



**StAGIng the Future**

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**Investing in  
Long-term Growth**

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2021 Annual Sustainability Report

**M·REIT**  
A MEGAWORLD COMPANY

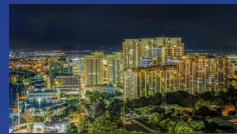
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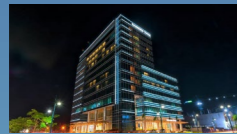
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## ABOUT THE COVER

The cover highlights 2021 as a promising start to MREIT's journey towards its vision of becoming an industry leader in Southeast Asia. Even amid stiff competition, the Company excelled and came out on top as the year closed. As Megaworld's flagship REIT, MREIT's expansion feeds into the parent company's success. The swoosh connects the Company with Megaworld and its subsidiaries—this expresses that MREIT grows together with its shareholders.

## ABOUT THE REPORT

**StAGing the Future: Investing in Long-term Growth** marks MREIT's first year as a publicly-listed company (PLC), highlighting its economic, social, environmental, and governance performance.

This Annual and Sustainability Report (ASR) also discusses the Company's strategy to keep delivering the best value to its shareholders in the years to come.



## ABOUT THE COMPANY

MREIT, Inc. (the Company) is a real estate investment trust (REIT) designated by Megaworld Corporation or Megaworld (the Sponsor) to operate as its flagship REIT company, primarily focused on office and retail leasing to a diversified tenant base. By the end of 2021, MREIT's portfolio consisted of fourteen properties with a total GLA of 280,000 square meters and a total asset value of PhP 59.2 billion. MREIT aspires to be one of the largest office REITs in Southeast Asia.

The Company has an authorized capital stock of PhP 5 billion divided into 5 billion common shares with a par value of PhP 1.00 per share, with no preferred shares and no shares held in treasury. The Company listed its shares on the Philippine Stock Exchange (PSE) and conducted an initial public offering (IPO) on October 1, 2021.

## VISION

We envision to eventually be one of the largest, most impactful office and commercial real estate investment trusts in Southeast Asia, strategically creating value through a portfolio of best-in-class office and hotel properties centrally located within our sustainable master-planned township developments.

## MISSION STATEMENT

We deliver the best value to our stakeholders over the long term by:

- Anchoring our business strategies on excellence, creativity and innovation
- Building on the trust of our stakeholders through transparency and good governance
- Cultivating sustainability and environmental stewardship through our properties
- Defining and dominating the real estate landscape through consistently high-quality assets
- Enhancing the communities in and around our developments

# MREIT PORTFOLIO

MREIT prioritizes investment in income-generating real estate that meets its investment criteria. In terms of growth trajectory, the Company aims to grow its portfolio and provide shareholders with an attractive yield through strategic asset acquisition and organic growth. MREIT's portfolio currently consists of 14 properties with an aggregate GLA of 280,175 sq.m., located in PEZA-registered zones and central business districts. These assets are located in the Sponsor's townships, namely McKinley Hill in Taguig City, Eastwood City in Quezon City, and Iloilo Business Park in Iloilo City.

