Property Management Corp., AyalaLand-Tagle Properties, Inc., 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 of Ayala Greenfield Development Corp., AG Counselors Corporation, Alvierra 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.; Trustee of Philippine National Police Foundation, Inc. and Director of Financial Executives Institute of the Philippines. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Masters in Business Management degree.

MARIANA BEATRIZ ZOBEL DE AYALA

DIRECTOR

Filipino, 33, has been a director of AREIT since October 2021 and currently Senior Vice President for Consumer Bank at Bank of the Philippine Islands overseeing Marketing, Consumer Platforms and Digital Activation & Sales. Ms. Zobel de Ayala also serves as a board director and/or advisory committee member for a number of Ayala Group companies, across Ayala Land, AC Health, Ayala Group's ACTIVE Fund and BPI's Asset Management and Trust Company. Before this role, she was Deputy Head of Ayala Malls, a subsidiary of Ayala Land responsible for just under two million square meters in leasable retail space around the country. In addition to directly overseeing Leasing Strategy & Development across the malls, she was responsible for the build-out of Ayala Malls Labs / Digital & Data – a new unit focused on commercializing synergistic opportunities leveraging technology and data. Prior to this, she worked in Project Development for Alveo Land, and as a Corporate Strategy and Business Development Associate with Ayala Corporation, where she supported portfolio review across the conglomerate and business development interest in the healthcare sector. She started her career at J.P. Morgan in New York City. She graduated from Harvard College in 2011 with a Bachelor of Arts in Social Studies (Philosophy, Politics, and Economics), and a Masters in Business Administration from INSEAD in 2020.

OMAR T. CRUZ

LEAD INDEPENDENT DIRECTOR

Filipino, 67, is the Lead Independent Director of the Company. He also serves as: a Trustee of De La Salle University and Chairman of the Investment Committee of De La Salle Philippines; a member of the Board of Directors of the Financial Executives Institute of the Philippines; a trustee and Board Executive Committee Member for the University of Asia and the Pacific; a trustee and Board Executive Committee Member for the Center for Research and Communication Foundation, Inc.; and a trustee for the Philippine National Police Foundation. Previously Mr. Cruz has served as: Treasurer of the Republic of the Philippines, Chairman of the International Treasury Committee of the International Association of Financial Executives Institution; senior advisor to Prudential Corporation Asia (HK); President and CEO of BPIPhilam Life Assurance Corp., and Vice President and bank executive of Citibank, N.A. He has also previously served as a director for numerous entities, including Philamlife Company, BPI Philam Life Assurance Corporation, Ayala FGU Condominium Corporation, Rufino Towers Condominium Corporation, Philamlife Asset Management, Inc., Tower Club and PHINMA Property Holdings Corporation. Mr. Cruz holds a Bachelor of Science in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University. He also achieved his Masters in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific.

SIMEON S. CUA

INDEPENDENT DIRECTOR

Filipino, 65, served as an Independent Director of AREIT, Inc. from April 4, 2019 to December 3, 2021. 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.

ENRICO S. CRUZ

INDEPENDENT DIRECTOR

Filipino, 64, has been an independent director of AREIT since February 5, 2020. He is also an Independent Director of Security Bank Corporation, The Keepers Holdings, Inc, DITO CME 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, he 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. He obtained his Bachelor of Science in Business Economics and Masters in Business Administration from the University of the Philippines. He was named by the UP College of Business Administration as a Distinguished Alumnus in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association in 2015.

JESSIE D. CABALUNA

INDEPENDENT DIRECTOR

Filipino, 65, was elected independent director of AREIT, Inc. on December 3, 2021. She was the former Assurance Partner and Head of Market Circle – 1 Bacolod Branch of SyCip Gorres Velayo & Co. (SGV). She is presently an Independent Director for AllHome Corp. and AllDay Marts, Inc. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She has accumulated over twenty years of experience as a partner in the accounting firm, SGV & Co., where she was Partner-in-Charge of the Bacolod Branch. Ms. Cabaluna holds a Bachelor of Science in Commerce (Major in Accounting) from the University of St. La Salle. She has also completed advanced management development programs conducted by the Asian Institute of Management and Harvard Business School.

Management Team



CAROL T. MILLS
President and CEO



MA. TERESA R. FAMY
CFO, Treasurer 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



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





Value Creation

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 and may 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.

The AREIT Advantage

Elements that make AREIT a best-in-class REIT



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 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, monitoring and implementing hedging arrangements, and assessing 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. Continue to grow and diversify AREIT's asset portfolio by sector, location, and tenant base; acquisitions will be funded either through equity or debt.
3. Maintain AREIT's leadership among Philippine REITs through continuous growth. In the next three years, AREIT plans to further grow its asset portfolio at an average of 100k sqm of gross leasable area every year and increase its assets under management at an estimated value of Php 10 billion to 15 billion annually.

External Environment

EXTERNAL FACTOR	IMPACT TO PHILIPPINE COMMERCIAL REAL ESTATE
<p>COVID-19</p> <ul style="list-style-type: none"> Community Quarantines. The Philippines entered 2021 with renewed confidence, as most of the country was placed under the less strict General Community Quarantine (GCQ) from January 1 to March 21. However, with rising daily COVID-19 cases, the most stringent Enhanced Community Quarantine (ECQ) was reimposed twice during the year: from March 22 to April 11 and August 6 to 20 due to the spread of the Delta variant. Starting September 16, the government transitioned to the granular lockdown scheme, placing Metro Manila under Alert Level 4 which had similar restrictions to a Modified Enhanced Community Quarantine (MECQ) until October 15. Following improvements in the health situation, the NCR and neighboring provinces were placed under Alert Level 2, which greatly improved mobility starting November 5 until the end of the year. 	<ul style="list-style-type: none"> Malls: Restrictions on mobility slowed foot traffic and tenant operations in malls, especially during ECQ and MECQ, where only tenants providing essential goods and services were allowed to operate. Foot traffic and tenant operations notably picked up when provinces transitioned to GCQ and MGCQ or Alert Level 2. In coordination with pertinent government agencies, strict health protocols were put in place to ensure the safety of mall patrons. To make up for slower foot traffic, malls and tenants began using digital platforms and other alternative selling channels. Selected open spaces were activated to encourage social interaction and dining within social distancing protocols. Offices: Offices remained resilient as BPOs and HQ-type businesses remained operational, despite the lockdowns. While some offices have allowed their employees to work from home, others have resorted to continuing on-premise office operations, as issues on employee morale and productivity, as well as connectivity and data security grew. Hotels and Resorts: Occupancy rates of the hotels and resorts industry were severely impacted by travel bans, averaging only 24% during the first half of 2021 (according to Colliers International). This improved to 44% in the second half of 2021, supported by domestic tourism and returning Overseas Filipinos, but still below pre-pandemic levels. Logistics Real Estate and Warehousing: In 2021, this segment contributed a gross value of P602 billion to the Philippine economy, up 10% from 2020, due to increased business activity in the segment as a result of e-commerce growth and higher demand for storage space.
<p>The Philippine Economy</p> <ul style="list-style-type: none"> GDP. The Philippine economy recovered from the recession during the previous year, growing 5.6% in 2021 and exceeding the BSP's estimate of 5 – 5.5%. 	<p>A strong domestic economy is a leading indicator of the real estate sector's health.</p>

EXTERNAL FACTOR	IMPACT TO PHILIPPINE COMMERCIAL REAL ESTATE
<p>Inflation, Interest Rates, and Foreign Exchange</p> <ul style="list-style-type: none"> • Inflation. FY 2021 inflation ended at 3.9%, which was at the upper range of the BSP's target range of 2-4%, due to supply-side price pressures. • Interest Rates. The Bangko Sentral ng Pilipinas (BSP) kept policy benchmark rates at a historic low of 2.00% to spur economic recovery. • Foreign Exchange. The Philippine Peso remained resilient at P49.26 to US\$1, a 0.75% appreciation from the previous year. 	<ul style="list-style-type: none"> • With inflation remaining within the government's target range, the BSP kept interest rates at low levels throughout 2021 to support economic recovery and GDP growth. • This low interest-rate environment provided corporates, including property developers, access to cheaper debt capital to fund growth plans, and opportunities to refinance higher interest rate loans. • The strong peso in 2021 was supportive of the importation of construction materials.
<p>Social and Demographics</p> <ul style="list-style-type: none"> • Household Consumption. The Philippines continues to be a strong consumption-driven economy, with household spending accounting for 72.7% of GDP, a 4.2% increase from 2020. • Population. According to the latest national census (2015), the Philippines had a total population of 109.04 million, 64.4% of whom were between 15 and 64 years old, with a median age of 25.7 years. This makes it one of the largest and youngest populations in the world. • GDP per capita. GDP per capita, at constant prices as of end-2021, rose 7.5% to US\$3,572. • Unemployment. Unemployment improved to 6.6% from 10.3% in the previous year, with the reopening of the economy. Likewise, labor participation grew to 65.1% from 59.5% in 2020. 	<ul style="list-style-type: none"> • Higher disposable income will drive domestic consumption (which will be evident in sales in malls and shopping centers) and domestic tourism (which will benefit the hotels and resorts business as mobility restrictions are eventually lifted). • 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 for malls, hotels and resorts, and offices.
<ul style="list-style-type: none"> • Remittances. Growth in remittances was a bright spot in 2021, ending 5.1% higher to US\$31.4 billion. 	<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.
<p>Tourism</p> <ul style="list-style-type: none"> • International Tourism. International tourism remained restricted in 2021. 	<ul style="list-style-type: none"> • The reopening of Philippine borders to foreign travelers, coupled with strong domestic tourism, will support the recovery of hotel and resort occupancy rates.

