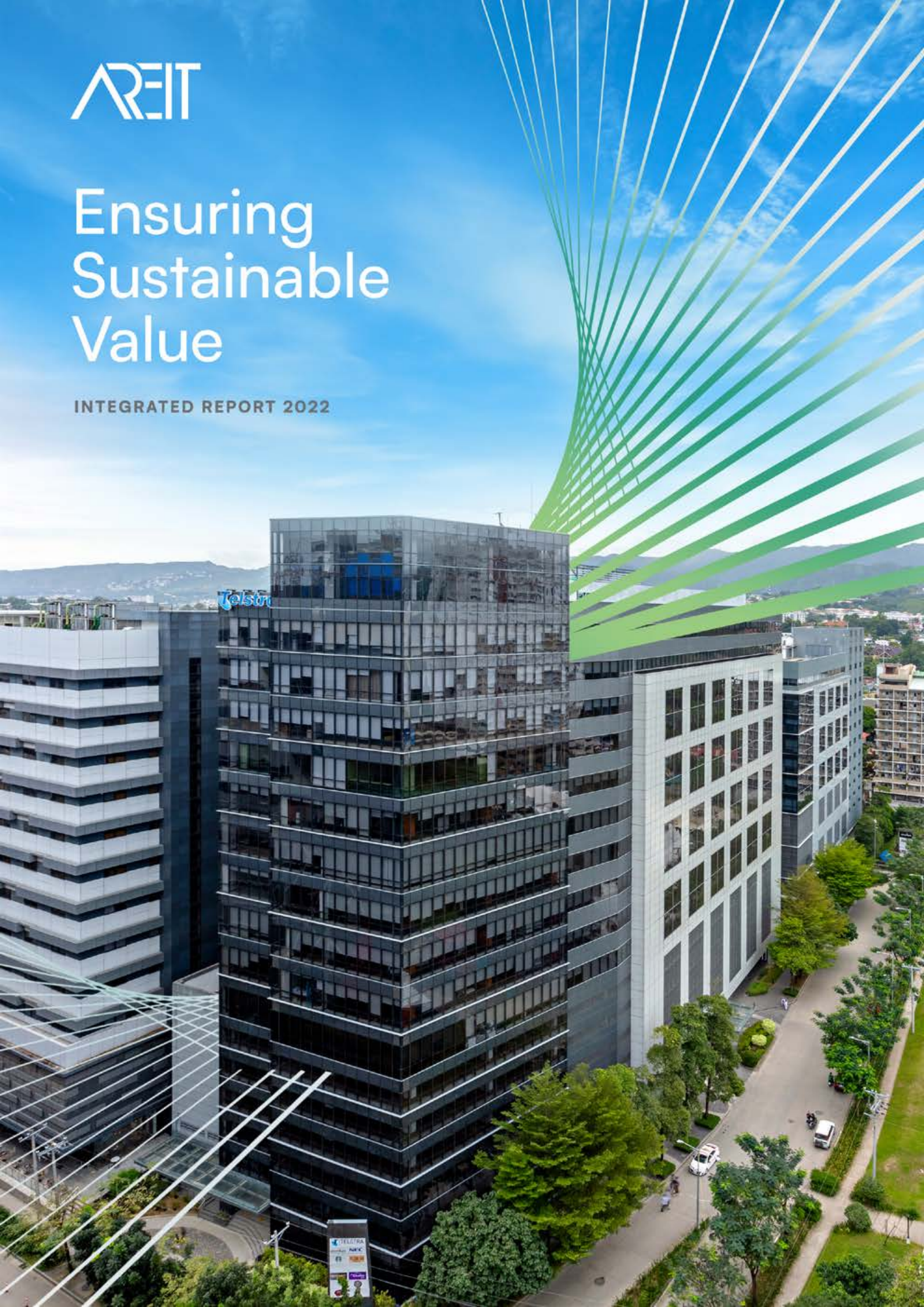


AREIT

Ensuring Sustainable Value

INTEGRATED REPORT 2022







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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 26, 2023, it covers the results of operations for the year ending December 31, 2022.

The report follows the International Integrated Reporting framework, developed by the International Integrated Reporting Council, referencing the Global Reporting Initiative (GRI) Principles, and industry-specific standards of the Sustainability Accounting Standards (SASB). 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.

AREIT commissioned the DNV AS Philippine branch (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 copy 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 is focused on expanding its office, shopping center, and hotel properties and exploring 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 2022, 34% of the company is publicly-held while the remainder is owned by its sponsor, Ayala Land, Inc. (Ayala Land or ALI)

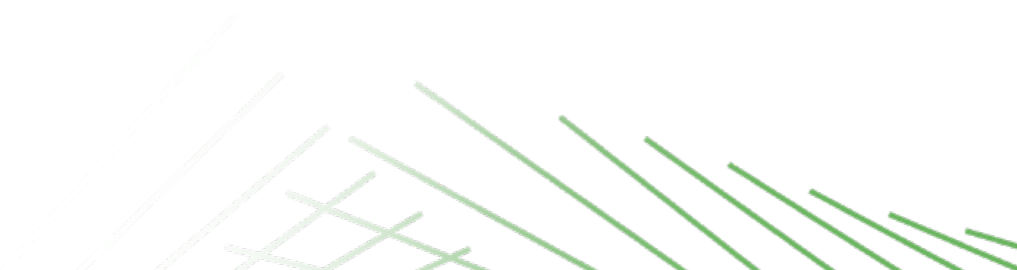
AREIT offers an investment opportunity with a stable yield, distributing at least 90% of its distributable income from high-quality properties with strong tenant demand in its portfolio. Solid sponsor support from Ayala Land and highly experienced fund and property management companies, AREIT Fund Managers, Inc. (AFMI) and AREIT Property Managers, Inc. (APMI), respectively, provide 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



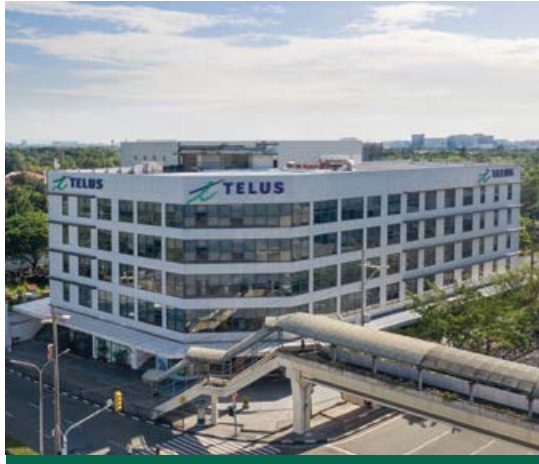
AREIT's Diversified Asset Portfolio

**ASSETS UNDER MANAGEMENT OF P64B
WITH 673K SQM OF GLA**

2020 Assets at IPO



Ayala North Exchange
95,300 sqm, Makati CBD



McKinley Exchange
10,688 sqm, Makati City



Solaris One
46,768 sqm, Makati CBD

2020 Acquisition post IPO



Teleperformance Bldg
18,093 sqm GLA | Cebu IT Park

2021 Acquisitions



Laguna Technopark Industrial Lots
98,179 sqm, Binan Laguna



The 30th Office and Mall
74,704 sqm, Pasig, Metro Manila

**2021 Property-for-share swap with Ayala Land Inc.,
Glensworth Development, Inc. and Westview Commercial Ventures, Inc.**



Nuvali Evotech 1 and 2
23,058 sqm, Sta. Rosa Laguna



Vertis North BPO Towers and Mall
164,628 sqm, EDSA, Quezon City



Ayala Northpoint Technohub
4,654 sqm, Talisay City,
Negros Occidental



**BPI Philamlife Makati
Office Space**
1,072 sqm, Makati CBD

**BPI Philamlife Alabang
Office Space**
551 sqm, Madrigal Business
Park, Muntinlupa City



Bacolod Capitol Corporate Center
11,313, Bacolod City,
Negros Occidental

2022 Property-for-share swap with Ayala Land, Inc.



eBloc Tower 1
20,842 sqm,
Cebu IT Park



eBloc Tower 2
27,727 sqm,
Cebu IT Park



eBloc Tower 3
15,235 sqm,
Cebu IT Park



eBloc Tower 4
15,835 sqm, Cebu IT Park



ACC Tower
27,458 sqm, Ayala Center Cebu



Tech Tower
16,273 sqm, Ayala Center Cebu



Performance Highlights

	2022	2021	2020
Statement of Income (In Php million)			
Total Revenues	3,808	3,316	2,036
EBITDA*	3,634	2,397	1,542
Net Income	2,888	2,433	6,265
Statement of Financial Position (In Php million)			
Cash and Cash Equivalent	63	92	59
Total Assets	67,686	56,504	35,100
Total Borrowings	3,278	3,847	-
Stockholders' Equity	60,073	48,888	32,808
Statement of Cashflows (In Php million)			
Net Cashflow provided by Operating Activities	3,933	2,130	1,527
Net Cash used in Investing Activities	(263)	(4,138)	(1,827)
Net Cash provided by Financing Activities	(3,700)	2,041	237
Financial Ratios			
Current Ratio	0.43	0.67	3.55
Debt-to-Equity ratio	0.05	0.08	-
Net Debt-to-Equity ratio	0.05	0.08	-
Return on Equity (Average Equity)	5%	5%	19%
Return on Assets (Average Assets)	5%	6%	21%
Stock Information (As of 31 December)			
Market Capitalization (In Php million)	62,341	73,333	30,103
Stock Price (In Php)	35.40	48.60	29.35
Earnings per Share (In Php)	1.91	1.64	6.29
Operational Highlights			
Total GLA (In million square meters)	673	549	171
Occupancy	96%	98%	96%
Total Tenants	175	106	87
Average Lease Rate (per sqm/month)	583	540	810
Sustainability Highlights			
Economic Value Distribution (In Php million)			
Economic Value Generated			
Total Revenues	5,072	3,316	2,036
Economic Value Distributed			
Payments to suppliers/contractors	1,073	683	327
Payments to employees			
Payments to providers of capital	3,121	1,903	1,019
Payments to governments	366	236	(3,114)
Payments to communities			
Economic Value Retained	494	494	3,804
Environmental and Social Indicators			
Net GHG Emissions (Scopes 1 and 2, in t-CO2e)	-	-	4,106
% of energy consumption in Renewable Energy	80%	71%	35%

*Earnings Before Interest, Taxes, Depreciation and Amortization

Joint Message from the Chairman and the President



Last August 2022, amidst the challenging macroeconomic conditions that characterized the year, AREIT celebrated its second year since becoming the first Philippine Real Estate Investment Trust. Yet, despite hurdles, including geo-political tensions, inflationary pressures, interest rate hikes, and increased office sector vacancies, AREIT remained resilient, outperformed, and delivered solid operational results.

With revenues of P5.1 billion and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of P3.6 billion, 53% and 52% higher

year-on-year, respectively, we demonstrated strong financial performance. Our net income reached P2.9 billion, including a net fair value change in investment properties of -P549 million due to the higher interest rate environment. Notwithstanding the impact of the net fair value change on investment properties and a one-time gain on a finance lease, our operating net income surged to P3.4 billion, representing an impressive year-on-year increase of 55%. These outstanding financial results translated to full-year dividends of P3.1 billion in 2022, 53% higher than in 2021 and in line with our operating income.

We focused on long-term real estate drivers, such as the country's GDP growth of 7.6%, a young population base with high domestic consumption, urbanization, and the sustained growth of global outsourcing. The complete re-opening of businesses from the shatters of the Covid-19 pandemic brought renewed hope across sectors of Philippine commercial real estate.