## MCKINLEY HILL



**WORLD FINANCE PLAZA**  
25,066.50 sq.m



**ONE WORLD SQUARE**  
30,481.70 sq.m



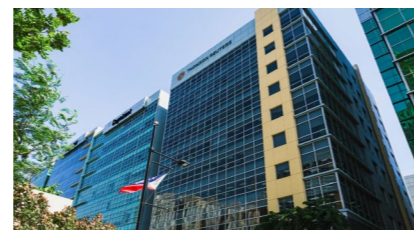
**TWO WORLD SQUARE**  
21,286.40 sq.m



**THREE WORLD SQUARE**  
21,216.60 sq.m



**8/10 UPPER MCKINLEY**  
19,937.50 sq.m



**18/20 UPPER MCKINLEY**  
19,413.80 sq.m

## EASTWOOD CITY



**1880 EASTWOOD AVE.**  
33,743.80 sq.m



**1800 EASTWOOD AVE.**  
34,738.20 sq.m



**ECOMMERCE PLACE**  
20,940.20 sq.m.

## ILOILO BUSINESS PARK



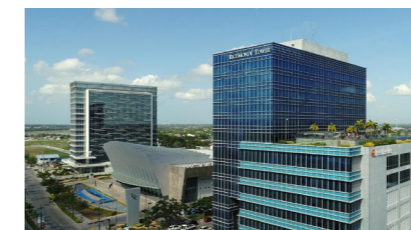
**ONE TECHNO PLACE**  
9,548.70 sq.m



**TWO TECHNO PLACE**  
10,808.90 sq.m



**THREE TECHNO PLACE**  
9,567.90 sq.m



**RICHMONDE TOWER**  
13,123.90 sq.m



**ONE GLOBAL CENTER**  
10,301.00 sq.m



# AT A GLANCE

## FINANCIAL HIGHLIGHTS

Covering a 6-month period ending December 2021

**PhP 1.5 billion**  
Gross Revenue

**PhP 1.2 billion**  
Rental Income

**PhP 1.3 billion**  
Net Operating Income

**PhP 1.3 billion**  
Distributable Income

**PhP 0.48/share**  
Total dividend (includes bonus dividend for June 2021 income)

## OPERATIONAL HIGHLIGHTS

**96%**  
Occupancy Rate

**4.0 years**  
Weighted Average Lease Expiry (WALE)

**40,000 sqm**  
Closed Transactions

## BUSINESS MODEL AND INVESTMENT STRATEGY

MREIT generates income by leasing office and commercial assets to a diverse tenant base across the country. The Company focuses on investing in income-generating real estate that meets the Company's criteria considering location, property grade and type, and tenant profile. These properties should primarily be Grade A office and retail properties in prime locations in Metro Manila, key provinces, or other attractive areas in the Philippines. These could also include residential, hospitality, industrial, and other lucrative properties with stable occupancy, tenancy, and income operations.

Through the Company's Fund Manager and Property Manager, MREIT aims to maximize investment returns through strategic property acquisitions and active management of its portfolio. Ultimately, the Company seeks to have a portfolio GLA of 1,000,000 sq.m. before the end of the decade.

The Company has set the following objectives over the next three years:

Firstly, MREIT intends to increase its portfolio size to 450,000 sq.m. GLA in 2022 and further expand to 500,000 sq.m. GLA by the following year.

Secondly, the Company aims to diversify its portfolio by investing in other townships and real estates, in line with its investment criteria. In particular, it may target high growth areas where the Sponsor's townships are located.

Thirdly, MREIT aims to achieve an annual total shareholder return of at least 10% each year over the next three years through new acquisitions and organic growth such as rent escalation, maintaining high occupancy rates, and leveraging its Sponsor's business ecosystem.

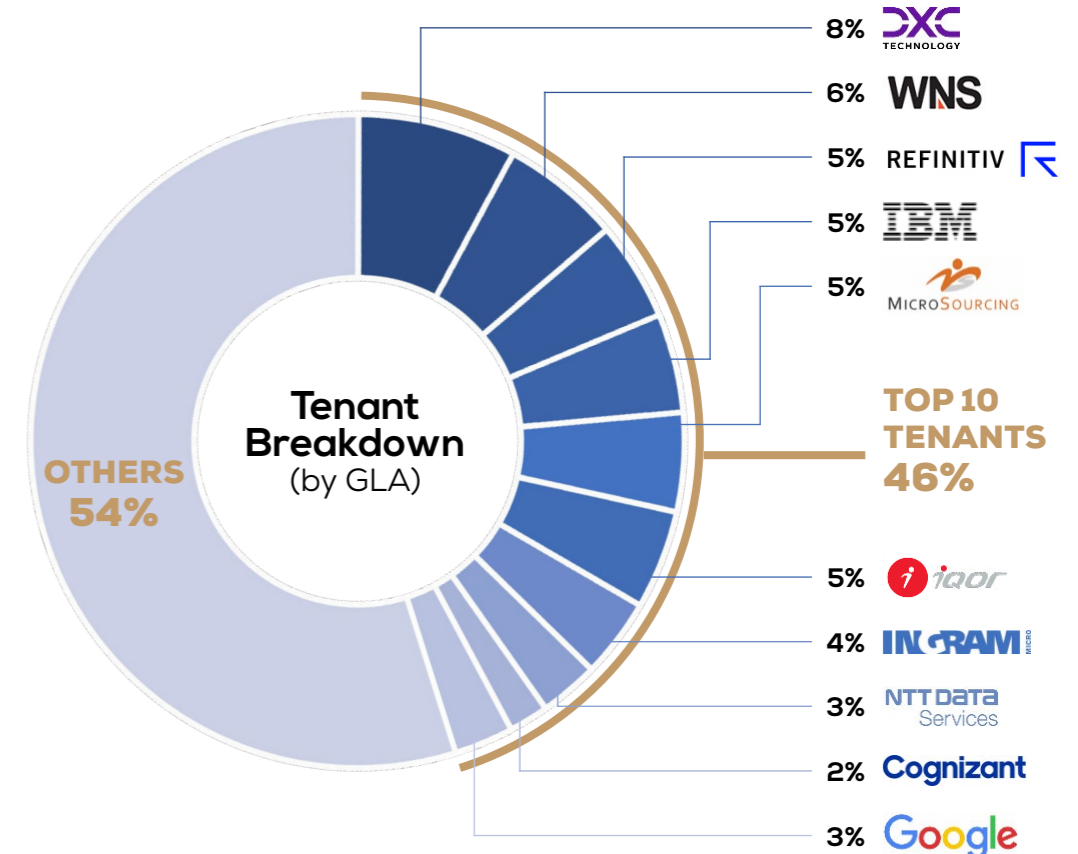
### Tenant Mix (by GLA)