EXTERNAL ENVIRONMENT

EXTERNAL FACTOR	IMPACT TO PHILIPPINE COMMERCIAL REAL ESTATE
<p>Infrastructure Program</p> <ul style="list-style-type: none"> • Spending. Infrastructure spending picked up in 2021, up 31% to P895.1 billion, as construction of projects resumed following the realignment of spending the government budget in 2020 in response to COVID-19. 	<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 spur the creation of new central business districts, offering greater expansion opportunities for commercial real estate. • Developments outside Metro Manila open up opportunities for economic growth, creating wealth for more Filipinos, spurring higher incomes, and creating strong markets for commercial real estate developers.
<p>Tax Reform</p> <ul style="list-style-type: none"> • Corporate Income Tax. The CREATE Bill was signed into law 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 enactment of this law is expected to generate US\$90 billion in foreign direct investments 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. • 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.
<p>POGOs</p> <ul style="list-style-type: none"> • Office Vacancy. From a peak occupancy of 1.3M square meters of GLA in Metro Manila, POGO now occupy only 677 thousand square meters, equivalent to 5% of total GLA. 	<ul style="list-style-type: none"> • POGO operations lifted the demand for office space from 2017 until 2019. However, flight restrictions in 2020 (which hampered the inflow of its employees) and the passing of a new tax law in 2021, triggered the exodus of POGO. The sustainability of its business operations remains 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-2021, Metro Manila office vacancy reached 15.7% from 9.1% in 2020.
<p>Natural calamities</p> <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 December 2021, Typhoon Odette (Rai), a Category-5 super typhoon, hit the country heavily affecting the Visayas and Mindanao region. 	<ul style="list-style-type: none"> • Natural calamities will adversely impact demand for property development projects in the short- to medium-term, as buyers will prioritize basic goods and services and think twice about purchases in the affected areas. • Typhoon Odette caused major property damage in the Visayas and Mindanao region, resulting in power and water outages, especially in the province of Cebu.

OUTLOOK

With reduced COVID cases, high vaccination rates, and improved mobility, AREIT is optimistic about the country's continuing economic recovery. Local consumption remains strong, accounting for more than 70% of Gross Domestic Product (GDP), and the nation's favorable demographics, a growing middle-income and a young working-class, will support growth over the medium- to long-term. Industry experts project that by 2030, the Philippines' middle-income population will grow by 37.5 million – making it the 4th largest in the world.

For 2022, the Philippine Economic team projects GDP to grow by 7% to 9%. This forecast is further affirmed by the Organization for Economic Cooperation and Development (OECD) which forecasts that the Philippines will exhibit the fastest GDP growth in the ASEAN Region for the year. Overseas Filipino remittances and BPO revenues are likewise expected to continue contributing significantly to the economy.

Starting March 2022, the National Capital Region (NCR) and 38 other areas transitioned to Alert Level 1, which allowed for unrestricted mobility and 100% capacity in malls, offices, hotels and resorts, public transportation, and construction, among others. To date, the only restrictions in place are to wear masks for both indoor and outdoor spaces and to present the required vaccination card for indoor spaces.

During 2021, AREIT grew its portfolio 3.6x to 549k sqm GLA from IPO size of 153k sqm GLA with the completion of its P15.5 billion property-for-share swap with its Sponsor in October. In 2022, AREIT will demonstrate a continuing growth story as it benefits from the economy's reopening. Its office leasing business remains resilient and relevant as companies have learned over the last two years that not all employees have the proper environment to effectively work from home. Aside from unstable internet connection and lack of work focus and efficiency, so much innovation and culture-building are missed out by not having the environment to collaborate and hold face-to-face discussions with colleagues. With this, AREIT believes that the demand for offices will continue to be strong, as offices remain an important fixture for work productivity and employee engagement.

Based on market reports, BPOs and traditional offices are seen to sustain their operations in the next normal, and eventually expand further as a result of economic reopening. Office vacancies have plateaued after the exit of POGOs in 2021 and as more office inventory gets taken up by BPO and traditional office locators, occupancy and rental rates are projected to improve in the next three years. Thus, AREIT expects its office leasing business to continue to deliver and significantly contribute to its stable recurring income.

AREIT also sees more growth opportunities as other commercial sectors, such as malls, stabilize. With the transition to Alert Level 1, the malls have started to bounce back with increases in foot traffic and mall tenant sales. Despite the pandemic, malls have remained relevant as families, office workers, and individuals continue to patronize them for essential shopping and recreation.

Climate change and geohazards remain as threats, as evidenced by the heavy floods brought about by typhoons and earthquakes throughout the year. Recognizing these risks to the environment and business, AREIT aligned with and implemented its Sponsor's climate mitigation actions, such as shifting to renewable energy and investing in resource efficiency programs. AREIT will continually undertake these initiatives to hasten the company's achievement of net zero carbon operations.

AREIT maintains a positive outlook on 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 growing middle class and young working population will be key to attracting investments and driving continued demand for commercial properties.

All this, together with the strong support of our Sponsor and the leadership of an experienced management team, supports our plan to continue growing AREIT's portfolio of quality commercial assets that 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.

OUTPUTS

13 properties located in the major business districts of NCR and the provinces of Laguna, Cebu and Negros Occidental.

- 98% occupancy rate
- P540/sq. meter average monthly lease rate
- 3.8-year weighted average lease expiry
- 114 tenants

- 11 office buildings and commercial land with PEZA accreditation
- BPI Philam buildings office condominium units with 1,623 square meters designed for non-BPO, traditional headquarter locators.
- Total gross leasable space of 549,000 square meters
- 87% of buildings (by GLA) using renewable energy
- 43% of buildings (by GLA) are LEED-certified

OUTCOMES

- 10 properties located within Ayala Land mixed-used estates which promote pedestrian mobility and transit connectivity with easy access to public transportation
- One bus terminal at Mckinley Exchange supporting transport connectivity

- Distributed FY2021 dividends of P1.77/share
- 91% total shareholder return as of end 2021 since IPO

- Provided uninterrupted service to tenants even during the community quarantines
- Reduced Scope 2 and 3 emissions by 10,461 t-CO2e and 5,438 t-CO2e, respectively
- Lower energy and water consumption by 14% and 45%

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

Growth through investments and acquisitions

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

917 service providers employed

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

- EBITDA of P2.4 billion up 55%YoY
- Net income of P2.3 billion, 56% higher YoY
- Listed its maiden P3-billion bond issuance on PDEX

Provided safe workspaces to 45,457 tenant employees

97% customer satisfaction rating across all properties

- Asiamoney Most Outstanding IPO in the Philippines
- First PH REIT in the FTSE EPRA Nareit Asia ex-Japan REITs 10% capped Index, Small Cap and Micro Cap indices
- Constituent of the MSCI Philippine Small Cap Index
- Member of the PSE Philippine Property, Mid Cap and Dividend Yield indices



AREIT's Environmental, Social and Governance (ESG) Approach



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 ESG approach of operationalizing sustainability through the four focus areas and measuring and reporting its sustainability performance against global goals and standards.

Materiality Review and Sustainability Four Focus Areas

AREIT has adopted the four focus areas of Ayala Land's sustainability framework—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 the 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, even

amidst 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.

AREIT puts emphasis on the 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 manager, 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 recover quickly 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 Ayala Land estates, whose masterplanning ensures 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 within these places.



Resource Efficiency

AREIT is committed to support its Sponsor's goal of reaching carbon neutrality for all commercial properties by the end of 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. Waste management as well as energy and water conservation programs are 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. This is part of AREIT's contributions towards nation building and creating value for the community.

AREIT'S ESG APPROACH

AREIT's Material Topics and Global Reporting Frameworks

AREIT uses key sustainability reporting frameworks such as the UN Sustainable Development Goals (SDGs), six capitals of the Integrated Reporting Framework, Global Reporting Initiative (GRI) Indicators, Sustainability Accounting Standards Board (SASB) Material Topics, and the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendation to measure and report its own performance and impact on local and global development.

The table below shows the relevant UN SDGs and GRI, SASB, and TCFD topics that correspond to the Sponsor's four focus areas. 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

Stakeholder Engagement

AREIT engages with its stakeholders through various modes to understand and address issues and concerns, while building and maintaining strong relationships for long-term shared value creation.

Stakeholder	Issues and Concerns of Stakeholders	Mode of Engagement
Tenants, Tenant Employees, Hotel Guests, and Shoppers	<ul style="list-style-type: none"> • Customer health, welfare and safety • Customer service and experience • Delivery of best-in-class products and services • Facilities management • Green building certifications • Management of environmental and social impacts 	<ul style="list-style-type: none"> • Digital platforms • Customer satisfaction surveys • Loyalty and appreciation programs • E-newsletters • AREIT website and social media platforms
Employees and Workers <small>Note: AREIT's entire workforce, including its officers, are seconded from Sponsor Ayala Land and its subsidiaries.</small>	<ul style="list-style-type: none"> • Occupational health, welfare and safety • Training and career development • Compensation and rewards • Labor practices and human rights 	<ul style="list-style-type: none"> • Access to healthcare services • Townhalls, monthly or quarterly updates • Organizational climate surveys • Grievance mechanisms and channels • Performance reviews • Training and learning sessions; blended learning modalities
Business Partners Suppliers and Service Providers	<ul style="list-style-type: none"> • Compliance with all laws, regulations, codes and standards • Productivity and timely delivery of products and services • Occupational and customer health, welfare and safety • Labor practices and human rights • Procurement practices • Management of environmental and social impacts 	<ul style="list-style-type: none"> • Training and webinar sessions • One-on-one meetings • Policies and memos • Vendor's Code of Ethics
Creditors	<ul style="list-style-type: none"> • Financial and Operating Performance • Debt servicing capacity 	<ul style="list-style-type: none"> • Financial Sustainability and Capital Management Strategies • Regular engagement with partner banks and investors
Shareholders and Analysts	<ul style="list-style-type: none"> • Financial and Operating Performance • Debt servicing capacity • Recovery and growth plans 	<ul style="list-style-type: none"> • Financial Sustainability, Capital Management Strategies, and Recovery and Growth Initiatives • Regular engagement with investors through one-on-one meetings, investor conferences and roadshows, and quarterly briefings
National and Local Government Units	<ul style="list-style-type: none"> • Compliance with all laws, regulations, codes and standards • Economic development • Management of environmental and social impacts 	<ul style="list-style-type: none"> • Conferences and meetings • Participation in government consultations • Partnerships in national and local projects, programs and initiatives • Dialogues and meetings with stakeholders, including leaders at the barangay, local government and national agency levels
Media	<ul style="list-style-type: none"> • Timely and accurate news • Transparency • ESG (environmental, social and governance) performance 	<ul style="list-style-type: none"> • Media conferences and briefings • News releases and fact sheets • Social gatherings • One-on-one meetings • Through third-party consultants • Annual reports • AREIT website and social media platforms

Environmental Stewardship



AREIT properties aim to reduce their carbon emissions as their contribution 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

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.