As AREIT turned two, so did our assets under management and revenues since our initial public offering. Consistent with AREIT's mantra of delivering shareholder value, we generated a total shareholder return of 50% at the end of 2022 and dividends per share growth of 86% since August 2020.

The outstanding results were led by revenues growing 2.5 times from P2 billion to P5 billion, following the growth in our gross leasable area by more than four times from 153 thousand to 673 thousand square meters (sqm), doubling the Assets under Management (AUM) from P30 billion to P64 billion, and the market capitalization growing proportionately over the last two years.

AREIT's current portfolio, composed primarily of offices, maintained a high occupancy of 98% despite evolving hybrid work arrangements. 88% of expired office leases were renewed, and all seven thousand sqm of pre-terminated leases in 2022, albeit small, were all replaced. Top BPOs continued to keep and expand prime office spaces. With global outsourcing growing revenues by 10% in the Philippines, the country remains one of the top two BPO destinations in the world.

AREIT demonstrated uninterrupted growth in quarterly dividends from P0.28 centavos per share just after it was listed in 2020 to P0.52 centavos per share for the last quarter of 2022, an increase

JOSE EMMANUEL H. JALANDONI
Chairman

CAROL T. MILLS
President and CEO

“As we enter 2023 with much optimism, AREIT is ready to accelerate expansion and diversify its portfolio. Consistent with our prospectus as a commercial REIT, AREIT will now pursue further expansion to achieve a more balanced, diversified exposure across all commercial sectors.”

of 86%. Annual dividends per share grew historically from P1.32 in 2020 to P1.77 in 2021 to P1.98 in 2022. Upon infusion of the Cebu assets last year, the fourth quarter dividends of P0.52 per share grew 11% year-on-year and 6% higher than the previous quarter of P0.49 per share, indicating, as always, the impact of our accretive asset acquisitions.

AREIT also notably outperformed the PSE and property indexes over the last two years, with a total return of 19% from yield and 31% from price appreciation since the IPO. These returns exemplified how a REIT, if properly structured and executed well, can deliver the combined benefits of a fixed-income instrument and equity -- the hybrid benefits of REIT investing.

As we enter 2023 with much optimism, AREIT is ready to accelerate expansion and diversify its portfolio. Our initial concentration when AREIT started was on stable and resilient offices as BPOs buoyed this sector while the retail and hospitality sectors were recovering from the pandemic's impact.

AREIT first sought out opportunities for offices complemented with hotel and retail adjacencies within these developments. We also pursued a timely, opportunistic acquisition of industrial land parcels leased to an Ayala subsidiary for its microelectronics business ventures.

Today, with the pandemic behind us, we see a strong rebound across commercial businesses, particularly in retail. Consistent with our prospectus as a commercial REIT, AREIT will now pursue further expansion to achieve a more balanced, diversified exposure across all commercial sectors.

We look forward to 2023 being another banner year for AREIT as it turns three years since its listing as the first Philippine REIT. The company will be undertaking its largest asset infusion, bringing total assets to P87 billion, triple our portfolio of P30 billion when we did the IPO. Infusing P22.5 billion in assets within the year, we are positioned way ahead of the company's investment plan to reach P90 billion of Assets Under Management in three years.

This planned infusion of assets involves some of the prime flagship developments from our Sponsor, Ayala Land, setting AREIT as the latter's commercial REIT platform. These include the brand new One Ayala Avenue at the corner of Edsa and Ayala Avenue, the newly redeveloped Glorietta 1 and 2 mall and office buildings in Makati, and Ayala Mall Marquee in Angeles Pampanga.

We are particularly excited about these properties. The One Ayala Avenue East and West office towers totaling 71 thousand sqm were substantially leased during and despite the

uncertainties of the pandemic. Top global companies, including ING's Business Shared Services, Optum Global Solutions of the United Health Group, CITCO International Shared Services, Microsoft, S&P Global, took the opportunity to locate and expand their Philippine operations in this coveted site. The development features a much-needed public service with an integrated transport hub where city buses and point-to-point shuttle bus operators conveniently and safely bring commuters, particularly office workers, to their place of work in Makati.

Aside from One Ayala, Glorietta 1 & 2 -- the newly renovated wings of Makati's super regional mall will be infused into AREIT. This crown jewel is home to essential local and foreign retail brands and well-established F&B offerings. It also has two office buildings on top of the mall leased to leading BPO companies Sykes and ADP, to name a few.

Last but not least, the MarQueen Mall -- a regional provincial mall located in Pampanga, strategically situated at the Angeles exit junction of the North Luzon Expressway-- will also be included in AREIT's roster. Catering to a very progressive, vibrant Luzon market, MarQueen has consistently been one of Ayala Land's top-performing provincial malls, pre and post-pandemic.

This P22.5 billion asset infusion will benefit AREIT in three respects. First, it will enlarge its portfolio of prime, stable, income-generating properties to a value worth P87 billion across 23 properties nationwide. Second, it will have a broader, more diversified asset base across offices, retail, hospitality, and industrial, thereby reducing concentration risk to anyone particular commercial segment and geographical location and minimizing exposure to any tenant occupier. And thirdly, these asset additions are yield accretive consistent with what AREIT has done in previous acquisitions targeting total shareholder return of 10-12% through both dividends and annual growth.

Once again, we are affirming our commitment to the company's five investment fundamentals -- the strength of the REIT Sponsor, which is Ayala Land, exceptional asset selection in the most prime locations, stable long-term occupancy by quality tenant locators, above-inflation growth, and professional management led by a team of experienced and tenured real estate executives.

With the dedicated work of the entire organization, we are highly honored to have received multiple international recognitions, most recent are The Best Premier REIT and Most Innovative REIT Offering by International Finance awarded in Thailand and The Best Office REIT and Best Diversified REIT with \$1 billion market capitalization by Asia Pacific Best of the Breeds REIT awards in Singapore this year.

We are very grateful for the unwavering trust, support, and guidance of our Board of Directors, the officers and management of AREIT for its dedicated work in delivering sustained performance amidst a difficult external environment, and our Sponsor Ayala Land for its continued focus on growth and reinvestment in Philippine real estate.

Finally, thank you, our shareholders and stakeholders, for entrusting AREIT with your confidence. We continue to strive and undertake new levels of growth through the years.



JOSE EMMANUEL H. JALANDONI
Chairman



CAROL T. MILLS
President and CEO

Business Review





Tower

20

SUMILON RD

Financial Performance

AREIT recorded revenues of P5.1 billion and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of P3.6 billion in 2022, 53% and 52% higher year-on-year, respectively. These impressive figures came as a result of stable operations with a 98% occupancy rate, and strong collection performance. Despite the higher interest rate environment, the company’s full-year net income reached P2.9 billion, inclusive of a net fair value change in investment properties of -P549 million. Excluding the net fair value change in investment properties, net income registered at P3.4 billion, 55% higher year-on-year. The company has a solid balance sheet with a net gearing of 0.05:1.

Portfolio

Last December 2022, the company received the Securities and Exchange Commission’s (SEC) approval for the property-for-share swap with Ayala Land, Inc. (ALI), in exchange for six Cebu-based office buildings, particularly eBloc Towers 1 to 4 located at Cebu IT Park, ACC Tower and Tech Tower located at Ayala Center Cebu. The recognition of income from these new assets accrued beginning October 01, 2022, capping the year with a total GLA of 673 thousand sqm, up from 549 thousand sqm, and Assets Under Management (AUM) of P64 billion, up from P53 billion in 2021. With the recently concluded acquisition, AREIT outperformed its target to reach P60 billion in AUM by 2022.

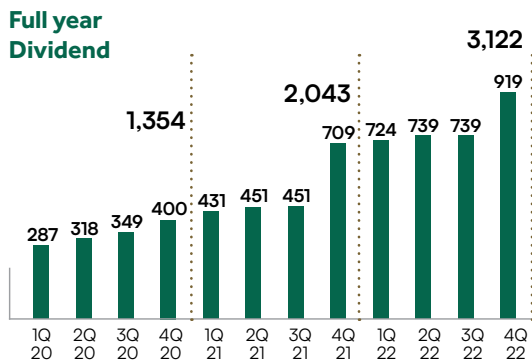
AREIT continues to maintain a stable tenant mix composed of offices (90%), serviced apartments (4%), retail (4%), and industrial lots (2%). The company has a high occupancy at 98%. The weighted average lease expiry of its office tenants is 3.0 years, and 7.7 years to factor in all tenants.

Dividends

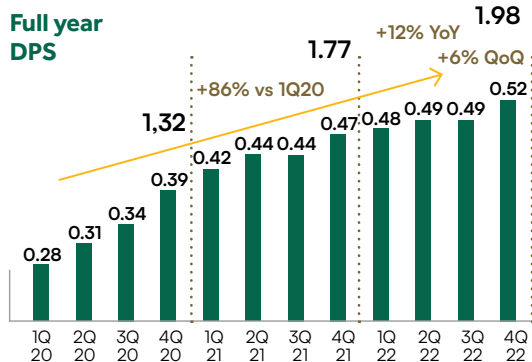
AREIT consistently distributed quarterly dividends that increased since its IPO in August 2020. Dividends per quarter have grown 86% within a 12-quarter period owing to stable operations and asset infusions, demonstrating that every acquisition is accretive to the company and its investors. For full year 2022, dividends per share totalled P1.98, a 12% increase from P1.77 in 2021.

STEADY DPS GROWTH FROM ORGANIC RENTAL ESCALATION AND ACCRETIVE ACQUISITIONS

AREIT quarterly and full year dividends (PHP m)



AREIT quarterly dividends per share (PHP)



4Q2022 dividends payable on 24 March 2023 to stockholders on record as of 10 March 2023

Since its IPO, AREIT has exceeded its growth plans, resulting in a 51% total shareholder return from operations as of 31 December 2022.

Growth Prospects

AREIT will conduct a third property-for-share swap with its sponsor, Ayala Land in 2023. The transaction will involve flagship offices and malls with an aggregate value of P22,479,697,060 for 607,559,380 AREIT primary common shares, as validated by a third-party fairness opinion.

The assets are primarily located in the Makati CBD, including the recently completed One Ayala Avenue East and West BPO Towers at the corner of Ayala Avenue and EDSA, as well as the Glorietta 1 and 2 mall wings and BPO buildings at Ayala Center. Additionally, the MarQueen mall in Angeles, Pampanga, located close to the Angeles exit of the North Luzon Expressway (NLEX), will also be added to AREIT's portfolio. These assets have a combined gross leasable area (GLA) of 190 thousand square meters (sqm), an overall occupancy rate of 99%, and a weighted average lease expiry (WALE) of 14.5 years. ALI and AREIT are targeting to complete the transaction within the year.

Upon completion of this acquisition, the Company's AUM will nearly triple to P87 billion, while its GLA will expand over five-fold to 863

thousand sqm from the IPO, making AREIT one of the largest and the most diversified commercial REITs in the Philippines.

This latest asset acquisition has exceeded AREIT's three-year strategy to grow its asset portfolio at an average of 100 thousand sqm of GLA annually and increasing its AUM by P10-15 billion each year during the period. The company continues to focus on growing and diversifying its asset portfolio by sector, location, and income contribution, with a goal of achieving a total shareholder return range of 10-12%.

Constituent Indices and Awards

AREIT was honored with several prestigious awards, including Best Premier REIT and Most Innovative REIT Offering in the Philippines by the International Finance Awards 2022. In addition, the company received the Two Golden Arrow award from the Institute of Corporate Directors based on its 2021 ASEAN Corporate Governance Scorecard.

Furthermore, in 2021, AREIT became the first Philippine REIT included in the FTSE EPRA Nareit Asia ex-Japan REITs 10% capped Index. It is also a constituent of the MSCI Philippine Small Cap Index, the FTSE Small Cap Index, and the Philippine Property Index.