**BPO 74%**

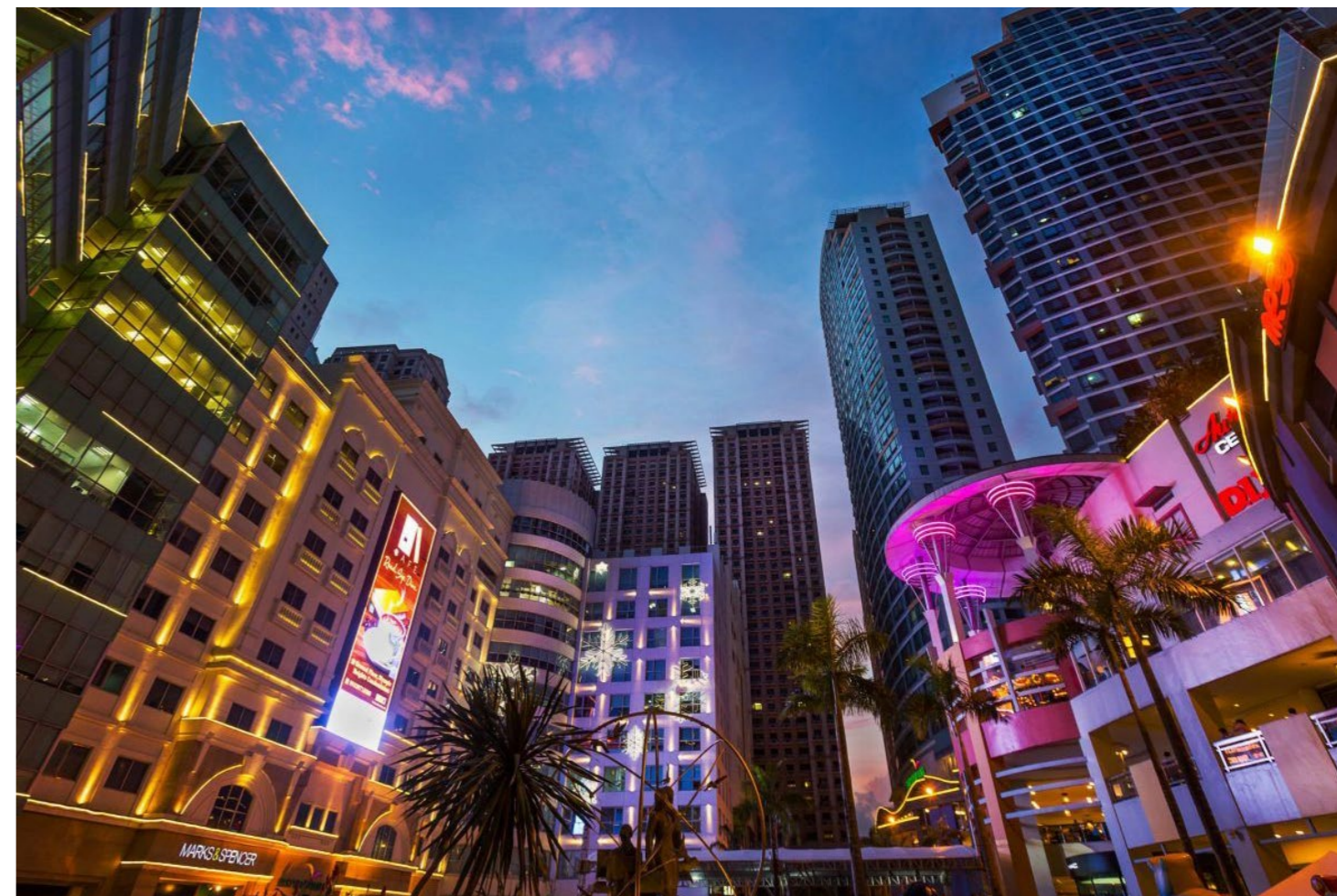
**Traditional 20%**

**Retail 3%**

**Hotel 3%**



# MESSAGE FROM THE CEO



The year 2021 marked the debut and successful listing of MREIT on the Philippine Stock Exchange. Due to our strong property portfolio and the backing of our sponsor Megaworld, the country's biggest office landlord, our offering received strong interest from prospective investors. We intend to build on this foundation of strong market performance as we seek to grow the Company via organic and inorganic means, and achieve our vision of becoming one of the largest office REITs in Southeast Asia.

For the six months ending December 2021, MREIT registered revenues of PhP 1.5 billion. This amount is already more than half of the initial revenue projection for the company's first full year of operations as envisioned in the REIT Plan.

The improvement in revenues was largely due to the new leases that we implemented since listing, resulting in an increase in our occupancy rate from 93% back in June 2021 to 96% by the end of the year. Meanwhile, distributable income stood at PhP 1.1 billion.

The past several months have shown MREIT's resiliency. Our portfolio largely caters to the BPO

sector, which continued to thrive during the pandemic, and we continued to implement our rent escalation provisions for our lease contracts. Our properties' desirability remains high due to their location in Megaworld's various townships. Furthermore, our strong understanding of our locators' needs and good relationships with them allow us to be top of mind for any space requirement.

To kickstart our company's expansion plans, MREIT acquired four prime, grade A buildings located in PEZA-registered zones last December for a total consideration of PhP 9.1 billion, increasing our portfolio GLA by 25% to 280,000 sq.m. This begins the Company's ambitious growth plan in the coming years.