Three of the buildings in the Makati CBD (Ayala North Exchange, Solaris One and BPI Philam Life Makati) are connected to the elevated walkway and underpass network of the estate, providing access to the main transport hub in Ayala Center. These three buildings are also near the bus and jeepney stops along Ayala Avenue. Ayala North Exchange is LEED Certified.

The McKinley Exchange Center is strategically located at the intersection of Ayala Avenue and Epifanio delos Santos Avenue (EDSA); 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 with convenient access to public transportation. It is within walking distance to Central Bloc, Ayala Land’s vertical mixed-use development, which features a regional mall, two office towers, and Seda Serviced Residences. The building is certified LEED Gold.

Vertis North Commercial Development is centrally located within Vertis North, Ayala

Land's premier mixed-use estate in Quezon City. The commercial development features three LEED-certified office towers stacked on top of a lifestyle mall. The development was also masterplanned to connect via weather-protected pedestrian walkways to Trinoma Mall, which serves as an important transport hub in Quezon City. Similar to Ayala Center Makati, it provides convenient access to a wide range of public transportation options: the MRT, buses, jeepneys, taxis and UV express shuttles.

One and Two Evotech are located in Nuvali; Ayala Land's sustainable mixed-use estate. Both buildings are within close proximity to Solenad Mall and Nuvali's public transport terminal. Bike racks and ramps are also provided for office workers to use. One Evotech is certified LEED Silver.

The 30th Commercial Development is located along Meralco Avenue, one of the busiest thoroughfares in Pasig City. The development provides various modes of public transportation for both office workers and shoppers. Just recently, the development, through a partnership with Integrated Micro-electronics Inc. and Global Electric Transport became the pilot site for the Ayala Group's initiative to install integrated

electric vehicle chargers and e-shuttles as an eco-efficient transportation option for office workers and patrons of the mall. This is in line with the Ayala Group's efforts to reduce harmful emissions and achieve carbon neutrality.

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

Due to new acquisitions made in 2021, total energy consumption of the company rose to 13.9 million kWh, versus 10.7 million in previous year. Similarly, energy consumption of leased areas increased to 41.6 million kWh. To compare energy efficiency over time, electricity intensity in both common areas and tenant areas are measured in terms of kWh consumption per sq. meter of occupied floor area. In 2021, intensity decreased by 34% for common areas, while tenant area intensity rose slightly by 5% due to the newly-acquired buildings having higher tenant area intensities.

Energy Consumption (kWh)	2019	2020	2021
Within the Organization			
Electricity	12,832,288	10,403,113	13,185,164
Fuel	351,277	296,957	658,851
Outside the Organization			
Electricity	14,650,248	13,282,268	41,659,610
Total Energy Consumption (kWh)	27,833,813	23,982,338	55,503,626

Electricity Intensity	Unit*	2019	2020	2021
Whole Building	kWh/sqm GFA	157.47	125.48	108.62
Common Area	kWh/sqm GCA	245.17	188.93	125.29
Leased Area	kWh/sqm GLA	119.90	99.35	104.24

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 relevant area multiplied by occupancy rate.

ENVIRONMENTAL STEWARDSHIP

Water Management

Water consumption of properties also saw a significant growth. Consumption within common areas rose to 279 thousand cubic meters, while leased area consumption amounted to 143 thousand cubic meters. Water intensity of the common area and leased area decreased by 24% and 48%, respectively, due to continuous efforts to improve water efficiency within AREIT properties.

Water Consumption (m ³)	2019	2020	2021
Within the Organization (Common Area)	209,753	191,705	278,755
Outside the Organization (Leased Area)	94,640	92,883	144,302
Total	304,393	284,588	423,057

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*	2019	2020	2021
Whole Building	m ³ /sqm GFA	1.74	1.51	0.84
Common Area	m ³ /sqm GCA	4.01	3.48	2.65
Leased Area	m ³ /sqm GLA	0.77	0.69	0.36

*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 relevant area multiplied by occupancy rate. (2019 and 2020 figures were restated.)*

Green Buildings

AREIT aims to increase the share of green buildings in its portfolio. As of end-2021, 47% of its buildings (in terms of commercial GLA) are LEED-certified.

Building Name	LEED Certification
One Evotech	Silver
Vertis Corporate Center 1	Certified
Vertis Corporate Center 2	Certified
Vertis Corporate Center 3	Certified
Teleperformance Cebu	Gold
Ayala North Exchange	Certified

Carbon Neutrality

AREIT continues to look for opportunities to shift a greater proportion of its properties to renewable energy sources.

Renewable Energy. As of end-2021, 87% of AREIT's buildings as measured in commercial GLA are purchasing electricity from renewable sources, up from 31% in 2020. Buildings that have shifted to renewable energy during the year are Ayala North Exchange, BPI Philam Life Alabang and Mckinley Exchange Corporate Center, while newly-acquired properties (The 30th, BPI Philam Life Makati, and Vertis North Commercial Development) have been sourcing renewable energy even before acquisition. As a result, the share of renewable energy in the mix rose to 71% from 35% in 2020.

Energy Mix	2019	2020	2021
Electricity (Renewable)	34%	35%	71%
Electricity (Non-Renewable)	63%	63%	24%
Fuel	3%	3%	5%

Buildings Using Renewable Energy as of 2021
Solaris
Ayala North Exchange
Mckinley Exchange Corporate Center
The 30 th Commercial Development
Vertis North Commercial Development
BPI Philam Life Makati
BPI Philam Life Alabang



ENVIRONMENTAL STEWARDSHIP

Emissions. Aligned with its Sponsor’s carbon neutrality achievement, AREIT has achieved carbon neutrality status one year ahead of its goal, with third-party verification scheduled in 2022. Through the Sponsor’s two main carbon neutrality strategies of renewable energy sourcing and restoring carbon sinks or carbon forests, AREIT has reduced and offset its emissions by 10,461 t-CO₂e and 5,438 t-CO₂e, respectively, resulting in net-zero scope 1 and 2 emissions from fuel and electricity use.

Emissions intensity, measured in terms of scope 2 and scope 3 operational emissions per sq. meter of occupied floor area, also decreased by 58% through improvements in energy efficiency and reduction of emissions from renewable energy use.

Carbon Neutrality Progress (in t-CO₂e)¹

Carbon Neutrality Performance	2019	2020	2021
Gross Emissions ²	3,857	8,037	15,899
Less: Renewable energy use ³	316	3,931	10,461
Less: Carbon forest offset ⁴	-	-	5,438
Net Emissions	3,541	4,106	-
% Reduction	8%	49%	100%

1. Emissions are market-based and calculated using the GHG Protocol Corporate Accounting and Reporting Standard.

2. Emissions if properties had not shifted to renewable energy sources (business-as-usual scenario).

3. Reductions from using renewable energy which are backed up by iRECs (International REC Standard) certification.

4. Reductions from carbon sinks are due to the estimated carbon stock of Ayala Land-owned forests, as calculated by a third party. Verification of the carbon offset to be done in 2022.

Emissions Intensity	2019	2020	2021
Whole Building (kg-CO ₂ e/sqm GFA)*	48.33	49.52	21.02
Common Area (kg-CO ₂ e/sqm GCA)*	63.72	72.70	48.71
Leased Area (kg-CO ₂ e/sqm GLA)*	41.73	39.97	13.72

*To take into account significant changes in occupancy rate due to the pandemic, intensity has been measured as kg-CO₂e of Scope 2 and 3 emissions per sq. meter of gross floor area (GFA) multiplied by occupancy rate (OCC).

Circular Economy

Solid Waste. AREIT has adopted a circular waste management model. With the help of Ayala Property Management Corporation, waste generated by AREIT's properties is sent to recyclers or to the landfill. As of end-2021, 33,667 kg of waste was diverted and sent to recyclers. Total waste generated increased to 1 million kg due to the higher number of buildings included in the reporting scope.

Waste Generation and Diversion (kg)	2019	2020	2021
Total Waste Generation	478,491	365,350	1,048,674
Sent to Landfill			
Food	235,132	173,915	306,168
Residual	219,298	173,815	344,190
Compostable	7,335	9,928	364,648
Diverted from Landfill			
Sent to Recyclers	16,726	7,692	33,667

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 is 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 electronic and electrical equipment waste are recycled, with the 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 generation increased given the acquisition of new properties. 50%, 10% and 52% of used batteries, engine oil and electronic waste, respectively, have been recycled through the Bantay Kalikasan Program as of end-2021.

Hazardous Waste Generation (metric tonnes)	2020	2021
D406 ULAB	0.34035	2.30
D407 CFL	0.257	2.29
I101 Engine oil	900	12.25
J201 Containers	3.11	3.31
M506 WEEE	0.22	1.41

Legend:

ULAB – Used lead acid batteries

CFL – Compact fluorescent lightbulbs

WEEE – Waste electrical and electronic equipment

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 messaging 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 97% in 2021. Seda Residences Makati, an anchor tenant of Ayala North Exchange, attained 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-2021, its properties provided employment opportunities to 45,457 tenant employees and 917 service providers.