Our Leaders





seda

Board of Directors



Jose Emmanuel H. Jalandoni
Chairman of the Board

Filipino, 55 y.o.

Tenure 14 years

Present Positions

In the Ayala Group

- Listed Companies: Chairman of AREIT, Inc., Chairman of AyalaLand Logistics Holdings Corp., Senior Vice President and Commercial Business Group Head of Ayala Land, Inc.
- Non-listed Companies: Chairman, President and CEO of Northgate Hotel Ventures, Inc., Chairman of AyalaLand Malls, 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., 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., Makati North Hotel Ventures, 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, Sicogon Town Hotel, Inc., Estate Corporation, Ten Knots Development Corporation, Ten Knots Philippines, Inc., Whiteknight Holdings, Inc., and One Makati Residential Ventures, Inc.; Director of ALI Capital Corporation, Anvaya Cove Golf and Sports Club, Inc., Ayagold Retailers, Inc., Ayala Hotels, 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., AirSWIFT Transport, Inc., DirectPower Services, Inc., AyalaLand Medical Facilities, Inc., WhiteKnight Holdings, Inc., Station Square East Commercial Corporation

Education

- Bachelor of Science in Legal Management from Ateneo de Manila University in 1989
- Master of Business Administration (MBA) from Asian Institute of Management in 1992
- Chartered Financial Analyst



Carol T. Mills

Executive Director, President and CEO

Filipino, 50 y.o.

Tenure 8 years

Present Positions

In the Ayala Group

- Listed Companies: Vice President and Head of Offices Group of Ayala Land, Inc.; President of Ayala Land Offices Inc., the office leasing and development arm of Ayala Land since 2013. Ayala Land Offices owns and manages 1.4 million square meters of leasable space across 63 properties in the Philippines
- Non-listed Companies: Chairman and President of 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.; Director of ALI Capital Corp., DirectPower Services, Inc., and Central Block Developers Inc.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp.

Former Positions

In the Ayala Group

- Chairman, Tower One and Exchange Plaza Condominium Corporation, 2017 to 2022; Business and Project Development for Ayala Malls, 2008 to 2013; General Manager, Alabang Town Center, 2003 to 2007

Education

- Bachelor of Science in Business Administration (Magna Cum Laude) from the University of the Philippines in 1993
- Master of Business Administration (MBA) from the Amos Tuck School of Business, Dartmouth College in 1998

Board of Directors



Bernard Vincent O. Dy
Director

Filipino, 59 y.o.

Tenure 10 years

Present Positions

In the Ayala Group

- Listed Companies: President and CEO of Ayala Land, Inc., Chairman of AyalaLand Logistics Holdings Corp., Director of MCT Bhd of Malaysia, Senior Managing Director and a member of the Ayala Group Management Committee since April 2014
- Non-listed Companies: Chairman of Alviera Country Club, Inc., Alveo Land Corporation, Altaraza Development Corporation, Amaia Land Corporation, Amicassa Process Solutions, Inc., Avencosouth Corp., Aviana Development Corp., Ayagold Retailers, Inc., Ayala Property Management Corporation, Ayalaland-Tagle Properties, Inc., 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 Aurora Properties Incorporated, Ayalaland Premier, Inc., Ceci Realty Inc., and Ayala

Greenfield Development Corporation, and Director of Accendo Commercial Corp., AKL Properties, Inc., ALI Eton Property Development Corporation, Avida Land Corp., AyalaLand Medical Facilities Leasing, Inc., Nuevocentro, Inc., Philippine Integrated Energy Solutions, Inc., Serendra, Inc., and Whiteknight Holdings, Inc.; President and CEO of Alabang Commercial Corporation, Berkshires Holdings, Inc., Bonifacio Land Corporation, Columbus Holdings, Inc., Emerging City Holdings, Inc., and Fort Bonifacio Development Corporation; Member of the Board of Trustees of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Advisor of Alveo-Federal Land Communities, Inc.

Outside the Ayala Group

- Director of the Junior Golf Foundation of the Philippines since 2010 and Vice Chairman since 2017
- President and CEO of President of Bonifacio Art Foundation, Inc., and Hero Foundation Inc.

Education

- Bachelor of Business Administration in Accountancy from the University of Notre Dame in 1985
- Master of Business Administration (MBA) from the University of Chicago in 1989
- Masters in International Relations from the University of Chicago in 1997



Augusto D. Bengzon
Non-executive Director

Filipino, 60 y.o.

Tenure 3 years

Present Positions

In the Ayala Group

- Listed Companies: Senior Vice President, Chief Finance Officer, and Treasurer of Ayala Land, Inc.; Treasurer of AyalaLand Logistics Holding Corp.
- Non-listed Companies: 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., Aurora Properties Inc., AyalaLand-Tagle Properties, Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions, Inc., and Vesta Property Holdings, Inc.; Director of AG Counselors Corporation, Alviaera Country Club, Inc., Amicassa Process Solutions, Inc., Makati Development Corp., Northgate Hotel Ventures, Inc., Station Square

East Commercial Corp. and Southcrest Hotel Ventures, Inc.; Comptroller of Nuevocentro, Inc.; Treasurer and Chief Finance Officer of Portico Land Corp.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc., Alveo Land Corp., Amaia Land Corp., Avida Land Corp., AyalaLand Premier Inc., Ayala Property Management Corporation, Bellavita Land Corp., BGNorth Properties, Inc., BGSouth Properties, Inc., BGWest Properties, Inc., Serendra, Inc., The Suites at One Bonifacio High Street Condominium Corp. and Hero Foundation, Inc.; Assistant Treasurer of Ayala Greenfield Golf & Leisure Club, Inc. and Ayala Greenfield Development Corporation;

Outside the Ayala Group

- Trustee of Philippine National Police Foundation, Inc.

Education

- Bachelor of Science in Business Management from the Ateneo de Manila University in 1984
- Masters in Business Management from the Asian Institute of Management (Andres K. Roxas scholar) in 1988
- Graduate of the Philippine Trust Institute.

Board of Directors



Mariana Beatriz Zobel de Ayala
Non-executive Director

Filipino, 34 y.o.

Tenure 1 year

Present Positions

In the Ayala Group

- Listed companies: Director of Ayala Land, Inc., Senior Vice President of Bank of the Philippines Islands
- Non-listed companies: Board of director and/or advisory committee member for several Ayala Group companies, across AC Health, Ayala Group's ACTIVE Fund and BPI's Asset Management and Trust Company

Outside the Ayala Group

- Non-listed companies: Board Advisor for Asia Partners, Global board member of U-Go

Former Positions

In the Ayala Group

- Listed companies: Deputy Head of Ayala Malls, Project Development Manager of Alveo Land, Inc., and Business Development Associate of Ayala Corporation
- Non-listed companies: Associate of J.P. Morgan

Education

- Bachelor of Arts in Social Studies (Philosophy, Politics, and Economics) from Harvard College in 2011
- Master of Business Administration (MBA) from INSEAD in 2020



Omar T. Cruz
Lead Independent Director

Filipino, 68 y.o.

Tenure 3 years

Present Positions

- Independent Director of Toyota Financial Services, Inc., RCBC Capital Corporation, Philippine Regional Investments Enterprises, Inc., and ABACORE Group, Inc.
- Chairman of the Investment Committee of De La Salle Philippines
- Vice Chairman of the Board and Board Executive Committee for the University of Asia and the Pacific
- Vice Chairman of the Board and Board Executive Committee for the Center for Research and Communication Foundation, Inc.
- Trustee of the Financial Executives Institute Foundation of the Philippines
- Trustee for the Philippine National Police Foundation

Former Positions

- Treasurer of the Republic of the Philippines
- Director of 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
- 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 BPI-Philam Life Assurance Corp.
- Senior Executive Vice President of Insular Life
- Vice President and Bank Executive of Citibank, N.A.

Education

- Bachelor of Science in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University in 1977
- Masters in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific in 1980

Board of Directors



Enrico S. Cruz
Independent Director

Filipino, 65 y.o.

Tenure 2 years

Present Positions

Outside the Ayala Group

- Listed companies: Independent Director of Security Bank Corporation, Robinsons Retail Holdings, Inc., The Keepers Holdings, Inc., DITO CME Holdings Inc.
- Non-listed companies: Vice Chairman of SB Capital Investment Corporation and Independent Director of Maxicare Healthcare Corporation, CIBI Information Inc., and MAXILIFE Insurance Corporation

Former Positions

- 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; concurrently, Head of Corporate Finance overseeing debt origination, equity capital markets, advisory, and corporate/

- institutional sales activities, also established the Global Markets (GM) franchise in the Philippines when he joined Deutsche Bank in July 1995
- Senior Vice President at Citytrust Banking Corporation (CTBC), where he worked from 1979 as an Executive Development Program Trainee until he was named Head of Centralized Operations Department, also headed the Treasury Sales and Trading Group of CTBC in 1989 until his move to Deutsche Bank

Professional Memberships and Recognitions

- Director of the Bankers Association of the Philippines (BAP) from 2003-2007, 2011-2015, and 2017-2019
- Past President of the Money Market Association of the Philippines
- Named a Distinguished Alumnus by the UP College of Business Administration in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association in 2015

Education

- Bachelor of Science in Business Economics from the University of the Philippines in 1977
- Master of Business Administration from the University of the Philippines in 1979



Jessie D. Cabaluna
Independent Director

Filipino, 65 y.o.

Tenure 1 year

Present Positions

Outside the Ayala Group

→ Listed companies: Independent Director of AllHome Corp. and AllDay Marts, Inc.

Former Positions

→ Assurance Partner and Head of Market Circle - 1 and Partner-in-Charge of Bacolod Branch SyCip Gorres Velayo & Co. (SGV)

Education

- Bachelor of Science in Commerce (Major in Accounting) from the University of St. La Salle in 1977
- Completed advanced management development programs conducted by the Asian Institute of Management and Harvard Business School in 1988 and 2012, respectively
- Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants

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 and
Assistant Corporate Secretary



Maphilindo S. Tandoc
Chief Risk Officer



Rowena P. Libunao
Chief Audit Executive

AREIT Fund Managers, Inc.



Ma. Luisa D. Chiong
Chairman



Patricia Gail Y. Samaniego
President and CEO

AREIT Property Managers, Inc.



Francisco Ma. D. Roxas
Chairman



Benjamin S. Borja, III
President and CEO



Beverly S. Espina
Treasurer

Awards



Best Premier REIT
Most Innovative REIT Offering in the Philippines



2 Golden Arrow Awards

.....



- EPRA Nareit Asia ex-Japan REITs 10% capped Index
- Philippines Small Cap Index
- Philippines Micro Cap Index

.....



- Philippine Small Cap Index

.....



- Philippine Property Index
- Mid Cap Index
- Dividend Yield Index

.....



Value Creation



TIMEZONE
FAMILY ENTERTAINMENT CENTER
Sing, Dance, Play,
Win and Have Fun!

Ayala Malls

THE 30TH

MEAT DÉPOS

**UNLI
KOREAN
BBQ**

Business Model

The AREIT Advantage Elements that make AREIT a best-in-class REIT



AREIT, Inc. holds the distinction of being the first Real Estate Investment Trust (REIT) in the Philippines. The company is the commercial REIT of Ayala Land and focuses on expanding its office, shopping center, and hotel properties. The company is also open to exploring other types of real estate assets as they become available in the market, in line with its goal of maximizing value for its investors.

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, commercial property. Other property types available in the market may also be considered as long as it is income-generating and provides attractive dividend yield.
3. The property must have stable occupancy, tenancy, and income from long-term leases with strong, high-credit grade tenant locators.
4. It should provide attractive dividend growth and be yield accretive.