Owing to the strong performance of MREIT, the Company's Board declared dividends amounting to PhP 0.48 per share for the period, including a bonus dividend for income generated by the Company in June when we started operations. As a result of the acquisition, we are looking at declaring dividends equivalent to PhP 1.00 per share in 2022, which is 6% higher than originally contemplated in the REIT plan.

By maximizing our current assets and strategically acquiring new ones, we are confident that this year will be a good springboard in our journey to becoming one of Southeast Asia's largest office REITs.



These accomplishments have in turn been rewarded by the market, with MREIT's share price appreciating by as much as 22% in 2021 after we listed last October. While we recognize the headwinds affecting the equities market by global macroeconomic developments, we believe that the Company's strong fundamentals will allow us to sustain our growth trajectory in the coming years.

We are committed to maximizing shareholder value, and to this end we intend to achieve a minimum total shareholder return of 10% per annum over the next three years. To achieve this goal, we will accelerate our acquisition plans even as we look for opportunities to maximize revenue generation

from our existing portfolio and optimize MREIT's operational efficiency.

In line with our vision, we prepared a roadmap that calls for the expansion of MREIT's property portfolio to one million square meters before the end of the decade. Given our access to Megaworld's extensive office portfolio amounting to 1.4 million square meters, we believe this is achievable. In 2022 alone, we are looking to acquire up to PhP 20 billion worth of office properties from our sponsor.

The quality of growth is also crucial to MREIT, and we look to ensure that our transactions will be accretive to shareholders. To this end, we will

always consider location, property grade and type, and tenant profile as critical investment criteria in executing our acquisition plan. This allows us to minimize risk and bolster the stability and resiliency of MREIT's portfolio. This will be complemented by our steadfast adherence to the principles of good corporate governance.

By maximizing our current assets and strategically acquiring new ones, we are confident that this year will be a good springboard in our journey to becoming one of Southeast Asia's largest office REITs. Indeed, the future holds a lot of potential for MREIT as we take advantage of our long runway for growth.

We are grateful for the support of our sponsor Megaworld, as well as our clients, investors, directors, and management team, making this a successful debut for the Company. To our shareholders, we hope that you will continue to join us in our endeavors. Let us all prosper together.

**KEVIN ANDREW L. TAN**  
President and CEO



## BUSINESS REVIEW

For the six month period ending December 2021, MREIT registered revenues amounting to PhP 1.5 billion as it benefitted from the implementation of new leases during the period and the initial contribution derived from the acquisition of four prime properties in the final month of the year. Meanwhile, net income for the period stood at PhP 2.0 billion, inclusive of a fair value gain on MREIT's investment properties of PhP 702 million. Excluding the one time loan transaction cost deduction, distributable income came in at PhP 1.1 billion. The Company's performance for the period already exceeds the original revenue and income projections contemplated by MREIT in its REIT plan.

Despite the challenges caused by the pandemic, MREIT's occupancy rate increased from 93% as of the end of June 2021 to 96%, with a WALE of four years by the end of 2021. Additionally, MREIT closed

contracts equivalent to 40,000 sq.m. during the period, ensuring stability in the Company's rental income performance. Meanwhile, rent escalations were also implemented by the MREIT in line with existing contractual provisions.

Owing to the strong performance of MREIT, the Company's Board declared total dividends amounting to PhP 0.48 per share for the six month period ending December 31, 2021. This amount included a bonus dividend of PhP 0.05 per share for income generated by the Company in June when it started operations. Taking into account the closing price of MREIT, the total shareholder return for IPO investors as of year end 2021 stood at 25%. This compares favorably to MREIT's declared intention of providing its investors a total return of at least 10% per annum over the next three years.