Property	Tenant Employees	Service Providers
Ayala North Exchange (office, retail)	8,050	62
McKinley Exchange (office, retail)	2,500	15
Solaris One (office, retail)	5,200	33
Teleperformance Cebu (office)	5,540	25
The 30 th (office, retail)	6,378	100
LTI Lots (industrial land)	5,000	363
Vertis North Commercial Development (office, retail)	7,890	247
One Evotech (office)	1,562	23
Two Evotech (office)	1,923	14
Ayala Life FGU Makati & Alabang Condo Units (office)	97	0
Ayala Northpoint (BPO)	767	13
Bacolod Capitol Corporate Center	550	22
Total	45,457	917

Health and Safety <GRI 403>

The properties are managed by on-site property managers to look after the safety of the tenants' employees. A service complement of 80 people stayed onsite 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. To ensure the safety of the various communities working in AREIT's properties, all service personnel have been fully vaccinated against COVID19.

As of end-2021, 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, salary or per diem from AREIT.

The Sponsor provides compensation and benefits to the seconded employees following practices as 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.

SOCIAL ENGAGEMENT

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 the 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@ayalaland.com.ph, through SMS at +63 917 3118510, face-to-face meetings, and the website of Ayala Land's auditor, <https://proactivehotline.grantthorntonsolutions.ph/home/selectcategory/2c0bd053-851d-4ec3-a971-bf193acef275>

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 of 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 its 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 2021, there were no audits conducted on vendors of AREIT's properties based on the company's risk assessment during the year.

Child labor and modern slavery has no place in AREIT. Vendors, service providers, and suppliers are carefully audited to make sure they do not employ underage or illegally deployed 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 covenants. Creditors have access to readily available information about AREIT for them to adequately assess the company's credit standing. As of end 2021, AREIT has outstanding debt of P3.85 billion with a net gearing of 11.6% of its deposited property value, well within the 35% average aggregate limit for Philippine REITs. AREIT has an investment grade credit rating of PRS Aaa.

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 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 63 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 first two years as a listed REIT, the company participated as panelist in several REIT education briefings and conferences including those hosted by The Philippine Stock Exchange (PSE), Securities and Exchange Commission (SEC), Urban Land Institute (ULI), and Asia Pacific Real Estate Association (APREA) and the 2020 Asia Pacific REIT Conference.

The President and CEO, Chief Finance Officer, together with the Head of Investor Relations,

periodically join investor conferences and non-deal roadshows organized by stockbrokers, virtually while the pandemic continues, to ensure regular discussions with institutional shareholders.

In 2021, AREIT attended four investor conferences and non-deal roadshows and hosted one analyst briefing in August for its 1H 2021 results.

AREIT held meetings with 32 funds represented by 69 fund managers and analysts and 203 retail investors. The President and CEO, Chief Finance Officer, and Investor Relations Officer participated in the meetings.

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



AREIT continually updates its governance policies and practices in line with the Ayala Group, Philippine and regional standards. The most recent updates are the amendments to the by-laws and Corporate Governance Manual, and the adoption of the board and committee charters.

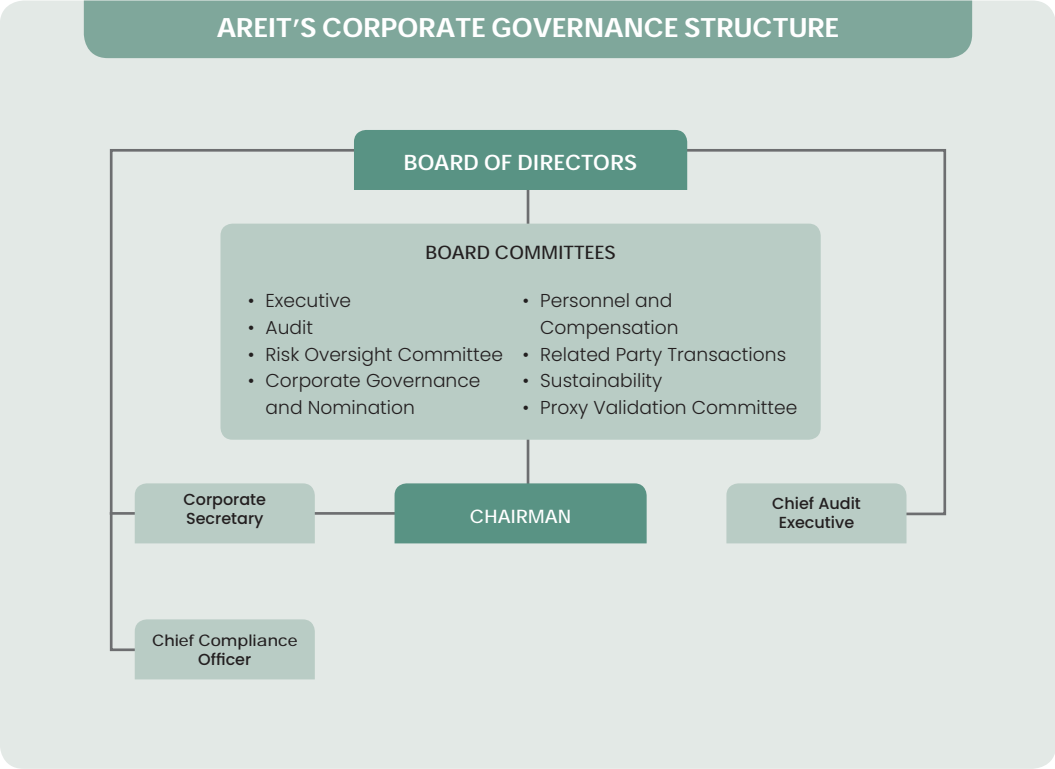
The salient points of the amendments to its by-laws include the following:

- Inclusion of a provision allowing the stockholders to propose agenda items, subject to such guidelines as provided by the Board of Directors.
- Inclusion of provisions allowing the sending of information and documents to all stockholders by electronic transmission, cash dividend payouts by electronic means, the holding of stockholders' meetings in fully virtual format, the voting in person, through remote communication, *in absentia*, electronically or otherwise in stockholders' meetings, and allowing the holding of board meetings and participation of directors,

including voting, at board meetings, through remote communication.

- Inclusion of a provision on arbitration for any dispute, controversy or claim between the Corporation and its stockholders arising from, relating to, or in connection with the implementation of the Articles of Incorporation or By-Laws, or from intra-corporate relations

True to its commitment to be the best-in-class REIT, AREIT continues to practice good corporate governance, and ensures compliance with the Real Estate Investment Trust Act of 2009, its Implementing Rules and Regulations (REIT Law), and related rules and regulations 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, the Board Charter, 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 58 to 63, "Board Committees," of this report

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.

CORPORATE GOVERNANCE

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 eight 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.

One-third of the AREIT board is composed of women strengthening its gender diversity.

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 eight-member board, or 37.5%.

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

Board of Director	Designation	Year Appointed (No. of years in the board)	Expertise
Jose Emmanuel H. Jalandoni	Executive, Chairman	March 11, 2008 (13)	Commercial leasing, business management, finance
Carol T. Mills	Executive, President and CEO	February 10, 2014 (7)	Office and mall leasing, business management
Bernard Vincent O. Dy	Non-executive	February 10, 2012 (9)	Real estate, accounting and finance
Augusto D. Bengzon	Executive, Treasurer	April 4, 2019 (2)	Finance and treasury
Omar T. Cruz	Non-executive, Lead Independent	April 4, 2019 (2)	Insurance, finance, investments
Simeon S. Cua*	Non-executive, Independent	April 4, 2019 (2)	Business management, real estate, and law
Enrico S. Cruz	Non-executive, Independent	February 5, 2020 (1)	Finance and capital markets
Mariana Zobel de Ayala**	Non-executive	April 23, 2021 (1)*	Real estate, malls leasing, banking
Jessie D. Cabaluna*	Non-executive, Independent	December 3, 2021	Audit and Accounting

*Mr. Cua resigned on 03 December 2021 and was replaced by Ms. Cabaluna

**Assumed office on 07 October 2021 upon approval by the SEC of the amendment to the Articles of Incorporation increasing the number of directors from seven to eight.

Fund Manager

As required by the REIT Law, AREIT engaged the services of AREIT Fund Managers, Inc. (AFMI) on February 5, 2020. 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.

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.

CORPORATE GOVERNANCE

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
Simeon S. Cua	Non-executive, Independent	December 3, 2021	Business management, real estate, and law

Property Manager

Pursuant to the REIT Law, AREIT engaged the services of AREIT Property Managers, Inc. (APMI) on February 5, 2020. 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 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 the renewal or replacement of 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	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

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 2021, the board held six regular and five special meetings. The overall 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.

2021 Board Meeting Attendance

	Full Board		Audit		Risk Oversight		Corporate Governance and Nomination		Personnel and Compensation		Sustainability		Related Party Transactions Review	
	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present
Jose Emmanuel H. Jalandoni	11/11	100%												
Carol T. Mills	11/11	100%									1/1	100%		
Bernard Vincent O. Dy	11/11	100%												
Augusto D. Bengzon	11/11	100%	6/6	100%	1/1	100%								
Mariana Zobel de Ayala	2/2	100%												
Omar T. Cruz	11/11	100%	6/6	100%	1/1	100%	7/7	100%	1/1	100%			1/1	100%
Enrico S. Cruz	11/11	100%	6/6	100%	1/1	100%	7/7	100%	1/1	100%			1/1	100%
Simeon Cua	11/11	100%					7/7	100%	1/1	100%	1/1	100%	1/1	100%
Jessie D. Cabaluna	1/1	100%												

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 ₱40,000 for every board meeting attended, and a fixed per diem of ₱20,000 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.

CORPORATE GOVERNANCE

Independent Directors Gross Remuneration in 2021

Director	Total Remuneration
Omar T. Cruz	540,000.00
Enrico S. Cruz	540,000.00
Simeon S. Cua*	440,000.00

*Resigned due to personal reasons effective 03 December 2021

AREIT officers are seconded from Ayala Land and thus do not receive any compensation, salary or per diem from AREIT. The compensation of these officers, long-time employees of Ayala Land, are paid by Ayala Land.