Three-year Investment Strategy

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

- 1. Proactive asset management and enhancement strategy.** AFMI will actively manage AREIT's property portfolio to achieve growth in revenue and net operating income and maintain optimal occupancy levels. AFMI and AREIT Property Managers, Inc. (APMI) will help drive organic growth, build strong relationships with the tenants of the properties, and explore enhancement and growth opportunities within the existing properties.
- 2. Investment and acquisition strategy.** AFMI will acquire quality income-producing commercial properties situated in high-growth areas that fit the investment criteria to enhance returns for investors and increase potential opportunities for future income and capital growth.
- 3. Capital and risk management strategy.** AFMI will manage and source capital to maximize overall returns. This may include accessing the capital markets to source appropriately priced and structured debt and equity offerings, 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% per year, 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

Positive Factors

- **7.6% GDP growth**
 - Exceeded initial estimates of 6-7%
- **Reopened economy**
 - Lifting of quarantine restrictions (resulting in increased mobility) starting May 2022
- **Household consumption at 73.1% of GDP**
 - 8.3% higher than 2021
- **US\$36.1B Remittances up 4%**
 - Resilient despite global economic slowdown
- **US\$32.5B BPO revenues up 10%**
 - Sustained growth trajectory from 2021
- **2.6M international tourist arrivals**
 - Better than 1.7M target

Negative Factors

- **5.8% inflation rate**
 - More than the target range of 2-4%
- **5.5% benchmark rate**
 - 350-bps total rate hike in 2022
- **Average US/PHP rate at US\$1:PHP54.48**
 - 9.6% depreciation
- **18.8% Metro Manila office vacancy**
 - Driven by POGO flight

Reopened Economy

Although the COVID-19 Omicron variant caused a setback in the first quarter of 2022, the situation gradually improved, and the Philippine Government lifted restrictions to reopen the economy. This positive development paved the way for mobility to resume and for employees to return to their offices in the Central Business Districts (CBDs). While AREIT's operations remained stable during the period, these factors provided the required operational boost for the office and retail sectors.

Rate Uncertainties Temper Consumer Sentiment

The geopolitical concerns arising from the ongoing conflict between Russia and Ukraine led to an increase in commodity prices and inflation rates in the Philippines, reaching a high of 8.1% in December. The average inflation rate of 5.8% was higher than the government's target band of 2 – 4%. To curb rising inflation and match the US Fed's 425-bps interest rate hike, the Bangko Sentral ng Pilipinas raised interest rates by 350 bps, bringing the benchmark rate to 5.5%. However, this high inflation and interest rate environment also resulted in the depreciation of the peso, which had an average exchange rate of P54.48, or a 9.6% decrease from the previous year.

On top of these economic challenges, the Metro Manila office segment faced difficulties due to the flight of Philippine Offshore Gaming Operators (POGOs), since 2020, resulting in an 18.8% vacancy rate. Additionally, the government allowed the transfer of office locators from their registration with the Philippine Economic Zone Authority (PEZA) to the Fiscal Incentives Review Board (FIRB) in relation to the required work-from-home (WFH) limits.

Positive Drivers Remained Despite Headwinds

Despite facing macroeconomic challenges, the Philippines demonstrated remarkable resilience by achieving a GDP growth rate of 7.6%, surpassing analyst projections. The upswing was driven by strong domestic consumption, which accounted for more than 73.1% of the local economy and grew by 8.3% compared to last year. Furthermore, overseas Filipino remittances reached US\$36.1 billion, showing a 4% growth despite the global economic downturn. The country's BPO sector, one of the pillars of the economy, also performed well, with revenues growing by 10% year-on-year to US\$32.5 billion, even with a higher rate of office vacancies. International tourists also performed admirably, with 2.6 million arrivals, exceeding the government's target of 1.7 million.

HOW WE NAVIGATED 2022

SAFEGUARDING AGAINST HEADWINDS

Ensured stable operations and high occupancy of properties

Despite the high vacancies in the office sector as well as work-from-home arrangements, AREIT maintained an occupancy rate of 98%, supported by long-term contracts from top BPO and corporate locators as tenants retained their leased spaces even with an average building utilization of 50-80% due to the hybrid work setup. Moreover, AREIT was able to replace pre-terminations in 2022 with new tenants during the year.

Maintained a low gearing level and cost of debt

AREIT carried a net debt of only P3.2 billion, which translates to a net debt-to-equity ratio of 0.05:1, providing ample debt headroom versus the limit of 0.35:1. The average cost of debt was healthy at 2.95%, well below prevailing borrowing rates.

CAPTURING OPPORTUNITIES

Expanded geographic presence and further diversified asset class and tenant mix

Since its IPO in August 2020, AREIT has embarked on several growth initiatives to expand its gross leasable area (GLA), geographic footprint, asset class, and tenant mix. The company completed its second asset-for-share swap, which involved Cebu-based office properties with Ayala Land, its sponsor. As a result, AREIT ended 2022 with 25 properties with a total GLA of 673,000 sq. meters, assets under management (AUM) of P64.1 billion, a presence in nine (9) cities nationwide, a diversified portfolio of offices, retail, hotel, and industrial land, and balanced mix of locators.

Uninterrupted dividend growth since the IPO

AREIT has demonstrated its commitment to delivering strong returns to its shareholders through its consistent dividend-per-share growth. In 2022, the company declared annual dividends per share of P1.98, a 12% increase from the previous year's P1.77 per share. In the fourth quarter alone, AREIT declared dividends of P0.52 per share, representing a 6% increase from the previous quarter's P0.49 per share, driven by the successful integration of the newly acquired Cebu assets.

Delivering sustainable value

Notably, AREIT outperformed the Philippine Stock Exchange (PSE) and Philippine Property indices over the last two years with a total return of 20% from yield and 28% from price appreciation since the IPO. Total shareholder return since the IPO stands at 50% as of the end of 2022.

Outlook

With a strong track record of delivering solid performance and growth, AREIT is gearing up for expansion in 2023. As the country's first Real Estate Investment Trust (REIT), the company is looking to diversify its asset portfolio and establish a balanced mix of properties.

AREIT was listed in 2020 primarily with stable and resilient office properties due to the ongoing pandemic at that time, complementing this with adjacencies of hotel and retail assets within those office developments, as well as an opportunistic acquisition of leased industrial land. With the pandemic gradually receding, we see the opportunity to capitalize on the strong rebound of commercial businesses, particularly in the retail sector to establish a more diversified and balanced portfolio that aligns with its prospectus as a commercial REIT.

Despite the prevailing headwinds of high inflation and interest rates, we remain confident in the resilience of commercial real estate and its ability to move in step with the economy. Local consumption, which contributes over 70% to the country's GDP, is forecasted to grow by more than 5% in 2023. Additionally, overseas remittances, which reached a record high of US\$36.1 billion in 2022, are expected to sustain their 4% annual growth. These factors, together with consumer spending returning to pre-pandemic levels, bode well for shopping centers, and we will leverage this outlook by boosting occupancy through new tenants and retail openings.

The business process outsourcing (BPO) sector is also a growth driver that AREIT is optimistic about, with revenues of US\$32.5 billion in 2022, an increase of 10% compared to 2021. Over the next six years, it is set to expand with an employment target of 1.1 million new employees, driving the demand for office leasing space. This growth, combined with stable HQ operations and the return-to-office trend, is expected to increase occupancy in the medium term.

Furthermore, the government’s target of 4.8 million international tourist arrivals, an 80% increase from 2022, is expected to elevate the prospects for hotels and resorts.

With these growth drivers in place and a reopened economy, AREIT is looking to undertake its most significant asset infusion to date, involving flagship offices and malls of its sponsor, Ayala Land, with a total value of P22.5 billion.

2023 PLANS

Exceeding the 3-year investment Plan

The acquisition will allow AREIT to reach total assets under management (AUM) of P87 billion within the year, triple in size of our assets of P30 billion since the IPO, and well ahead of the 3-year investment plan of reaching an AUM of P90 billion in three years. It will also increase the gross

leasable area (GLA) more than five-fold to 863 thousand sq. meters.

Diversified Commercial REIT

With the rebound of commercial businesses, AREIT is looking to diversify its portfolio further with more retail buildings with the infusion of MarQuee mall in Pampanga, Glorietta 1 and 2 mall wings, together with stable office assets of Glorietta 1 and 2 BPO buildings at the Ayala Center in Makati CBD, and the newest One Ayala Avenue East and West BPO Towers, resulting in a more balanced, diversified mix of assets.

Delivering Shareholder Growth and Value

Consistent with AREIT’s previous acquisitions, this new infusion will be yield accretive, to shareholders with a target total return of 10-12% per year. We expect also a 6% yield from the current portfolio plus a 4% dividend accretion from the new assets.



How AREIT Creates Value

AREIT'S SIX CAPITALS

1 NATURAL

Ayala Land's extensive pipeline of leasing assets for potential infusion

2 INTELLECTUAL

A 3-year track record in fund and property management, and increasing shareholder value, (See page 38)

3 MANUFACTURED

Solid portfolio of grade-A commercial leasing properties (See page 6)

4 HUMAN

An experienced, committed, and professional management team seconded from Ayala Land (See page 30)

5 SOCIAL

Sound corporate governance practices strengthen the relationship with tenants and investors (See page 62)

6 FINANCIAL

The solid balance sheet supports the ability to deliver steady dividends and growth plans (See page 18)

AREIT'S 3-YEAR INVESTMENT STRATEGY

Achieve a total shareholder return of 10-12% per annum by growing and diversifying AREIT's portfolio at an average of 100K sqm of GLA and AUM by P10-15 billion annually



Proactive Asset Management and Enhancement

AREIT Fund Managers actively manage the portfolio to achieve revenue and net income growth and maintain optimal occupancy levels. Together with AREIT Property Managers, they drive organic growth, build strong relationships with the tenants, and explore the enhancement of growth opportunities within the existing properties, following sustainability focus areas of resource efficiency and contribution to local economic development (See page 38)



Investment and Acquisition

AREIT Fund Managers seek and 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 (See page 38)

OUTPUTS AND OUTCOMES

NATURAL

- 32 Malls; 2.12M sqm GLA
 - 64 BPOs, 8 HQs; 1.36M sqm GLA
 - 11 SEDA Hotels and 3 Resorts
- A diversified leasing portfolio that generates stable returns for investors



INTELLECTUAL

- FY22 dividends of P1.98/share
 - 86% DPS Growth since the IPO
 - 98% Occupancy
 - WALE of 7.7 years (See page 18)
- Enhanced shareholder value and supported the growth of the Philippine equity capital market



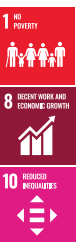
MANUFACTURED

- 25 assets with a total AUM of P64B, 2.13x growth from the IPO
- Reduced and offset net GHG emissions by 18,486 t-CO2e and 3,954 t-CO2e, respectively (See page 53)



HUMAN

- Synergy and teamwork between AREIT, AREIT Fund Managers, Property Managers and service providers resulted in strong asset performance (See page 38)
- Provided employment to 45,457 tenant employees and 917 service providers (See page 58)



SOCIAL

- 181 tenants (See page 58)
 - 33,668 investors (See page 58)
- 97% tenant satisfaction rating
 - Recognized as Best Premier REIT and Most Innovative REIT Offering in the Philippines by International Finance Awards (See page 36)

FINANCIAL

- P3.4B Net income
 - 0.05 Net D/E ratio
 - 2.95% ave. cost of debt (See page 18)
- Total Shareholder Return of 50% (See page 18)



Capital and Risk Management

AREIT Fund Managers identify and manage capital to maximize overall returns. This process 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 (See page 38)

Sustainability



Our ESG Approach

MATERIALITY REVIEW AND SUSTAINABILITY FOUR FOCUS AREAS

Aligned with its Sponsor's thrust of monitoring important issues such as the economic, environmental, and social impacts of its developments, AREIT adopts Ayala Land's ESG approach of operationalizing sustainability through the four focus areas, and measuring and reporting its sustainability performance against global goals and standards.