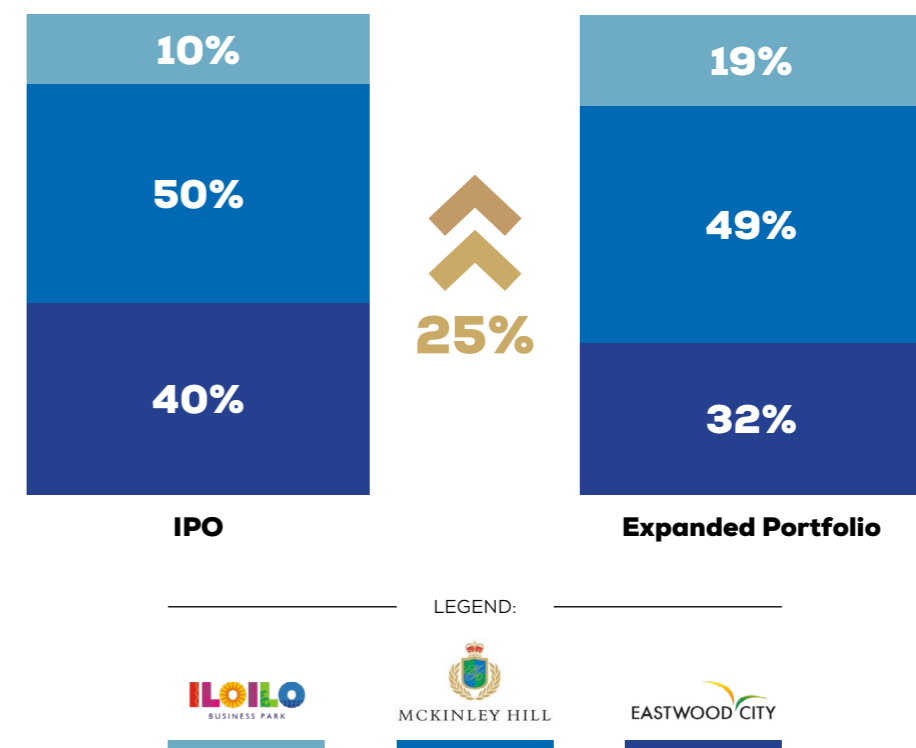
## EXPANDING PORTFOLIO

Less than three months after listing, MREIT kickstarted its growth plans by acquiring four prime office properties last December 2021: Two Techno Place, Three Techno Place, and One Global Center in Iloilo Business Park, as well as World Finance Plaza in McKinley Hill. To fund the acquisition, MREIT secured a 10-year term loan facility amounting to PhP 7.3 billion with a local bank. To minimize volatility

in interest costs, the loan will have a fixed rate. Meanwhile, the remaining balance of the acquisition cost was paid using the Company's existing cash.

The acquisition increased MREIT's portfolio size by 25% to 280,175 sq.m. At the same time, the Company's portfolio value increased by 19% to PhP 58.5 billion post-transaction.

## LOCATION BREAKDOWN (by sq.m. GLA)





# MREIT'S SUSTAINABILITY JOURNEY

This report marks the beginning of MREIT's sustainability journey. MREIT commits to integrating the principles of sustainability in its quest to become one of the largest office REITs in Southeast Asia. The Company prioritizes inclusive growth, environmental conservation and resource management, and innovation. This approach to sustainability is in line with that of its Parent company and Sponsor, Megaworld, which can be found here.

MREIT contributes to the following UN Sustainable Development Goals through its operations:

<p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	<p><b>5</b> GENDER EQUALITY</p>	<p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p><b>10</b> REDUCED INEQUALITIES</p>
<p>Safety Seals were obtained for MREIT properties, affirming that the properties comply with the government-mandated minimum public health standards.</p>	<p>Equal opportunities in employment, skills training, and development are provided regardless of gender.</p>	<p>The Company adopts the Energy Efficiency Program of the Department of Energy (DOE).</p>	<p>Livelihoods are indirectly fostered through the tenants of MREIT's properties. As a REIT, the Company empowers the investing public.</p>	<p>Job opportunities for vulnerable sectors are provided through the tenants' and the property managers' employment efforts.</p>

## MATERIAL TOPICS

Identifying key material issues is crucial for the Company to maximize the effectiveness of and the benefits of its sustainability program. These topics are established based on their impact on stakeholders in relation to their significance to the business.

A materiality assessment was conducted to determine the most important or material environmental, social, and governance (ESG) topics to the Company. This was conducted through Megaworld, collecting ESG data through stakeholder engagements. This process was in accordance with the Global Reporting Initiative (GRI) G4 Guidelines, supplemented by examining the industry trends and issues. The 2020 material topics of the Parent company were also reviewed.

### MEGAWORLD'S MATERIALITY MATRIX

The Company adopted the key themes of the Parent company's material topics, which are:

- 01:** RESOURCE MANAGEMENT AND EFFICIENCY
- 02:** CLIMATE ACTION AND ENVIRONMENTAL CONSERVATION
- 03:** SUSTAINABLE CITIES OR TOWNSHIPS
- 04:** EMPLOYEE ENGAGEMENT, WELL-BEING, AND DEVELOPMENT
- 05:** RESPONSIBLE BUSINESS PRACTICES
- 06:** BUSINESS PERFORMANCE
- 07:** CUSTOMER OR INVESTOR RELATIONS





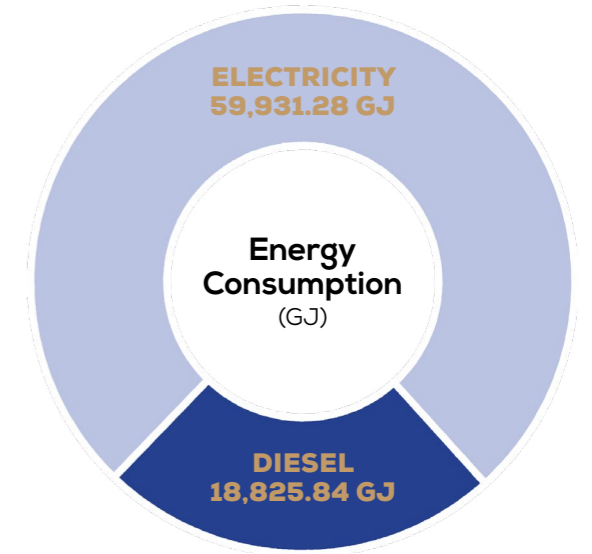
## ENVIRONMENTAL STEWARDSHIP

MREIT considers resource efficiency and environmental compliance as primary concerns, mainly managed by its property manager. Data on energy and water consumption, greenhouse gas (GHG) emissions, and waste generation are gathered to mobilize necessary initiatives to adequately conserve and manage the Company's resources.