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 are paid by Ayala Land. 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 October 21, 2021, all of AREIT's directors attended the training program, "The Board's Agenda 2021: The Pathway to Recovery Through ESG," 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.

2021 Board Committee Membership

Committee	Executive	Audit	Risk	RPT	CGNC	PerCom	Sustainability
Jose Emmanuel H. Jalandoni	C						
Carol T. Mills	M						M
Bernard Vincent O. Dy							
Augusto D. Bengzon		M	M				
Mariana Zobel De Ayala							
Omar T. Cruz	M	M	C	M	M	M	
Enrico S. Cruz		C	M	M	M	M	
Jessie D. Cabaluna				C	C	C	C

C – Chairperson M – Member

Executive Committee

The Executive Committee consists of at least three members, one-third of whom shall be independent directors. The majority shall be composed of members of the Board of 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. Omar T. Cruz, non-executive, and lead 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, majority are independent directors. The committee is chaired by an independent director. 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 lead independent director; and Mr. Augusto D. Bengzon, non-executive 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 and Chief Finance Officer of Ayala Land, Inc., and has significant experience and expertise in the company's financial management systems and business operations.

CORPORATE GOVERNANCE

The Audit Committee assists the board in fulfilling its responsibility for oversight of the company's corporate governance process through the establishment and maintenance of 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 internal audit, financial reporting, independent audit, and 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 and ensures rotation of key engagement partners.

The Committee supports the corporate governance process through the provision of checks and balances.

The Audit Committee performed the following duties and responsibilities in 2021:

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 2021 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-appointment of SGV as the company's external auditor for 2022 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;
6. Reviewed the company's material related party transactions; and
7. Reviewed and discussed the status of audit recommendations

Risk Oversight Committee

The Risk Oversight Committee is composed of three members entirely non-executive, majority are independent directors, and chaired by an independent director. 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, non-executive director. All three members possess an adequate understanding of the assessment, management, and mitigation of risks to which the company is exposed.

On 12 August 2021, AREIT appointed Mr. Maphilindo S. Tandoc as Chief Risk Officer.

The Risk Oversight Committee assists the board in the performance of its oversight functions through evaluation and feedback on the effectiveness of the company's risk management process, ensures that an overall set of risk management policies and procedures exist for the company and oversees the implementation of the risk management plan.

In 2021, the Risk Oversight Committee identified the risks of the company and the mitigating measures.

The committee appointed the Chief Risk Officer of the company.

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 Ms. Jessie D. Cabaluna, who chairs the committee.

The committee oversees all matters related to corporate governance and nomination, and election of directors. In 2021, the Corporate Governance and Nomination Committee accomplished the following:

1. Approved its charter
2. Implemented and maintained a process that ensures that all directors nominated for election at the 2021 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, and approved pursuant to the authority delegated by the Board, the final list of nominees;
3. Reviewed, approved and endorsed the final lists key officers, chairpersons and members of board committees; and lead independent director of the company; and
4. Approved and endorsed the amendments of certain provisions of the By-Laws.
5. Reviewed, approved and endorsed the Guidelines on Accepting Proposals from Stockholders on Agenda Items for Stockholders' Meetings.

Personnel and Compensation Committee

The Personnel and Compensation Committee consists of the company's three independent directors, Messrs. Enrico S. Cruz, Omar T. Cruz, and Ms. Jessie D. Cabaluna who serves as chairman.

The committee is responsible for establishing a formal and transparent framework for remuneration and packages of the members of the Board and the company's key executives to attract and retain directors and officers needed to run company successfully. No member of the Personnel and Compensation Committee will act to fix his own compensation, except to determine the uniform compensation of all directors.

In 2021, the committee adopted its committee charter.

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 Ms. Jessie D. Cabaluna, who chairs the committee:

The Related Party Transactions Review Committee accomplished the following in 2021:

1. Assisted the board in the fulfillment 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 subscription by Ayala Land to 483,254,375 primary common shares in exchange for properties valued at P15,464,140,000.00.

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 CEO; Ms. Anna Maria M. Gonzales, and Ms. Jessie D. Cabaluna as chairman.

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.

In 2021, the committee submitted for approval the Company's sustainability/ESG practices, and adopted its charter.

CORPORATE GOVERNANCE

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, 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 2021 audit year.

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

Year	AUDIT AND AUDIT-RELATED FEES (PHP)	OTHER FEES (PHP)
2021	806,971.20	3,986,640.00
2020	699,562.50	3,453,432.50

For 2020 and 2021, 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 registration with the SEC and listing with the Philippine Stock Exchange of AREIT as a real estate investment trust company and its initial public offering, as well as for AREIT's maiden bond offering last 2021 listed with the Philippine Dealing and Exchange Corp.

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. Ma. Teresa R. Famy, Treasurer, Chief Finance Officer and Chief Compliance Officer, and Ms. Michelle Marie T. Valbuena, Compliance Manager, AG Legal.

Policies and Practices

Annual Stockholders Meeting Notice

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.

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 2021, 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.

CORPORATE GOVERNANCE

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 through the email address *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 2022 was conducted virtually.

Dividend Declaration

AREIT declared cash dividends on the following dates: May 26, 2022, August 12, 2021, September 22, 2021, and February 24, 2022. These translated to a total of ₱2.04 billion or ₱1.77 per outstanding common share, representing a 92% payout ratio on the distributable income attributable to shareholders in 2021.

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 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 available on the company's website at <https://www.aret.com.ph/companydisclosures/disclosures/pse>.

Unstructured Disclosures in 2021

1. Press Release: FY 2020 Results
2. Results of the 24 Feb 2021 AREIT Board Meeting
3. Statement regarding the disclosure of Ayala Land, Inc.
4. Results of the 16 Mar 2021 AREIT Board Meeting
5. Press Release: AREIT property value to reach P52B via accretive P15B asset infusion by ALI
6. Press Release: AREIT to boost dividends, identifies 10 properties worth P15B for share swap with ALI
7. Results of the 30 Mar 2021 AREIT Board Meeting
8. Press Release: 1Q 2021 Results
9. Results of the 26 May 2021 AREIT Board Meeting
10. Deed of Exchange between AREIT and Ayala Land, Inc.
11. Change in accounting methodology
12. Press Release: 1H 2021 Results
13. Results of the 12 Aug 2021 AREIT Board Meeting
14. Press Release: AREIT marks 1st year since IPO, declares cash dividends; sets carbon neutrality by end 2021 and net zero emission of current buildings in 2022
15. 3Q 2021 Cash Dividend Declaration
16. Press Release: AREIT awarded most outstanding IPO in PH by Asiamoney; included in FTSE EPRA Nareit Asia ex Japan REIT Index
17. Press Release: 9M 2021 Results
18. Board Committee Charters
19. 3-year AREIT Investment Strategy
20. Changes in the composition of Board Committees

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.

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.

CORPORATE GOVERNANCE

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; the auditor's website <https://proactivehotline.grantthorntonsolutions.ph/home/selectcategory/2c0bd053-851d-4ec3-a971-bf193acef275> 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

The Board of Directors has oversight responsibilities on risk management practices across the company, and has appointed the Board Risk Oversight Committee (BROC) to provide continuous input, evaluation and feedback on the effectiveness of the company's risk management process and internal controls system.

In coordination with AREIT management, the committee developed an enterprise-wide risk management program roadmap and established a risk management process that considers a holistic view of its potential risk exposures and the strategies to manage prioritized risks. This is complemented by periodic performance reviews and constant communication across all business lines.

The BROC agreed to prioritize seven key risk concerns that will be monitored. The seven key risks and mitigating measures are as follows:

RISK	MITIGATION
<p>Market The rapid adoption of e-commerce by customers and the WFH arrangements adopted by many businesses during the pandemic may adversely impact the need for office space; oversupply of leasing products may result from poor market condition.</p>	<p>AREIT's portfolio is composed of grade-A commercial properties in prime locations, ensuring stable tenancy.</p>
<p>Financial Ensuring liquidity and a healthy balance sheet specially are needed to finance debt and support growth.</p>	<p>The company takes a prudent approach to financial management and cost control, closely monitoring capital and cash positions and maintaining discipline in capital commitments. It also maintains ample short-term revolving credit facilities which are supplemented by its access to the local debt capital market, allowing AREIT to lock-in interest rates longer term. Moreover, AREIT maintains a strong credit rating and invests only with counterparty banks of the highest credit standing.</p>
<p>Competition Competition is getting better and more aggressive in terms of business expansion and product offerings; new players coming into the REIT business</p>	<p>Prime location of grade A properties and stable tenants; ensuring portfolio size growth, dividend yield, and price appreciation.</p>
<p>Regulatory Industry is subject to regulatory policies. Any changes to these policies or amendments and new laws will affect locator's financial assumptions and operations.</p>	<p>Through its Property Manager, AREIT ensures that its properties are fully compliant with PEZA and other regulatory requirements. We ensure continuous engagement with regulators and we work with industry organizations for issues we need to address. We also maintain positive relations with LGUs wherein we operate.</p>
<p>Environmental Given the country's natural location in the Pacific Ring of Fire, natural perils, such as earthquakes and volcanic eruption hazards, can disrupt business operations and damage the company's properties. The incidence of typhoons and other extreme weather events has also increased due to changing climate.</p>	<p>Technical due diligence in project development; compliance to applicable codes and standards; pro-active maintenance and implementation of best practices; establishment of crisis management and regular conduct of emergency readiness drills; insurance program in place.</p>
<p>Pandemic High occupancy cost and poor service may result to loss of key locators or tenants. Single large account locators or customers leaving may adversely impact the business as large space may be left unoccupied and unproductive.</p>	<p>Compliance to DOH, IATF, LGU and WHO guidelines and regulations; vaccination program; health benefits and well-being programs for employees and dependents.</p>
<p>Loss of locators or key tenants High occupancy cost and poor service may result to loss of key locators or tenants. Single large account locators or customers leaving may adversely impact the business as large space may be left unoccupied and unproductive.</p>	<p>The AREIT Property Manager takes an active lease management approach aimed at achieving growth in revenue and net operating income through optimal occupancy levels. Deliberate efforts were made to ensure tenant concentration risk is low, diversifying tenant base and working towards positive customer appreciation.</p>





Financial Review

Management's Discussion and Analysis

In 2021, the Company voluntarily changed its accounting policy for its investment properties from cost model to fair value model of accounting, which was applied retrospectively. Amounts presented in the audited statement of financial position as of December 31, 2021 and 2020 and audited statement of comprehensive income for the years ended December 31, 2021, 2020 and 2019 were restated to reflect the impact of the change in accounting policy.