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


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

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


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

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

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

 **Site Resilience**

Climate change can undermine AREIT's properties and operations, with extreme weather events and rising sea levels among the hazards that can undermine their stability. To address these challenges, Ayala Land, the Sponsor of AREIT, has implemented various measures to strengthen the resilience of their properties. These include undertaking technical due diligence to screen for geohazards, providing space for refuge and rainwater absorption, and promoting the use of native trees to enhance biodiversity and ecosystems.

 **Pedestrian Mobility & Transit Connectivity**

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

 **Resource Efficiency**

AREIT is committed to support its Sponsor's goal of reaching carbon emission target by 2030 and the Ayala Group's Net Zero commitment by 2050. Ayala Land's operations and developments are planned so that natural resources and construction materials, such as steel and cement, are used judiciously and efficiently, reducing overall consumption and GHG emissions. Energy and water conservation programs and waste management schemes are also in place and are regularly audited for further improvement.

 **Local Economic Development**

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

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 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, and build and maintain strong relationships for long-term shared value creation.

Stakeholder	Issues and Concerns of Stakeholders	Engagement Means and Initiatives of the Ayala Land Group
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 Note: AREIT's entire workforce, including its officers, are seconded from Sponsor Ayala Land and its subsidiaries.	<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 to contribute to the carbon neutrality program of Ayala Land. Moreover, AREIT has fully aligned itself with its Sponsor's sustainability principles.

PEDESTRIAN MOBILITY AND TRANSIT CONNECTIVITY

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

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

Situated at the northbound side of Epifanio de los Santos Avenue (EDSA), the McKinley Exchange Center serves as a main entry point into the Bonifacio Global City (BGC) in Taguig. This bustling commercial complex houses a terminal for public utility vehicles that transport commuters to and from BGC. In addition, the McKinley Exchange Center is seamlessly connected to the new One Ayala Center on the other side of EDSA through an elevated covered walkway. This convenient link allows pedestrians to travel safely and comfortably between the two centers.

Teleperformance Cebu is located in the heart of the 27-hectare Cebu I.T. Park, which is a hub for the city's booming information technology and

business process outsourcing industries. It is ideally situated near the Sponsor's Central Bloc mixed-use development that currently hosts a mall, a Seda hotel, and two towering office buildings.

Teleperformance Cebu is in a prime location for attracting top talent and providing employees with access to a wide range of amenities, from shops and restaurants to entertainment venues and hotels. The central location of the Cebu I.T. Park also offers convenient access to transportation hubs and major thoroughfares, making it easy for employees and clients to reach the center from anywhere in the city.

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 the new acquisitions in 2021 and the easing of restrictions brought about by the pandemic, the total energy consumption within the organization further rose to 29.5 million kWh, versus 13.8 million kWh in previous reporting year. Similarly, energy consumption of leased areas increased by 7% to 44.4 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. Conforming to the overall increase in energy consumption, the energy intensity in 2022 also increased by 18% for common areas, and 26% for tenant areas.

Energy Consumption

(in MWh)	2019	2020	2021	2022
Within the organization				
Electricity	12,832,288	10,403,113	13,185,164	28,460,217
Fuel	351,277	296,957	658,851	993,182
Outside the organization				
Electricity	14,650,248	13,282,268	41,659,610	44,434,916
Total Energy Consumption (kWh)¹	27,833,813	23,982,338	55,503,626	73,888,315

¹ Energy consumption includes electrical consumption and the kilowatt hour equivalent of fuel consumption.

Electricity Intensity	Unit*	2019	2020	2021	2022
Whole Building	kWh/sqm GFA	157.47	125.48	107.96	140.46
Common Area	kWh/sqm GCA	245.17	188.93	125.29	147.55
Leased Area	kWh/sqm GLA	119.90	99.35	103.33	129.98

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.

Water Management

Water consumption of properties also saw a significant growth particularly for common areas. Consumption within common areas rose by 54% from the 2021 value to 429 thousand cubic meters, while leased area consumption increased by 5% to 151 thousand cubic meters. In terms of water intensity, measured as cubic meter consumption per sq. meter of occupied floor area, common area and leased area increased by 17% and 20%, respectively.

Water Consumption

(m ³)	2019	2020	2021	2022
Within the Organization (Common Area)	209,753	191,705	278,755	429,024
Outside the Organization (Leased Area)	94,640	92,883	144,302	151,528
Total	304,393	284,588	423,057	580,552

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	2022
Whole Building	m ³ /sqm GFA	1.74	1.51	0.83	1.21
Common Area	m ³ /sqm GCA	4.01	3.48	2.65	3.10
Leased Area	m ³ /sqm GLA	0.77	0.69	0.37	0.44

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 restated

Green Buildings

AREIT aims to increase the share of green buildings in its portfolio. As of end-2022, 64% of its buildings in terms of GLA are LEED-certified, with the addition of Ayala North Exchange Towers 1 and 2.

LEED-Certified Building	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 Tower 1	Certified
Ayala North Exchange Tower 2	Certified

Carbon Neutrality

AREIT supports its Sponsor's goal to become carbon-neutral across all its commercial properties by 2022, and had done so in 2021 for its then existing properties. It continues to look for opportunities to shift a greater proportion of its properties to utilizing renewable energy (RE) sources.

Renewable Energy

As of end-2022, 87% of AREIT's buildings as measured in GLA are purchasing electricity from renewable sources, the same as the previous reporting period. However, the share of renewable energy in the energy mix rose to 80% from 71% in 2021, mainly due to the increase in consumption from facilities sourcing RE.

Energy Mix	2019	2020	2021	2022
Electricity (Renewable)	34%	35%	71%	80%
Electricity (Non-Renewable)	63%	63%	24%	16%
Fuel	3%	3%	5%	3%

Emissions

Aligned with its Sponsor's carbon neutrality achievement, AREIT has achieved carbon neutrality status in 2021, one year ahead of its goal, with third-party verification ongoing. 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 18,486 t-CO₂e and 3,954 t-CO₂e, respectively, resulting in net-zero scope 1 and 2 emissions from fuel and electricity use.

Emissions intensity, measured in terms of scopes 1 to 3 operational emissions per sq. meter of occupied floor area, also decreased by 19% through improvements in energy efficiency and reduction of emissions from renewable energy use.

Year-on-Year Carbon Neutrality Progress (in t-CO₂e)¹

Energy Mix	2019	2020	2021	2022
Gross Emissions ²	3,857	8,037	15,899	22,440
Less: Renewable energy use ³	316	3,931	10,461	18,486
Less: Carbon forest offset ⁴	-	-	5,438	3,954
Net Emissions	3,541	4,106	-	-
% Reduction	8%	49%	100%	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 removals from Ayala Land-owned forests, as calculated by a third-party. Verification of the carbon emissions and removals is ongoing.

Emissions Intensity	2019	2020	2021	2022
Whole Building (kg-CO ₂ e/sqm GFA)*	48.33	49.52	21.23	17.09
Common Area (kg-CO ₂ e/sqm GCA)*	63.72	72.70	48.71	30.29
Leased Area (kg-CO ₂ e/sqm GLA)*	41.73	39.97	13.90	12.03

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

Circular Economy

Solid Waste

AREIT has adopted a circular waste management model, in line with its Sponsor's practice. With the help of Ayala Property Management Corporation, waste generated by AREIT's properties is sent either to recyclers or to the landfill. As of end-2022, efforts of waste diversion have increased resulting in an amount of 188 tonnes of waste diverted and sent to recyclers. Total waste generated increased to 1.2 million kg due to the higher number of buildings included in the reporting scope.

Waste Generation

(kg)	2019	2020	2021	2022
Total Waste Generation	478,491	365,350	1,048,674	1,210,588
<i>Sent to Landfill</i>				
Food	235,132	173,915	306,168	454,652
Residual	219,298	173,815	344,190	361,494
Compostable	7,335	9,928	364,648	206,686
<i>Diverted from Landfill</i>				
Sent to Recyclers	16,726	7,692	33,667	187,756

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 waste electronic and electrical equipment are recycled, with proceeds from the sale of these materials donated to ALKFI for their reforestation programs. Other hazardous wastes are transported and treated by DENR-accredited transporters and disposal facilities. For every treated waste, a Certificate of Treatment is provided by haulers as proof of proper disposal and is reported by APMC to DENR.

Types of hazardous waste generation increased to include H802 or grease wastes and F601 or solvent-based wastes. In 2022, only ULABs increased by 16% to 2.67 tonnes from 2.3 tonnes in 2021.

Hazardous Waste Generation

(metric tonnes)	2020	2021	2022
D406 ULAB	0.34035	2.30	2.67
D407 CFL	0.257	2.29	0.41
I101 Engine oil	900	12.25	10.01
J201 Containers	3.11	3.31	0.04
M506 WEEE	0.22	1.41	0.26
H802 Grease Wastes	-	-	0.52
F601 Solvent-based Wastes	-	-	0.01

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 serve as the account managers who work closely with the tenants' designated facilities managers. Regular meetings are held with tenants with varying degrees of frequency, with anchor tenants receiving weekly meetings and all other tenants receiving monthly meetings on average.

Office leasing officers regularly engage with key executives such as Country Heads, VP for Operations, and Regional or Global Real Estate Heads to discuss operational issues and expansion plans.

Retail tenants also receive regular coordination meetings with the property managers to address their concerns and ensure their businesses are running smoothly.

To keep tenants informed about key developments affecting the property, property

managers maintain a central messaging group and post notices in common areas and lobbies.

Regular customer satisfaction surveys are conducted to ensure tenant satisfaction. In 2022, AREIT properties achieved an average score of 97%. Seda Residences Makati, an anchor tenant of Ayala North Exchange, attained a 90% guest satisfaction rating, along with 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-2022, 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 30th (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

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 at 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-2022, no major incident was recorded in the properties.

Compensation and Rewards

All employees of AREIT 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.

Ethical Behavior

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 2022, 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 the end of 2022, AREIT has outstanding debt of P3.2 billion with a net gearing of 2.95%, 9.71% 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 71 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 2022, AREIT attended five broker webinars and hosted two analyst briefings for its full-year 2021 and 1H 2022 results in February and August, respectively.

AREIT held meetings with 47 funds represented by 78 fund managers and analysts. The President and CEO, Chief Finance Officer, and Investor Relations Officer participated in the meetings.