## ENERGY CONSERVATION

MREIT prioritizes efficient usage and management of its energy since its properties' operations require significant energy. Energy consumption is regularly monitored to identify areas for conservation initiatives. MREIT looks at opportunities to shift to renewable energy wherever applicable, in accordance with the Parent company's thrust to transition to clean energy and achieve carbon neutrality.

MREIT regularly maintains and upgrades its equipment to improve energy efficiency. The Company's buildings and properties use energy efficient elevators, power transformers, distribution systems, highly efficient LED lighting with light and movement sensors, and using natural light in common areas. Maintenance checks and inspections are also regularly conducted.



## MINIMIZING CARBON FOOTPRINT

As a member of the Alliance Group and a subsidiary of Megaworld, the Company joins in the Group's efforts to be carbon neutral by 2035. MREIT aims to show its commitment by developing ways to manage greenhouse gas (GHG) emissions. This is aligned with the efforts to reduce energy consumption since the bulk of GHGs is emitted from this.

The monitored GHG emissions totaled 1,309.00 tonnes of CO<sub>2</sub>e from Scope 1 or direct emissions from diesel generator sets. It is understood that indirect emissions (Scope 2) are significant given the use of electricity. As such, the Company aims to address this in future monitoring efforts. Overall, MREIT manages carbon emissions through its energy conservation initiatives and provides green spaces.



## WATER RESOURCE MANAGEMENT

Likewise, properties also necessitate water consumption and discharge to continue operating. In 2021, MREIT's properties consumed and withdrew 874 cu.m. of water. The concessionaire supplies these properties with water for commercial use and housekeeping and sanitation. Cisterns, holding tanks, and the plumbing system are continuously maintained and regulated to ensure resource efficiency and good potable water quality. Other efforts to conserve water include promoting responsible consumption among its visitors. The Company seeks opportunities to further its water conservation efforts, such as water recycling.

Although water discharge has not yet been monitored, the Company follows all relevant water related policies of the local government units and the Department of Environment and Natural Resources (DENR) to minimize potential impacts. A DENR-accredited laboratory also regularly conducts water and effluent sampling and analysis.

The Company engages accredited third party contractors to operate the Sewage Treatment Plant (STP) and monitor the water effluent quality. Regular communications with stakeholders and monthly inspections are performed to ensure the effective treatment of wastewater prior to discharge.

The Company has also been exploring the reuse of treated wastewater for non-potable use, such as watering plants and water flushing to maximize the resource.



## SOLID WASTE MANAGEMENT

Compliance with government mandated environmental standards and regulations on solid waste management is critical to responsible business practice. MREIT ensures that proper waste management is actualized throughout its operations. For instance, the Company submits the necessary reports to the Environmental Management Bureau (EMB), such as the waste collection report, self monitoring report (SMR), and compliance monitoring report (CMR) in a timely manner. This is supported by embedding proper waste management as part of the Company culture through efforts such as the provision of trash bins for proper waste segregation within its properties.

### SOLID WASTE GENERATED

(for the period ending December 2021)

TYPE OF SOLID WASTE GENERATED	METRIC TONNES (MT)
Battery	4.9
Electronic scrap	0.8
Electronics	0.6
Engine oil	12.7
Glass	1.2
Lamp bulbs	1.9
Metal	21.1
Office waste	7,251.00
Paper	223.7
Plastic	11.1
Printer fax and cartridges	0.3
Sludge	22.2
Textile	306.3
Wood	2.9
<b>TOTAL</b>	<b>7,860.7</b>

MREIT recorded a total of 7,860.676 MT of solid waste generated, comprised of reusable, recyclable, composted, incinerated, and other wastes. The Company generates wastes daily, some of which are hazardous such as busted CFL bulbs, batteries, etc. Thus, the disposal of these wastes, specifically hazardous ones, poses risks, making this topic crucial for the business and its stakeholders.

MREIT manages solid and hazardous waste through strict waste segregation, via the

engagement of DENR accredited third party haulers and recyclers. Third party haulers regularly collect waste, prepare daily and monthly waste hauling reports, and conduct training and seminars on proper waste segregation. Scrap buyers can also purchase recyclable materials. The Company has a hazardous waste ID, which is required prior to hazardous waste disposal. Hazardous wastes are separated from daily solid waste on site and temporarily stored in a hazardous waste storage facility.





## EMPLOYEE MANAGEMENT

MREIT values its people or human capital. They directly reflect the ideals and goals of the Company, making them central to the Company's success. The Company aims to pattern after the Parent company's best practices for employee engagement.



## MEETING BASIC NEEDS

Internal policies, programs, and mechanisms are continuously being developed and enhanced to ensure current and future employees' well being. These policies and programs aim to uphold diversity and equal opportunity, provide generous employee benefits coverage, and encourage professional growth through various training and development initiatives.

Employees are entitled with medical benefits, life insurance coverage, and annual appraisals and incentives. The Company will regularly review its compensation and benefits packages through benchmarking to ensure that the Company provides a competitive package for its employees.