Review of FY 2021 operations vs FY 2020

The Company's net income before change in fair value and reversal of deferred tax increased by 56% from ₱1,452.71 million in 2020 to ₱2,268.76 million in 2021. The increase was mainly due to income from additional properties acquired in 2021. The Company's net income after tax decreased by 61% from ₱6,264.81 million in 2020 to ₱2,433.27 million in 2021. The decrease was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

Revenues

Total revenues increased by 63% from ₱2,035.92 million in 2020 to ₱3,316.46 million in 2021, driven by higher rental income and net dues.

Rental Income increased by 68% from ₱1,495.72 million in 2020 to ₱2,506.91 million in 2021. The increase came from the addition to the Company's portfolio of The 30th and Laguna Technopark lots (in January 2021), and the addition of Vertis North Commercial Development office buildings and retail podium, One and Two Evotech in Nuvali, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU office units (in October 2021), as well as rental escalations.

Dues increased by 59% from ₱389.38 million in 2020 to ₱621.01 million in 2021. The increase was attributable to the operations of new assets acquired in 2021.

Interest income from finance lease, increased by 25% from ₱150.81 million in 2020 to ₱188.55 million in 2021. This is attributable to the additional long-term leases with North Eastern Commercial Corp. for The 30th retail podium, which commenced in January 1, 2021, and for the Vertis North Commercial Development retail podium, which began on October 1, 2021.

Net Fair Value Change in Investment Property

In 2021, the company voluntarily changed its accounting policy on investment properties from cost model to fair value model, which requires a restatement of previous financial statements. The change will provide the users of the financial statements with more relevant information, as it reflects the current valuation of the Company as a REIT entity.

In 2021, the company recognized a net fair value change in investment property of ₱164.50 million, and ₱1,424.65 million in 2020.

Cost and Expenses

Direct operating expenses increased by 84% from ₱444.07 million in 2020 to ₱815.87 million in 2021. The increase was attributable to higher management fees of ₱169.44 million, taxes and licenses of ₱65.11 million, land lease of ₱58.41 million, repairs and maintenance of ₱45.21 million and external services of ₱23.25 million. These increases were related to the operations of additional properties acquired in 2021.

General and administrative expenses increased by 109%, from ₱49.47 million to ₱103.40 million mainly due to provision for probable losses amounting to ₱33.00 million in 2021 and increase in provision for doubtful accounts of ₱15.27 million.

Other Income (charges)

Gain under finance lease amounted to ₱49.76 million in 2021. The Company entered into long-term building lease agreements with North Eastern Commercial Corp. for the lease of retail podiums at The 30th and the Vertis North Commercial Development in January and June 2021, respectively. North Eastern Commercial Corp. (NECC) is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. The Company remains to be the legal owner of the portion of the building under finance lease.

Interest Income decreased by 91% from ₱78.67 million in 2020 to ₱7.21 million in 2021, due to the decrease in interest income from intercompany loans from ₱78.31 million in 2020 to ₱6.97 million in 2021.

Interest expense increased by 160% from ₱65.42 million in 2020 to ₱169.82 million in 2021. The increase was attributable to the recognition of interest expense on loans amounting to ₱81.94 million in 2021, interest expense from finance lease amounting to ₱63.01 million and ₱51.49 million in 2021 and 2020, and accretion of security deposit amounting to ₱24.87 million in 2021 and ₱13.93 million in 2020.

Other charges of ₱15.64 million in 2021, include the amortization of the bond issue cost amounting to ₱0.18 million and the PSE filing fee related to the listing of the property-for-share transaction amounting to ₱15.46 million in 2021.

Other income decreased by 97% from ₱3.66 million in 2020 to ₱0.10 million in 2021. This pertains to income earned from interest and penalties arising from late payments.

Provision for Income Tax

The Company recognized a tax benefit in 2020 amounting to ₱3,280.88 and tax payable of ₱0.05 million in 2021. The 2020 tax benefit was a result of the restatement of 2020 balances following the change to fair value accounting. The Company started to avail itself of its tax incentive as a REIT after its listing in August 2020. As of December 31, 2021 and 2020, deferred tax assets and liabilities are recognized based on an effective income tax rate of 0% under the REIT law.

Capital Expenditure

AREIT acquired parcels of land in Laguna Technopark from Technopark Land, Inc. on January 5, 2021 for a total amount of ₱987.98 million, VAT exclusive. The Company also acquired The 30th Commercial Development from Ayala Land, Inc. on January 15, 2021 for ₱4,564.34 million, VAT exclusive.

The Company has no material commitments for capital expenditures.

Summary of Real Estate Transactions

On January 5, 2021, AREIT entered into a Deed of Absolute Sale with Technopark Land, Inc. to acquire 98,179 square meters of land for ₱1.1 billion (VAT-inclusive) located in Laguna Technopark. The land is leased by Integrated Micro-Electronics, Inc. for its manufacturing operations. The price was derived from a third-party valuation, using the market approach with a yield of 6.28% based on the total acquisition cost.

On January 15, 2021, AREIT entered into a Deed of Sale with Ayala Land Inc. for the acquisition of The 30th for ₱5.1 billion (VAT-inclusive). The price was derived from a third-party valuation, using the income approach with an EBITDA yield of 6.1% based on the total acquisition cost. The Property is located along Meralco Avenue in Pasig City, which has a building with a total GLA of 74,704 square meters composed of an office tower and a retail podium.

On October 7, 2021, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 08 June 2021.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 07 October 2021 so that the recognition of income from the new assets will accrue to AREIT beginning 01 October 2021, instead of 01 November 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Condition

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

As of December 31, 2021, the Company total borrowings registered at ₱3.85 billion which translated to a debt-to-equity ratio of 0.08:1.

Key Financial Ratios	2021	2020
Current Ratio ⁽¹⁾	0.67	3.55
Debt to Equity ⁽²⁾	0.08	-
Profitability Ratios		
Return on Asset ⁽³⁾	6%	21%
Return on Equity ⁽⁴⁾	5%	19%
Asset to Equity Ratio ⁽⁵⁾	1.16	1.07

⁽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

Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.

There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.

There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.

There is no significant element of income arising from continuing operations.

There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.

There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

Report of the Audit Committee to the Board of Directors

THE BOARD OF DIRECTORS AREIT, INC.

In compliance with the Audit Committee Charter and corporate governance rules, the Committee confirms the following matters:


- An independent director chairs the Audit Committee and two of the three members are independent directors;
- The Committee held six meetings in 2021 and all the members of the Committee were present during the meetings;
- The Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent auditor for 2022, based on the review of their performance and qualifications, including consideration of management's recommendation;
- The Committee reviewed and discussed the quarterly and annual financial statements of the Company, including Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2021, with the Company's management, which has the primary responsibility for the financial statements and with SGV & CO., who is reporting the process for expressing an opinion on the conformity of the consolidated audited financial statements with Philippine Financial Reporting Standards;
- The Committee reviewed and approved the management representation letter before submission to the Company's independent auditors;
- The Committee discussed and approved the overall scope and the audit plans of the Company's Internal Auditors and SGV & Co. and discussed the results of the audits and their assessment of the Company's internal controls and the overall quality of the financial reporting process;
- The Committee discussed with the independent auditor and internal auditor its independence from the ALI Group;
- The Committee reviewed the reports of the Internal Auditors, ensuring that management is taking appropriate corrective actions promptly, including addressing internal controls and compliance issues. All the activities performed by Internal Audit conform with the International Standards for the Professional Practice of Internal Auditing;
- The Committee reviewed and approved all audit, audit-related, and permitted non-audit services provided by SGV & Co. to the Company and the related fees for such services; and
- The Committee reviewed and discussed the adequacy of the Company's enterprise-wide risk management process, including significant risk exposures, related risk mitigation efforts and initiatives, and the status of risk mitigation plans, understanding that management is primarily responsible for risk management.

Based on the reviews and discussions undertaken, within the limits of the Committee's scope and responsibilities aforementioned, the Audit Committee recommends to the Board of Directors the filing of the Company's consolidated financial statements for the year ended December 31, 2021, with the Securities and Exchange Commission, and for its inclusion in the Company's Annual Report to Stockholders.

Respectfully submitted.

February 17, 2022


ENRICO S. CRUZ
Committee Chair


OMAR T. CRUZ
Member


AUGUSTO CESAR D. BENGZON
Member

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, 2021, 2020 and 2019, 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 do so.

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

The Board of 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 Philippine 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


MA. TERESA R. FAMY
 Chief Finance Officer


SUBSCRIBED AND SWORN to before me this FEB 24 2022 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Jose Emmanuel H. Jalandoni	P6984078B	June 15, 2021 / DFA Manila
Carol T. Mills	P9958069A	December 17, 2018 / DFA NCR South
Ma. Teresa R. Famy	P8757104B	January 25, 2022 / DFA Manila

Doc. No. 162
 Page No. 22
 Book No. X41
 Series of 2022.

Notarial DST pursuant to Section. 188 of the Tax Code affixed in Notary Public's copy




ROBERTO T. ONGSIAKO
 Notary Public – Makati City
 Appt. No. M-149 until December 31, 2022
 Roll of Attorneys No. 37041
 Lifetime IBP No. 02163 – RSM Chapter
 PTR No. 885235MJ – 01/03/2022 - Makati City
 MCLE Compliance No. VII – 0000267 – 07/30/2019
 4th Floor Tower One and Exchange Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines



SyCip Gorres Velayo & Co. Tel: (632) 8891 0307
6760 Ayala Avenue Fax: (632) 8819 0872
1226 Makati City ey.com/ph
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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021 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.