National and Local Government

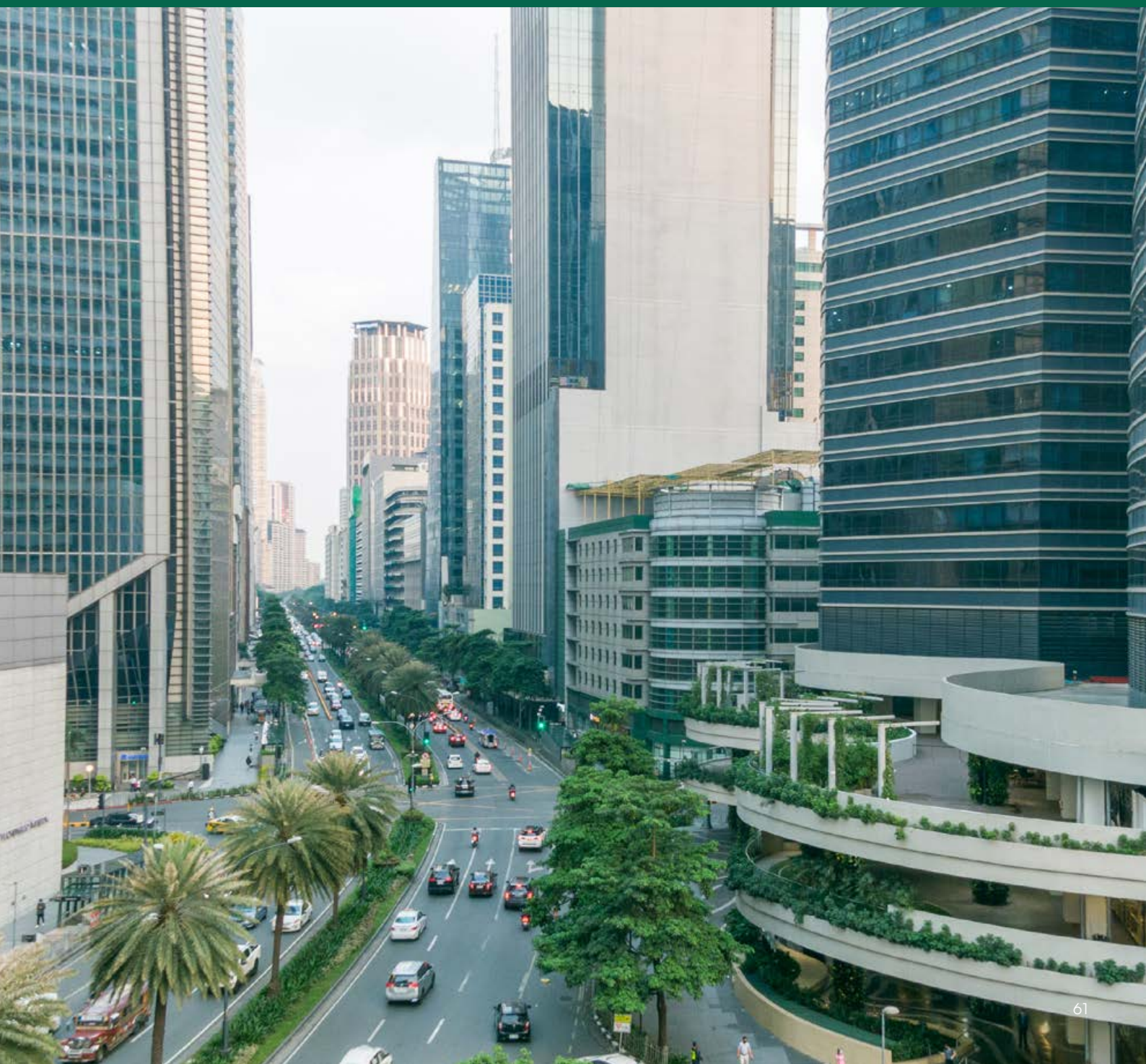
AREIT supports the initiatives of both the national and local governments, especially on the implementation of safety protocols in its properties. It regularly coordinates with the Bureau of Fire Protection and the Office of the Building Official. Its properties participate in the nationwide earthquake 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 is committed to maintaining high standards of governance in line with the Ayala Group, Philippine and regional standards. To this end, the company continually updates its governance policies and practices. Recent updates include amendments to the Corporate Governance Manual, Board Charter, Insider Trading Policy, as well as the merger of the Personnel and Compensation Committee with the Corporate Governance and Nomination Committee.

The salient points of the amendments to its Corporate Governance Manual, Board Charter, and Insider Trading Policy include the following:

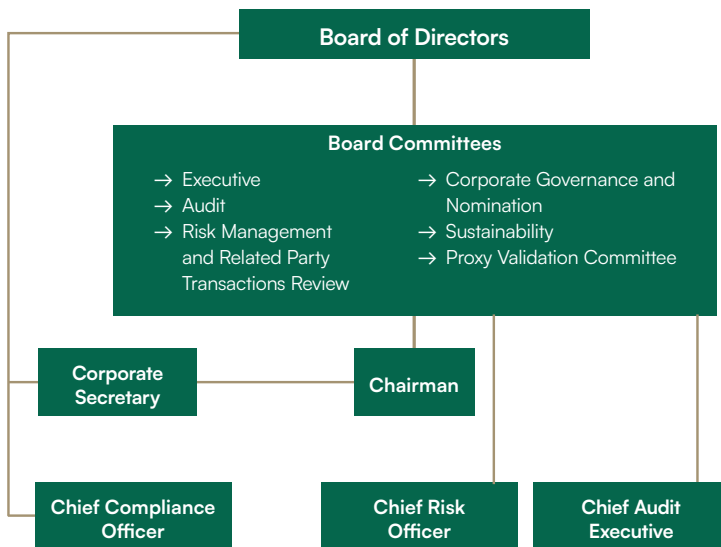
- Increase in the number of directors following the amendment of the Articles of Incorporation approved by the Securities and Exchange Commission in October 2021.
- The required vote and additional grounds for disqualification of a director, temporary disqualification of a director who has been

absent or has not participated in more than 25% of all meetings.

- Amendment of the duties of the Chairman.
- Adoption of a policy on multiple board seats.
- Increase the quorum requirement to 2/3 of the number of directors; the Board should meet at least six (6) times a year; notice to the Chairman and the Corporate Governance and Nominations Committee before directors accept a directorship in another Company.
- Independent directors have a maximum term of nine (9) years.
- Providing for an alternative dispute resolution mechanism following the amendment to the By-Laws.

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.

AREIT'S CORPORATE 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 six committees with delegated functions in accordance with AREIT's charter documents, the Board Charter, and Corporate Governance Manual.

These are the Executive, Audit, Risk Management and Related Party Transactions Review, Corporate Governance and Nomination, Sustainability, and Proxy Validation committees. Each committee's responsibilities are discussed in pages 67 to 70, "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.

Chief Risk Officer

The Chief Risk Officer reporting to the Risk Management and Related Party Transactions Review Committee leads the Risk Team in identifying, evaluating, managing risks of the Corporation, as well as provide support in the Board's oversight responsibilities in relation to risk management through continuous input, evaluation, and feedback on the effectiveness of the Corporation's risk management process and internal controls system.

AREIT's Chief Risk Officer is Mr. Maphilindo S. Tandoc who was appointed on August 12, 2021.

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

BOARD MATTERS

Board Composition

The board comprises eight members, the majority of whom are independent and non-executive directors. Directors hold office for one year or so 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 comprises 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 21, 2022, 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 (14)	Commercial leasing, business management, finance
Carol T. Mills	Executive, President and CEO	February 10, 2014 (8)	Office and mall leasing, business management
Bernard Vincent O. Dy	Non-executive	February 10, 2012 (10)	Real estate, accounting and finance
Augusto D. Bengzon	Executive, Treasurer	April 4, 2019 (3)	Finance and treasury
Omar T. Cruz	Non-executive, Lead Independent	April 4, 2019 (3)	Insurance, finance, investments
Enrico S. Cruz	Non-executive, Independent	February 5, 2020 (2)	Finance and capital markets
Mariana Zobel de Ayala	Non-executive	April 23, 2021 (2)	Real estate, malls leasing, banking
Jessie D. Cabaluna	Non-executive, Independent	December 3, 2021 (1)	Audit and Accounting

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.

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, the 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.

In 2022, the board held six regular and two special meetings. The overall attendance rate was 96.88%. 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.

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.

2022 Board Meeting Attendance

	Full Board		Audit		Risk Management and Related Party Transactions Review		Corporate Governance and Nomination		Personnel and Compensation		Sustainability	
	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present	Attended/ Held	% Present
Jose Emmanuel H. Jalandoni	8/8	100%										
Carol T. Mills	8/8	100%									0/0	0%
Bernard Vincent O. Dy	7/8	88%										
Augusto D. Bengzon	8/8	100%	4/4	100%								
Mariana Zobel de Ayala	7/8	88%										
Omar T. Cruz	8/8	100%	4/4	100%	2/2	100%	4/4	100%	0/0	0%		
Enrico S. Cruz	8/8	100%	4/4	100%	2/2	100%	4/4	100%	0/0	0%		
Jessie D. Cabaluna	8/8	100%			2/2	100%	4/4	100%	0/0	0%		

Remuneration

Each AREIT independent 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 P40,000 for every board meeting attended, and a fixed per diem of P20,000 for every committee meeting attended.

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

Independent Directors Gross Remuneration in 2022

Director	Total Remuneration
Omar T. Cruz	480,000.00
Enrico S. Cruz	480,000.00
Jessie D. Cabaluna	400,000.00

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 fulfil 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 18, 2022, all of AREIT's directors attended the training program, "The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future," 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.

2022 Board Committee Membership

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

C — Chairperson
M - Member

Executive Committee

The Executive Committee consists of at least three, one-third of whom shall be independent directors. A majority of the members of this committee shall be 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, a majority of whom are independent directors. The committee is chaired by an independent director as well. The current members of the Audit Committee are: Mr. Enrico S. Cruz, nonexecutive 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.

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 2022:

1. Assisted the board in the fulfillment 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 audit results as presented by the SyCip Gorres Velayo and Co. (SGV);

3. Reviewed, approved, and endorsed the fully year 2021 financial and operational results;
4. Reviewed, approved, and endorsed the 2021 Audited Financial Statements of the company as audited by its external auditor, SGV;
5. Reviewed and approved the contents of the Management Representation Letter;
6. Recommended the re-appointment of SGV as the company's external auditor for 2022 and the corresponding audit fee structure;
7. 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;
8. Reviewed the company's material related party transactions;
9. Reviewed and discussed the status of audit recommendations;
10. Approved the 2022 Audit Committee meeting schedule;
11. Reviewed the fourth quarter 2021 internal audit reports, status of agreed management actions and reinvestment plan.
12. Reviewed, approved and endorsed the first quarter 2022 financial operating results and policy of non-audit services
13. Reviewed, approved and endorsed the 2022 external audit plan and second quarter financial and operating results; and
14. Reviewed, approved and endorsed the nine (9)-month 2022 financial and operating results, 2022 and 2023 internal audit plan, and schedule of 2023 Audit Committee meetings.

Risk Management and Related Party Transactions Review Committee

The Risk Management and Related Party Transactions Review Committee is composed of three members entirely non-executive, a majority of whom are independent directors, and chaired by an independent director as well. The Risk Management and Related Party Transactions Review 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 Ms. Jessie D. Cabaluna, non-executive and independent director. All three members possess an adequate understanding of the assessment, management, and mitigation of risks to which the company is exposed. All three members are likewise independent directors and can independently assess related party transactions. The unanimous vote of the committee is required for related party transactions.

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

The Risk Management and Related Party Transactions Review 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. It likewise assesses and recommends for approval related party transactions ensuring that such transactions are arms-length and beneficial to the Company.

The Risk Management and Related Party Transactions Committee performed the following duties and responsibilities in 2022:

1. Reviewed, approved, and endorsed the report of the Chief Finance Officer highlighting the risks faced by the Corporation starting from regulatory risk from the significant to the least significant.
2. Recommended for approval the property-for-share swap between AREIT and ALI, involving six (6) commercial office buildings located in Cebu valued at P11,257,889,535.91 in exchange for 252,136,383 primary common shares in AREIT.

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 noncompliance with the laws, rules, and regulations pertaining to significant or material related party transactions.

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. On 09 September 2022, the Board of Directors approved the merger of the Corporate Governance and Nomination Committee and Personnel and Compensation Committee to streamline the duties and responsibilities of the Board Committees.