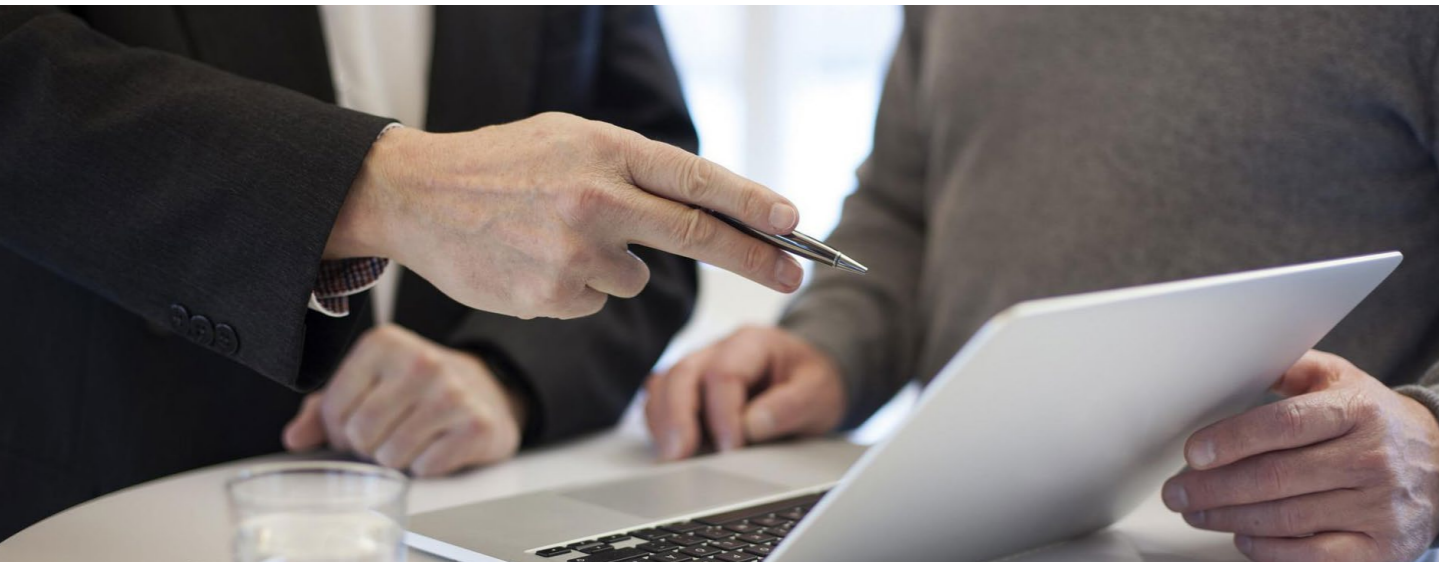
## TALENT MANAGEMENT

Currently, MREIT mainly consists of top level management and a few employees. The Company is committed to improving its level of manpower to ensure that it can adequately operate in the future. Additionally, developing an individualized employee learning track record is part of the Company's initiatives for the incoming year. The Company also believes that the continuous improvement of the skills and knowledge of its workforce is vital to ensure its success. As such, all MREIT employees will receive training through the Parent's learning academy.

## MAINTAINING HEALTH AND SAFETY

The Company prioritizes maintaining a safe and healthy work environment. MREIT's practices are consistent with its Parent company's Occupational Health and Safety (OHS) Policy, which entails regular incident monitoring and reporting of illness and accidents in the workplace. Protocols are strictly followed, and life/medical support or any assistance is readily provided to the employees despite assessments reflecting a low risk level in the OHS risk category. There have been no reported nor encountered incidents of work related injuries, fatalities, and ill health through these efforts.

To manage the COVID-19-related concerns amid the pandemic, the Company established an internal task force. Safety features were installed in common areas, health information was circulated, and employees required to work onsite were permitted to stay in. The Company also coordinated with other Megaworld subsidiaries to help in conducting a COVID-19 vaccination drive.



## WORKPLACE POLICIES AND LABOR RIGHTS

MREIT implements anti-harassment and employee welfare policies to ensure a safe workplace for everyone. These are patterned after the Parent company's policies and are effectively communicated through virtual meetings, emails, and memorandums to inform the employees prior to implementation.

### FORCED AND COMPULSORY LABOR



A thorough audit of vendors and suppliers is conducted to ensure no underage workers are employed throughout their operations. Aside from that, no part of the Company's operations and suppliers are at risk for forced or compulsory labor. All employees are required to complete at least eight working hours daily from Monday to Friday.

Violations of labor laws and human rights in the workplace are explicitly prohibited. Furthermore, the Company upholds and promotes compliance with labor standards by monitoring its properties periodically to ensure that subcontractors and vendors also adhere to the same standards.



### NON-DISCRIMINATION

The Company does not tolerate any form of discrimination, and is currently developing applicable guidelines to prevent workplace discrimination.