Valuation of Investment Properties

The Company owns and operates investment properties located in Luzon and Visayas which comprise 88.6% of its total assets as of December 31, 2021. The investment properties are accounted for under the fair value method and the valuations were carried out by the management and an external valuer.

We identified the valuation of investment properties account as a key audit matter because it is material to the financial statements and the determination of the fair values of these properties involves significant judgment and estimation by the management and external valuer. They apply key assumptions for discount rates, growth rates and free cash flows, which are influenced by the prevailing market rates and comparable information.

The Company's disclosures about investment properties are included in Note 7 to the financial statements.

Audit Response

We evaluated the reasonableness of the fair value computations, valuation methodology adopted and the underlying assumptions in connection with the valuations of investment properties of the Company as of December 31, 2021. These key assumptions include discount rates, growth rates and free cash flows. In addition, we assessed whether the discount rates used are within the acceptable range with assistance from our internal valuation specialist and performed a certain sensitivity analysis. We evaluated the competence and independence of the external valuer engaged by the Company. We will also assess the sufficiency of disclosures 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, 2021, 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, 2021 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 on 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

Tax Identification No. 925-713-249

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 112004-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2022

Statements of Financial Position

	December 31		January 1
	2021	2020 (As restated – Note 2)	2020 (As restated – Note 2)
ASSETS			
Current Assets			
Cash (Notes 4 and 21)	P92,010,744	P58,977,547	P122,180,606
Receivables (Notes 5, 20 and 21)	1,320,940,578	2,373,620,721	1,967,170,494
Other current assets (Notes 6 and 21)	110,291,205	168,341,004	91,577,595
Total Current Assets	1,523,242,527	2,600,939,272	2,180,928,695
Noncurrent Assets			
Noncurrent portion of receivables (Notes 5 and 21)	3,063,077,918	2,194,794,056	2,215,249,105
Investment properties (Note 7)	50,081,060,761	29,189,674,985	25,380,629,552
Property and equipment (Note 8)	309,716	12,053	20,089
Other noncurrent assets (Note 6)	1,835,836,322	1,114,633,940	1,034,082,386
Total Noncurrent Assets	54,980,284,717	32,499,115,034	28,629,981,132
	P56,503,527,244	P35,100,054,306	P30,810,909,827
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 9 and 21)	P530,622,799	P513,927,478	P274,477,842
Short-term debt (Notes 10 and 21)	890,000,000	–	–
Current portion of deposits, other liabilities (Notes 12 and 21)	735,086,847	129,399,846	166,793,502
Current portion of lease liability (Note 18)	42,967,375	34,300,129	–
Construction bonds (Note 11)	58,579,640	–	11,105,498
Income tax payable	–	54,444,350	71,241,650
Total Current Liabilities	2,257,256,661	732,071,803	523,618,492
Noncurrent Liabilities			
Long-term debt (Note 10)	2,957,472,367	–	–
Deposits, other liabilities, net of current portion (Notes 12 and 21)	1,290,194,773	722,693,405	600,134,138
Lease liability- net of current portion (Note 18)	1,111,013,455	837,543,814	–
Deferred tax liabilities - net (Note 19)	–	–	3,454,687,620
Total Noncurrent Liabilities	5,358,680,595	1,560,237,219	4,054,821,758
Total Liabilities	7,615,937,256	2,292,309,022	4,578,440,250
Equity (Note 13)			
Paid-up capital	15,762,407,800	10,929,864,050	10,451,224,050
Treasury shares	(673,299,700)	(673,299,700)	(673,299,700)
Additional paid-in capital	11,333,074,693	785,681,404	–
Retained earnings	22,465,407,195	21,765,499,530	16,454,545,227
Total Equity	48,887,589,988	32,807,745,284	26,232,469,577
	P56,503,527,244	P35,100,054,306	P30,810,909,827

Statements of Comprehensive Income

	Years Ended December 31		
	2021	2020 (As restated – Note 2)	2019 (As restated – Note 2)
REVENUE			
Rental income (Notes 7, 14 and 18)	₱2,506,910,928	₱1,495,723,891	₱1,323,922,868
Dues (Notes 7 and 15)	621,005,658	389,381,503	301,200,669
Interest income from finance lease receivables (Notes 15 and 18)	188,547,234	150,814,117	46,837,607
	3,316,463,820	2,035,919,511	1,671,961,144
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES (Note 7)			
	164,502,279	1,424,645,596	2,746,772,709
COSTS AND EXPENSES			
Direct operating expenses (Notes 7 and 17)	815,866,427	444,066,931	354,321,121
General and administrative expenses (Note 17)	103,397,784	49,474,313	14,181,546
	919,264,211	493,541,244	368,502,667
OTHER INCOME (CHARGES) – Net			
Gain under finance lease (Note 18)	49,763,675	–	397,139,330
Interest income (Notes 4, 16 and 20)	7,208,646	78,670,585	58,261,840
Interest expense and other charges (Notes 10, 12 and 17)	(185,459,737)	(65,419,126)	(12,562,538)
Other income (Note 16)	101,034	3,660,620	137,200
	(128,386,382)	16,912,079	442,975,832
INCOME BEFORE INCOME TAX	2,433,315,506	2,983,935,942	4,493,207,018
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	48,466	(3,280,878,846)	788,867,272
NET INCOME	2,433,267,040	6,264,814,788	3,704,339,746
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME	₱2,433,267,040	₱6,264,814,788	₱3,704,339,746
Basic/Diluted Earnings Per Share (Note 22)	₱1.64	₱6.29	₱3.79

Statements of Changes in Equity

	Years Ended December 31		
	2021	2020 (As restated – Note 2)	2019 (As restated – Note 2)
PAID-UP CAPITAL (Note 13)			
Common Shares - ₱10 par value			
Balance at beginning of year	₱10,929,864,050	₱10,451,224,050	₱10,451,224,050
Issuance of new shares	4,832,543,750	478,640,000	–
Balance at end of year	15,762,407,800	10,929,864,050	10,451,224,050
ADDITIONAL PAID-IN CAPITAL (Note 13)			
Balance at beginning of year	785,681,404	–	–
Issuance of new shares	10,583,270,809	785,681,404	–
Share issuance costs	(35,877,520)	–	–
Balance at end of year	11,333,074,693	785,681,404	–
TREASURY SHARES (Note 13)			
Balance at beginning and end of year	(673,299,700)	(673,299,700)	(673,299,700)
RETAINED EARNINGS (Note 13)			
Balance at beginning of year	21,765,499,530	16,454,545,227	722,691,606
Restatement	–	–	12,988,811,544
Balance at beginning of period, as restated	21,765,499,530	16,454,545,227	13,711,503,150
Total comprehensive income/Net income	2,433,267,040	6,264,814,788	3,704,339,746
Cash dividends	(1,733,359,375)	(953,860,485)	(961,297,669)
Balance at end of year	22,465,407,195	21,765,499,530	16,454,545,227
	₱48,887,589,988	₱32,807,745,284	₱26,232,469,577

Statements of Cash Flows

	Years Ended December 31		
	2021	2020 (As restated – Note 2)	2019 (As restated – Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P2,433,315,506	P2,983,935,942	P4,493,207,018
Adjustments for:			
Net fair value change in investment properties (Note 7)	(164,502,279)	(1,424,645,596)	(2,746,772,709)
Depreciation and amortization (Notes 7, 8 and 17)	42,043	8,036	31,404
Interest expense (Notes 10, 12 and 17)	169,820,104	65,419,126	12,562,538
Gain under finance lease (Note 16 and 18)	(49,763,675)	–	(397,139,330)
Interest income from finance lease receivables (Notes 16 and 21)	(188,547,234)	(150,814,117)	(46,837,607)
Interest income (Notes 4, 16 and 20)	(7,208,646)	(78,670,585)	(58,261,840)
Operating income before working capital changes	2,193,155,819	1,395,232,806	1,256,789,474
Changes in operating assets and liabilities:			
Increase in:			
Receivables	(683,376,821)	(90,137,357)	(308,968,413)
Other assets	(717,596,933)	(157,314,963)	(5,345,676)
Increase (decrease) in:			
Accounts and other payables	15,789,571	280,552,617	(79,193,659)
Deposits and other liabilities	1,148,320,226	71,237,355	81,861,675
Construction bonds	58,579,640	(11,105,498)	8,367,056
Cash generated from operations	2,014,871,502	1,488,464,960	953,510,457
Interest received	195,755,880	229,484,702	105,099,447
Interest paid	(81,036,681)	–	–
Income tax paid	(48,466)	(190,606,074)	(189,868,211)
Net cash flows provided by operating activities	2,129,542,235	1,527,343,588	868,741,693
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in due from related parties (Notes 20 and 25)	881,900,000	(343,300,000)	199,000,000
Payments for additions to investment properties (Note 7)	(5,019,127,301)	(1,483,807,649)	(10,392,521)
Payments for additions to property and equipment (Note 8)	(339,706)	–	–
Net cash flows provided by (used in) investing activities	(4,137,567,007)	(1,827,107,649)	188,607,479
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of dividends (Note 13)	(1,733,359,375)	(953,860,485)	(961,297,669)
Proceeds from short-term debt (Note 10)	34,379,500,000	–	–
Payments of short-term debt (Note 10)	(33,489,500,000)	–	–
Payment of share issuance cost (Note 13)	(35,877,520)	–	–
Payments of lease liability (Note 18)	(37,177,503)	(32,796,936)	–
Net proceeds from long-term debt	P2,957,472,367	P–	P–
Net proceeds from issuance of shares (Notes 13 and 17)	–	1,223,218,423	–
Net cash flows provided by (used in) financing activities	2,041,057,969	236,561,002	(961,297,669)
NET INCREASE (DECREASE) IN CASH	33,033,197	(63,203,059)	96,051,503
CASH AT BEGINNING OF YEAR	58,977,547	122,180,606	26,129,103
CASH AT END OF YEAR (Note 4)	P92,010,744	P58,977,547	P122,180,606