In 2022, the Corporate Governance and Nomination Committee accomplished the following:

1. Approved the amendments to the Insider Trading Policy, amendments to the Board Charter, and amendments to the manual of Corporate Governance;
2. Approved the nomination of Chairperson and members of Risk Management and Related Party Transactions Review Committee;
3. Approved the 2022 schedule of Committee meetings
4. Implemented and maintained a process that ensures that all directors nominated for election at the 2022 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;
5. Reviewed, approved and endorsed the final lists key officers, chairpersons and members of board committees; and lead independent director of the company; and
6. Approval of the election of the Assistant Corporate Secretary;
7. Reviewed, approved and endorsed the Guidelines on Accepting Proposals from Stockholders on Agenda Items for Stockholders' Meetings.
8. Approved the transfer of the functions of the Personnel and Compensation Committee ("PerCom Committee") to the Corporate Governance and Nomination Committee ("CGN Committee") and consequent dissolution of the PerCom Committee;
9. Approval of the amendment of the Corporate Governance Manual to effect the changes in the function of the CGN Committee due to the absorption of the functions of the PerCom Committee, and consequent dissolution of the PerCom Committee; and
10. Approval of the amendment of the CGN Committee Charter to include such PerCom Committee functions to the mandate of the CGN Committee.

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 2022, the committee submitted for approval the Company's sustainability/ESG practices, and adopted its charter.

AREIT's Internal Audit

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

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

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

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

External Audit, Audit and Audit-related Fees The principal accountant and external auditor of AREIT is the accounting firm SyCip Gorres Velayo and Co. (SGV), with Ms. Maria Antoniette L. Aldea as the partner-in-charge for the 2022 audit year

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

YEAR	AUDIT AND AUDIT-RELATED FEES PAID TO SGV	OTHER FEES (PHP)
2022	940,800.00	60,480.00
2021	806,971.20	3,986,640.00

For 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 AREIT's maiden bond offering last 2021 listed with the Philippine Dealing and Exchange Corp.

For 2022, other fees paid to SGV pertains to services rendered during the annual stockholders meeting.

In 2022, AREIT engaged Punongbayan & Araullo for tax compliance review services for a total fee of Php579,600.00, inclusive of out-of-pocket expenses and VAT.

PROCESS AND CRITERIA FOR NOMINATIONS, ELECTION, AND REAPPOINTMENTS 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.

POLICIES AND PRACTICES

Annual Stockholders Meeting Notice of the ASM

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

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

The DIS contains the profile and personal data of all the directors, including those up for election or re-election, and of the auditors recommended for election. In 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.

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

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in the DIS, and shall be received by the Corporate Secretary at corporate.secretary@areit.com.ph. For the 2022 ASM, the proxies may be e-mailed and received by

the Corporate Secretary on or before April 17, 2023.

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 2023 will be conducted virtually through <http://www.ayalagroupshareholders.com/>

Dividend Declaration

AREIT declared cash dividends on its common shares with the following record dates: June 2, 2022; August 6, 2022; October 25, 2022, and March 10, 2023. These translated to a total of Php3.12 billion or Php1.98 per outstanding common share, representing a 90.75% payout ratio on the distributable income attributable to shareholders in 2022.

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 immediately posted on the company's website at <https://www.areit.com.ph/companydisclosures/disclosures/pse>.

Unstructured Disclosures in 2022

- Results of the February 24, 2022 Board Meeting
- AREIT FY 2021 Financial and Operating Results Press Release
- AREIT to boost portfolio to P64B thru a P11B property-share swap with ALI
- AREIT stockholders approve P11B property-for-share swap with ALI
- AREIT 1Q 2022 Financial and Operating Results Press Release
- Revision to the Audit Committee Charter
- Execution of Deed of Exchange between AREIT, Inc. ("AREIT") and Ayala Land, Inc. ("ALI")
- Submission of Request for Confirmation of Exemption and Confirmation of Valuation

- AREIT 1H 2022 Financial and Operating Results Press Release
- PSE approves AREIT's listing of additional 483M shares
- AREIT 9M 2022 Financial and Operating Results Press Release
- Change in the Property Valuer of the Company
- Three-year AREIT Investment Strategy

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.aretit.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.

For its property-for-share swap transaction with Ayala Land, Inc., AREIT obtained the services of PwC Isla Lipana & Co. to render the fairness opinion for the transaction.

ANTI - CORRUPTION PROGRAMS AND PROCEDURES

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Trading Blackout Policy

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

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

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

Related Party Transactions Policy

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

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

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

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

Whistleblower Policy

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

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

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

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

AREIT's whistleblower policy was approved by the Board of Directors on February 24, 2023.

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 major key risks and mitigating measures are as follows:

RISK	MITIGATION
<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 and may impact building operations and management.</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 on issues we need to address. We also maintain positive relations with LGUs wherein we operate.</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>
<p>Market Market downturn and oversupply of leasing products may result from poor market conditions.</p>	<p>AREIT's portfolio is composed of grade-A commercial properties in prime locations, ensuring stable tenancy.</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>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>

Financial Review





Management's Discussion and Analysis

REVIEW OF FY 2022 OPERATIONS VS. FY 2021

The Company's net income before net fair value change in investment properties and gain under finance lease increased by 55% from P2,219.00 million in 2021 and P3,436.52 million in 2022. The increase was mainly due to income from additional properties acquired in 2021 and 2022, as well as rental escalations. The Company's net income after tax increased by 19% from P2,433.27 million in 2021 to P2,887.56 million in 2022.

Revenues

Total revenues increased by 53% from P3,316.46 million in 2021 to P5,072.85 million in 2022. This was mainly driven by higher rental income and net dues.

Rental Income increased by 52% from P2,506.91 million in 2021 to P3,807.53 million in 2022. The increase was primarily attributable to the addition of Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU, which were added to the Company's portfolio in October 2021 and Ebloc Towers 1 to 4, ACC Tower and Tech Tower in October 2022.

Dues increased by 68% from P621.01 million in 2021 to P1,042.99 million in 2022. The increase was attributable to the operations of new assets acquired in October 2021 and 2022.

Interest income from finance lease, increased by 18% from P188.55 million in 2021 and P222.32 million in 2022. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019 and long-term leases of North Eastern Commercial Corp with the Company, which commenced in January 1, 2021 and October 1, 2021 for The30th Mall and Vertis Mall, respectively.

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

restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity.

In 2022, the Company recognized a reduction in fair value in investment properties of (P548.95 million) and an increase of P164.50 million in 2021.

Cost and Expenses

Direct operating expenses increased by 67% from P815.87 million in 2021 to P1,359.80 million in 2022. The increase was primarily attributable to an increase in taxes and licenses of P158.50 million, increase in management fee of P130.78 million, increase in land lease of P93.07 million, increase in repairs and maintenance of P82.07 million and increase in outside services of P55.12 million.

These increases were related to the operations of additional properties acquired in October 2021 and 2022.

General and administrative expenses decreased by 23%, from P103.40 million to P79.49 million mainly due to lower taxes related to loans.

Other Income (charges)

Gain under finance lease amounted to P49.76 million in 2021. In January 2021, the Company entered into a long-term building leases agreement with North Eastern Commercial Corp. for the lease of retail podiums in The 30th and Vertis developments. 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 increased by 376% from P7.21 million in 2021 to P34.33 million in 2022. The increase was mainly due to the increase in interest income from intercompany loans from P6.97 million in 2021 to P33.71 million in 2022.

Interest expense increased by 25% from P169.82 million in 2021 to P208.37 million in 2022. Interest expense on loans recognized amounted to P98.55

million and P58.59 in 2022 and 2021, respectively, interest expense from finance lease amounting to P81.83 million and P63.01 million in 2022 and 2021, respectively and accretion of security deposit amounting to P26.29 million in 2022 and P24.87 million in 2021.

Other charges amounted to P22.88 million in 2022 and P15.54 million in 2021, this pertains to amortization of bond issue cost and PSE filing fee related to listing of property-for-shares transaction amounting to P15.46 million in 2021.

Other income amounted to P0.10 million in 2021, which pertains to income earned from interest and penalties arising from late payments.

Provision for Income Tax

Provision for income tax, the Company started to avail of its tax incentive as REIT after its listing in August 2020. As of December 31, 2022 and 2021, deferred tax assets and liabilities are recognized based on effective income tax rate of 0% under REIT law. The Company recognized final tax from interest income earned from banks amounting to P0.12 million and P0.05 million in 2022 and 2021, respectively.

Capital Expenditure

The Company has no material commitments for capital expenditures.

SUMMARY OF REAL ESTATE TRANSACTIONS FOR 2022

On December 29, 2022, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI to 252,136,383 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated May 19, 2022.

In line with this, the parties have executed an Amendment to Section 4.3 of the Deed of Exchange on December 29, 2022 so that the recognition of income from the new assets will accrue to AREIT beginning October 01, 2022.

FINANCIAL CONDITION

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

As of December 31, 2022, the Company's total borrowings registered at P3.28 billion which translated to a debt-to-equity ratio of 0.05:1.

Return on equity was at 5% as of December 31, 2022.

Key Financial Ratios	2022	2021
Current Ratio ¹	0.43	0.67
Debt to Equity ²	0.05	0.08
Profitability Ratios		
Return on Asset ³	5%	6%
Return on Equity ⁴	5%	5%
Asset to Equity Ratio ⁵	1.13	1.16

(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

- The Company's fixed rate bond will expire on December 28, 2023. We plan to refinance through either another bond offering from its shelf registration or availing of a bank loan.
- 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.

The Audit Committee confirms the following matters in compliance with its Charter and the corporate governance practices of AREIT, Inc. ("AREIT or "Company"):

- An independent director chairs the Audit Committee, and two of the three members are independent directors;
- The Audit Committee held four meetings in 2022, and all the members of the Committee were present during the meetings;
- The Audit Committee recommended to the Board of Directors the re-appointment of SGV & Co. as independent auditor for 2023, based on the review of their performance and qualifications and in consideration of Management's recommendation;
- The Audit Committee reviewed and discussed the quarterly and annual financial statements of AREIT, including Management's discussion and analysis of its financial condition and the results of its operations as of and for the year ended December 31, 2022, 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 Audit Committee reviewed and approved the management representation letter before submission to the Company's independent auditor;
- The Audit 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 Audit Committee discussed with the independent auditor and internal auditors its independence from AREIT;
- The Audit Committee reviewed and approved all audit, audit-related, and permitted non-audit services provided by SGV & Co. and the related fees for such services to the Company;
- The Audit Committee reviewed the Internal Auditors' reports to ensure that Management takes appropriate corrective actions promptly, including addressing governance, risk management, internal control, and compliance issues. All the activities performed by Internal Audit conform with the International Standards for the Professional Practice of Internal Auditing; and
- Based on the Audit Committee's review of the Internal Auditors and Independent Auditor reports, including Management's representations, the Committee confirmed that the Company's governance, risk management, and internal controls system are adequate and effective.

Based on the reviews and discussions undertaken, within the limits of the Audit 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, 2022, with the Securities and Exchange Commission, and for its inclusion in the Company's Annual Report to Stockholders.

Respectfully submitted.

February 13, 2023

ENRICO S. CRUZ
Committee Chair

OMAR T. CRUZ
Member

AUGUSTO CESAR D. BENGZON
Member



STATEMENT OF 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, 2022, 2021 and 2020, 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 27 2023 at Makati City, affiants exhibiting to me their respective Passports, to wit:

<u>Name</u>	<u>Passport No.</u>	<u>Date & Place of Issue</u>
Jose Emmanuel H. Jalandoni		June 15, 2021 – DFA Manila
Carol T. Mills		December 17, 201 – DFA NCR South
Ma. Teresa R. Famy		January 25, 2022 – DFA Manila

Doc. No. 177 ;
Page No. 37 ;
Book No. XXXVII ;
Series of 2023.