For a complete copy of AREIT's 2021 audited financial statements including its notes, please visit areit.com.ph

Sustainability Reporting 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	12-15; 16-27; 28-31; 67
	Business Ethics	Corporate Governance	205 206	-	Governance	-	49-50; 52-66
	Indirect Economic Impacts	Social and Relationship Capital	203	-	-	1, 3, 8, 9, 10, 11	11; 12-15; 36-37; 48-51
	Supply Chain Management	Social and Relationship Capital	204 308	-	-	9, 11, 12	50
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	43-47
	Environmental Compliance	Natural and Manufactured Capital	307	-	Risk Management	11, 12, 14, 15	43-47; 67
	Climate Action	Natural and Manufactured Capital	305	IF-RE-450	Strategy Metrics and Targets	13	43-47
Social	Workforce Health and Safety	Human Capital	403	-	-	3, 8	49
	Customer Relationship	Social and Relationship Capital	-	-	-	11	48
	Customer Health and Safety	Human Capital	416	-	-	3	49

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's Responsibility

AREIT's 2021 Integrated Report

The management of AREIT, Inc. applied their collective mind in the preparation of AREIT's 2021 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, Ma. Teresa R. Famy, 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



Ma. Teresa R. Famy

CFO and Chief Compliance Officer



INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV AS Philippine Branch ('DNV') has been commissioned by the management of AREIT, Inc. ('AREIT' or 'the Company', Securities and Exchange Commission Identification Number: CS2006138703) to undertake an independent assurance of the sustainability / non-financial disclosures in AREIT's 2021 Integrated Report ('the Report') in its printed format for the year ended 31 December 2021. The intended users of this Assurance Statement are the management of the Company.

We performed a limited level of assurance using DNV's assurance methodology VeriSustain^{TM1}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements (ISAE) 3000 Revised*, along with the Global Reporting Initiative's ('GRI's') Principles for Defining Report Content and Report Quality and the Sustainability Accounting Standards Board's ('SASB's') industry-specific Standards. The verification engagement was carried out from December 2021 to April 2022.

Scope and Boundary of Assurance

The scope of assurance included a review of sustainability related disclosures and performance data of AREIT as identified under reporting boundary in "About This Report" section of the Report.

Our assurance engagement included limited level of verification of sustainability performance disclosures for the identified material topics of AREIT as detailed under the section 'AREIT's Material Topics and Global Reporting Frameworks' in the Report i.e., covering entities over which AREIT has operational control or has seconded employees in operations. Our verification applies a $\pm 5\%$ uncertainty threshold towards errors and omissions for the performance data brought out in the Report.

Responsibilities of the Management of AREIT and of the Assurance Provider

The Company's management has sole responsibility for the integrity of the Report and this responsibility includes designing, implementing and maintaining internal controls over collection, analysis, aggregation and preparation of data, fair presentation of the information, ensuring that data is free from material misstatement and maintaining the integrity of their website under digital domain. The Board has complete oversight and is responsible for the Company's sustainability reporting. AREIT has stated that this Report has been prepared in accordance with the International Integrated Reporting <IR> framework (the '<IR> Framework'), developed by the International Integrated Reporting Council, referencing the GRI Standards (2018) and GRI 306: Waste 2020, SASB Standards 2018 (Real estate), and Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

In performing our assurance work, DNV's responsibility is solely towards the Management of AREIT in accordance with terms of reference agreed; however, this assurance statement represents our independent opinion and is intended to inform the outcome of the assurance to the Company's stakeholders. DNV's responsibility is to form an independent conclusion. In doing so, we carried out the sampling procedures required for the evidence for a limited level of assurance based on VeriSustain i.e., DNV is responsible for planning and performing the engagement to obtain assurance about whether the selected information is free from material misstatement and meets the disclosure requirements.

Basis of our Opinion

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion as part of the assurance engagement. We adopted a risk-based approach, i.e., we concentrated our verification efforts on the issues of high material relevance to AREIT and its key stakeholders. A team of sustainability assurance specialists reviewed non-financial disclosures related to the Head Office at Makati City, and selected sites of AREIT (the 30th BPO, Evotech One, Solaris One) in the Philippines, based on DNV's sampling plan. Due to the COVID-19 pandemic and associated travel restrictions, we undertook remote audits in line with DNV's remote assessment methodology as site visits were not possible. We undertook the following activities:

- Reviewed the non-financial sustainability-related disclosures in this Report;
- Reviewed approaches to materiality determination and review of outcomes of stakeholder engagement; DNV did not have any direct engagement with external stakeholders;

¹ The VeriSustain protocol is available on www.dnv.com

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.



- Reviewed information provided to us by the Company on its reporting and management processes related to sustainability performance for the reporting year based on the framework adopted by AREIT;
- Interviewed select members of leadership team, and senior managers responsible for the management of sustainability issues and review of selected evidence to support generic disclosures. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the targets for medium- and long-term vision, mission and milestones;
- Performed desk review of selected sustainability parameters for sampled entities, and discussed findings and resolved with the Corporate Sustainability Team;
- Carried out remote assessments with two (3) sites - the 30th BPO, Evotech One, Solaris One, to review the processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose the sites for remote assessment or verification;
- Reviewed supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritized based on risk-based approach, i.e., relevance of identified material topics and sustainability context of the business;
- Reviewed the processes for gathering and consolidating the performance data and, for a sample, checking the data consolidation at site and corporate levels.

Opinion and Observations

On the basis of the assurance engagement undertaken, nothing has come to our attention to suggest that AREIT's 2021 Integrated Report does not properly describe the non-financial performance of identified material topics based on the Guiding Principles and Content Elements of the International <IR> Framework. Without affecting our assurance opinion, we also provide the following observations against the principles of VeriSustain:

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Report has brought out key stakeholders (e.g. Tenants, Tenant, Employees, Hotel Guests, Shoppers, Employees and Workers, Business Partners Suppliers and Service Providers, Creditors, Shareholders and Analysts, National and Local Government Units, Media, etc.) whom AREIT has engaged with, to enhance their sustainability performance. The Report also describes the engagement modes such as digital platforms, customer and organisational surveys, training sessions, one-to-one meetings, dialogues, other initiatives, etc. to identify the key concerns that are pertinent to them and subsequently addressed it through relevant disclosures in the report.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.

Materiality

The process of determining the issues that are most relevant to an organization and its stakeholders.

The material topics under the four focus areas are derived from a combination of various reporting frameworks (namely GRI, SASB, TCFD, Integrated Reporting Framework and UNSDGs) and are mapped to them, considering the significance of their impacts on communities, business partners, workforce and the environment.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report brings out the Company's responses to identified material topics, key challenges faced, and significant issues including risks which have arisen during the reporting period through disclosures on Governance, Business Review, strategic responses to key stakeholders' concerns, to deliver shared values. Further the Report also brings out its non-financial performance related to its material topics through selected GRI Topic Specific Standards and SASB industry-specific Standards as Performance Indices, including the organization's ability to create value on the six capitals of <IR> framework.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.



Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of the performance disclosures verified through offsite verification (i.e., at the Head Office and sampled sites, and through desk reviews) were found to be fairly accurate, reliable, identifiable and traceable to the source. Considering the limited sampling, we did not detect any major errors related to data collection or aggregation. We also reviewed the calculations and related assumptions used for its suitability, taking into account the principle of Reliability; however our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems. Some of the data inaccuracies identified during the verification process were found to be attributable to interpretation and aggregation errors. These identified errors were communicated, and the responses and corrections made to the reported data and information were reviewed.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

Completeness

How much of all the information that has been identified as material to the organization and its stakeholders is reported.

The Report discloses the Company's non-financial disclosures based on the <IR> Framework and performance during the reporting period 2021 related to its material issues using appropriate GRI Topic Specific Standards and SASB disclosures, for the identified boundary of operations and covers the Company's approaches to value creation during the reporting period.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The Report presents disclosures related to the Company's performance, challenges and concerns of stakeholders during the reporting period in a neutral, consistent and balanced manner, applying adequate consideration to not unduly influence stakeholders' opinion made based on the reported data and information.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

Limitations

DNV's assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith, are true, and is free from material misstatements. Because of the selected nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. The engagement excludes the sustainability management, performance, and reporting practices of AREIT's suppliers, contractors, and any third parties mentioned in the Report. The Company's position statements (including the Company's claim on carbon neutrality), the statements for the management approach, and case studies and examples are excluded from the scope of our work. We did not interview external stakeholders as part of this assurance engagement.

We understand that the reported financial data and related information are based on statutory disclosures and Audited Financial Statements[#], which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as they are not within the scope of our assurance engagement

The procedures performed in a limited assurance engagement vary in nature and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.



Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct² during the assurance engagement and maintain independence wherever required by relevant ethical requirements.




This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward internal stakeholders interviewed during the assurance process.

DNV has provided assurance to Ayala Corporation, Ayala Land Inc., Bank of the Philippine Islands, Manila Water Company Inc., AC Energy Corporation and Globe Telecom, Inc. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units of Ayala Group. DNV did not provide any services to AREIT in 2021 that could compromise the independence or impartiality of our work.

Purpose and Restriction on Distribution and Use

This report, including our conclusion has been prepared solely for the Company in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

For and on behalf of DNV AS Philippine Branch

 <p>Thamizharasi Kaliaperumal Lead Verifier Sustainability Services DNV Business Assurance India Private Limited.</p>	 <p>Percy Lakdawalla Regional Manager – APAC Supply Chain and Product Assurance DNV Business Assurance Singapore Pte. Ltd.</p>	 <p>N Sathishkumar Assurance Reviewer Head, Sustainability Services DNV Business Assurance Singapore Pte. Ltd.</p>
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20 April 2022, Manila, The Philippines.

DNV AS Philippine Branch is part of DNV, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnv.com

² The DNV Code of Conduct is available from the DNV website (www.dnv.com)
24 February 2022

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