Notarial DST pursuant to Sec. 61
of the TRAIN Act (amending
Sec. 188 of the NIRC)
affixed on Notary Public's copy.



MARIA PAULA G. ROMERO-BAUTISTA
Notary Public - Makati City
Appt. No. M-079 until December 31, 2023
Roll of Attorneys No. 58335
IBP No. 264594 - 01/03/2023 - Makati City
PTR No. 9566341MM - 01/03/2023 - Makati City
MCLE Compliance No. VII-0020268 - 06/02/2022
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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 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 89.9% of its total assets as of December 31, 2022. 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, 2022. 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 the 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 also assessed 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, 2022, 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, 2022 are expected to be made available to us after the date of this auditor's report.

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

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



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear in our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Maria Antoniette L. Aldea.

SYCIP GORRES VELAYO & CO.

Maria Antoniette L. Aldea

Maria Antoniette L. Aldea
Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

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

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 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. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564643, January 3, 2023, Makati City

February 24, 2023

AREIT, INC. STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Notes 4 and 21)	P62,753,382	P92,010,744
Receivables (Notes 5, 20 and 21)	1,919,183,751	1,320,940,578
Other current assets (Notes 6 and 21)	155,825,886	110,291,205
Total Current Assets	2,137,763,019	1,523,242,527
Noncurrent Assets		
Noncurrent portion of receivables (Notes 5 and 21)	2,986,455,069	3,063,077,918
Investment properties (Note 7)	60,871,459,005	50,081,060,761
Property and equipment (Note 8)	598,631	309,716
Other noncurrent assets (Note 6)	1,689,713,043	1,835,836,322
Total Noncurrent Assets	65,548,225,748	54,980,284,717
	P67,685,988,767	P56,503,527,244
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9 and 21)	P1,065,080,572	P530,622,799
Short-term debt (Notes 10 and 21)	300,000,000	890,000,000
Current portion of long-term debt (Notes 10 and 21)	2,977,693,930	-
Current portion of deposits and other liabilities (Notes 12 and 21)	527,675,373	735,086,847
Current portion of lease liability (Note 18)	50,290,868	42,967,375
Construction bonds (Note 11)	98,584,276	58,579,640
Total Current Liabilities	5,019,325,019	2,257,256,661
Noncurrent Liabilities		
Long-term debt (Note 10)	-	2,957,472,367
Deposits and other liabilities, net of current portion (Notes 12 and 21)	1,457,484,429	1,290,194,773
Lease liability - net of current portion (Note 18)	1,136,289,490	1,111,013,455
Total Noncurrent Liabilities	2,593,773,919	5,358,680,595
Total Liabilities	7,613,098,938	7,615,937,256
Equity (Note 13)		
Paid-up capital	18,283,771,630	15,762,407,800
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	20,021,645,532	11,333,074,693
Retained earnings	22,440,772,367	22,465,407,195
Total Equity	60,072,889,829	48,887,589,988
	P67,685,988,767	P56,503,527,244

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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Rental income (Notes 7, 14 and 18)	₱3,807,533,243	₱2,506,910,928	₱1,495,723,891
Dues (Notes 7 and 15)	1,042,991,455	621,005,658	389,381,503
Interest income from finance lease receivables (Notes 15 and 18)	222,321,826	188,547,234	150,814,117
	5,072,846,524	3,316,463,820	2,035,919,511
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES (Note 7)			
	(548,953,984)	164,502,279	1,424,645,596
COSTS AND EXPENSES			
Direct operating expenses (Notes 7 and 17)	1,359,803,642	815,866,427	444,066,931
General and administrative expenses (Note 17)	79,490,176	103,397,784	49,474,313
	1,439,293,818	919,264,211	493,541,244
OTHER INCOME (CHARGES) – Net			
Interest income (Notes 4, 16 and 20)	34,332,442	7,208,646	78,670,585
Interest expense and other charges (Notes 10, 12 and 17)	(231,243,666)	(185,459,737)	(65,419,126)
Gain under finance lease (Note 18)	–	49,763,675	–
Other income (Note 16)	–	101,034	3,660,620
	(196,911,224)	(128,386,382)	16,912,079
INCOME BEFORE INCOME TAX	2,887,687,498	2,433,315,506	2,983,935,942
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	124,462	48,466	(3,280,878,846)
NET INCOME	2,887,563,036	2,433,267,040	6,264,814,788
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME	₱2,887,563,036	₱2,433,267,040	₱6,264,814,788
Basic/Diluted Earnings Per Share (Note 22)	₱1.91	₱1.64	₱6.29

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

AREIT, INC. STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2022	2021	2020
PAID-UP CAPITAL (Note 13)			
Common Shares - ₱10 par value			
Balance at beginning of year	₱15,762,407,800	₱10,929,864,050	₱10,451,224,050
Issuance of new shares	2,521,363,830	4,832,543,750	478,640,000
Balance at end of year	18,283,771,630	15,762,407,800	10,929,864,050
ADDITIONAL PAID-IN CAPITAL (Note 13)			
Balance at beginning of year	11,333,074,693	785,681,404	-
Issuance of new shares	8,736,525,671	10,583,270,809	813,688,001
Share issuance costs	(47,954,832)	(35,877,520)	(28,006,597)
Balance at end of year	20,021,645,532	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	22,465,407,195	21,765,499,530	16,454,545,227
Total comprehensive income/Net income	2,887,563,036	2,433,267,040	6,264,814,788
Cash dividends	(2,912,197,864)	(1,733,359,375)	(953,860,485)
Balance at end of year	22,440,772,367	22,465,407,195	21,765,499,530
	₱60,072,889,829	₱48,887,589,988	₱32,807,745,284

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

AREIT, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱2,887,687,498	₱2,433,315,506	₱2,983,935,942
Adjustments for:			
Net fair value change in investment properties (Note 7)	548,953,984	(164,502,279)	(1,424,645,596)
Depreciation and amortization (Notes 8 and 17)	90,634	42,043	8,036
Interest expense (Notes 10, 12 and 17)	208,368,633	169,820,104	65,419,126
Gain under finance lease (Note 16 and 18)	-	(49,763,675)	-
Interest income from finance lease receivables (Notes 16 and 21)	(222,321,826)	(188,547,234)	(150,814,117)
Interest income (Notes 4, 16 and 20)	(34,332,442)	(7,208,646)	(78,670,585)
Operating income before working capital changes	3,388,446,481	2,193,155,819	1,395,232,806
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(340,416,374)	(683,376,821)	(90,137,357)
Other assets	120,810,161	(717,596,933)	(157,314,963)
Increase (decrease) in:			
Accounts and other payables	534,464,896	15,789,571	280,552,617
Deposits and other liabilities	(66,409,250)	1,148,320,226	71,237,355
Construction bonds	40,004,636	58,579,640	(11,105,498)
Cash generated from operations	3,676,900,550	2,014,871,502	1,488,464,960
Interest received	256,654,268	195,755,880	229,484,702
Income tax paid	(124,462)	(48,466)	(190,606,074)
Net cash flows provided by operating activities	3,933,430,356	2,210,578,916	1,527,343,588
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in due from related parties (Note 20)	(181,203,951)	881,900,000	(343,300,000)
Payments for additions to investment properties (Note 7)	(81,462,725)	(5,019,127,301)	(1,483,807,649)
Payments for additions to property and equipment (Note 8)	(379,549)	(339,706)	-
Net cash flows used in investing activities	(263,046,225)	(4,137,567,007)	(1,827,107,649)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of dividends (Note 13)	(2,912,197,864)	(1,733,359,375)	(953,860,485)
Proceeds from short-term debt (Note 10)	300,000,000	34,379,500,000	-
Payments of short-term debt (Note 10)	(890,000,000)	(33,489,500,000)	-
Interest paid	(100,256,144)	(81,036,681)	-
Payment of share issuance cost (Note 13)	(47,954,832)	(35,877,520)	(28,006,597)
Payments of lease liability (Note 18)	(49,232,653)	(37,177,503)	(32,796,936)

(Forward)

AREIT, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
Net proceeds from long-term debt	P-	P2,957,472,367	P-
Net proceeds from issuance of shares (Notes 13 and 17)	-	-	1,251,225,020
Net cash flows provided by (used in) financing activities	(3,699,641,493)	1,960,021,288	236,561,002
NET INCREASE (DECREASE) IN CASH	(29,257,362)	33,033,197	(63,203,059)
CASH AT BEGINNING OF YEAR	92,010,744	58,977,547	122,180,606
CASH AT END OF YEAR (Note 4)	P62,753,382	P92,010,744	P58,977,547

For a complete copy of AREIT's audited financial statements including its notes, 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; 16-19; 36-37; 71
	Business Ethics	Corporate Governance	205 206	-	Governance	-	55-56; 57-70
	Indirect Economic Impacts	Social and Relationship Capital	203	-	-	1, 3, 8, 9, 10, 11	11; 12-15; 42-47
	Supply Chain Management	Social and Relationship Capital	204 308	-	-	9, 11, 12	55
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	44-46; 48-52
	Environmental Compliance	Natural and Manufactured Capital	307	-	Risk Management	11, 12, 14, 15	44-46; 48-52
	Climate Action	Natural and Manufactured Capital	305	IF-RE-450	Strategy Metrics and Targets	13	44-46; 48-52
Social	Workforce Health and Safety	Human Capital	403	-	-	3, 8	55
	Customer Relationship	Social and Relationship Capital	-	-	-	11	54
	Customer Health and Safety	Human Capital	416	-	-	3	55



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

AREIT'S 2022 INTEGRATED REPORT

The management of AREIT, Inc. applied their collective mind in the preparation of AREIT's 2022 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.

A handwritten signature in black ink that reads 'CMills'.

Carol T. Mills

President and CEO

A handwritten signature in black ink that reads 'Ma. Teresa R. Famy'.

Ma. Teresa R. Famy

Chief Finance Officer 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 2022 Integrated Report ('the Report') in its printed format for the year ended 31 December 2022. 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 2022 to April 2023.

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 the report follows the International Integrated Reporting framework, developed by the International Integrated Reporting Council, referencing the Global Reporting Initiative (GRI) Principles and industry-specific standards of the Sustainability Accounting Standards (SASB).

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. We performed hybrid audit that included, desktop review of non-financial disclosures related to the Head Office at Makati City, and selected site of AREIT (Ayala North Exchange) in the Philippines, based on DNV's sampling plan. We undertook the following activities:

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

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

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



- Interviews with 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 on-site assessments with site (Ayala North Exchange), 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;
- Review of 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;
- Review of 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 2022 Integrated Report does not properly describe the non-financial performance of identified material topics based on the Guiding Principles and Content Elements of the <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 are mapped to four focus areas namely, Site Resilience, Pedestrian Mobility and Transit Connectivity, Resource Efficiency, Local Economic Development, considering the significance of their impacts on communities, business partners, workforce, and the environment. These four pillars serve as broad guidelines for the organization's operations, mitigate sustainability risks, and add value for the company, environment, and society.

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. The Report may further strengthen on this Principle in future reporting periods by bringing out the long- and medium-term targets towards value creation related to its identified material topics.

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 2022 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, , Integrated Micro Electronics, Inc (IMI) 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. We provide a range of other services to ALI, none of which in our opinion, constitute a conflict of interest with this assurance work.

Purpose and Restriction on Distribution and Use

This assurance statement, 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

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18 April 2023, Manila, The Philippines.

DNV is 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)
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