### SECURITY PRACTICES

The Company is committed to ensuring the security and safety of all employees and locators in the properties. Security personnel receive a series of formal training to prepare them for emergencies, ensure that they uphold human rights and policies for specific procedures in handling various situations, and improve their skills and knowledge. They are evaluated based on the weekly drill report, training, and tenant feedback.



## CLIENT AND INVESTOR RELATIONS

MREIT exerts great effort to strengthen shareholder confidence in the Company as an investment option. Likewise, clients trust the Company as a subsidiary of the largest office and retail property developer in the country.

The Company consistently engages its stockholders through various communication channels such as disclosures, quarterly briefings, and Annual Stockholders Meeting to keep them updated on the Company's developments and general status. The Company's investor relations office also actively engages the investor community via one on one meetings, group calls, and participation in various investor conferences, among others.

MREIT takes pride in its firm and extensive knowledge of the BPO industry's needs. Its convenient ecosystem and diversified properties in strategic locations allow MREIT to cater to the requirements of its locators. While a client satisfaction survey has yet to be launched, the Company's positive relationship with tenants is reflected in the 96% occupancy rate despite the pandemic.

The Company values and commits to protecting clients' and shareholders' privacy and data security. MREIT complies with the National Privacy Commission and Data Privacy Act requirements to safeguard all the information gathered by the Company from its clients, partners, and vendors. Reviews and impact assessments are also regularly conducted.

## SUPPORTING LOCAL COMMUNITIES

MREIT is dedicated to supporting the national government's development thrust. As the Company expands its portfolio, MREIT increases its capability to provide decent employment opportunities and help promote economic growth in the area, primarily

through the operations and management of office spaces. Amid the pandemic, MREIT has consistently followed the COVID 19 safety protocols imposed by the government to ensure a secure and safe experience for its office locators.



## CORPORATE GOVERNANCE

MREIT's business practices are governed by the Company's adherence to the principles of good corporate governance. The Company's system of stewardship ensures that MREIT fulfills its economic, moral, legal, and social obligations toward its stakeholders.

## BOARD OF DIRECTORS

The Board of Directors (the Board) is primarily responsible for fostering the Company's long term success and sustaining its competitiveness and profitability according to the Company's objectives and the best interests of its shareholders and other stakeholders. It also oversees the management and strategizes the Company's growth while upholding a high standard of business practice for MREIT.

The Board is expected to ensure the Company's compliance with all applicable laws and regulations. The Board is expected to conduct itself with honesty and integrity in the performance of its duties and functions, such as the implementation of value adding processes and strategies, adoption of effective succession planning programs for certain positions for continued expansion and increase in shareholder value. The Board ensures a group wide policy and system for related party transactions and other unusual or infrequent transactions, guaranteeing fairness and transparency. It also carries the evaluations and annual self assessment of its performance.

MREIT's Board comprises seven (7) members, three (3) of whom are independent directors. Aside from fees and shareholdings, independent directors are not considered as part of the Company's management and are free from business or other relationships that could interfere with their exercise of independent judgment in the performance of their responsibilities.



### FRANCISCO C. CANUTO

Chairman of the Board

Mr. Canuto is a Certified Public Accountant and is currently the Chairman of the Board of Directors.

#### CONCURRENT POSITIONS

- Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer, and Chief Audit Executive of Megaworld Corporation (public-listed)
- Director of Megaworld Global-Estate, Inc. and Eastwood Property Holdings, Inc.
- Director and Corporate Secretary of Megaworld Central Properties, Inc.
- Director and Treasurer of Megaworld Cebu Properties, Inc., Twin Lakes Corporation, Oceantown Properties, Inc., Megaworld Resort Estates, Inc., Megaworld Land, Inc., Megaworld-Daewoo Corporation, Eastwood Cyber One Corporation, and Prestige Hotels & Resorts, Inc.
- Director and the President of Arcovia Properties, Inc., Lucky Chinatown Cinemas, Inc., Festive Walk Cinemas, Inc., Southwoods Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc., and Gilmore Property Marketing Associates, Inc.
- President of Megaworld Foundation, Inc.

#### PROFESSIONAL BACKGROUND

Before joining the Megaworld Group, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

#### EDUCATIONAL BACKGROUND

He obtained a bachelor's degree in Commerce, majoring in Accounting, a master's degree in Business Administration and has been awarded the degree of Doctor of Business Administration (Honoris Causa) by the Polytechnic University of the Philippines in 2018.



## KEVIN ANDREW L. TAN

Director, President and Chief Executive Officer

Mr. Tan is a Director and the President and Chief Executive Officer of the Company.

### CONCURRENT POSITIONS

- Executive Vice President and Chief Strategy Officer of Megaworld Corporation
- Chief Executive Officer and Vice Chairman of Alliance Global Group, Inc. (publicly-listed)
- Director of Empire East Land Holdings, Inc., Emperador Inc., and Global-Estate Resorts, Inc. (all publicly-listed companies) and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc.
- A trustee and an Executive Director of Megaworld Foundation, Inc.

### PROFESSIONAL BACKGROUND

He previously held the position of Senior Vice President of Megaworld Corporation for the Commercial Division which markets and operates the Megaworld Lifestyle Malls.

### EDUCATIONAL BACKGROUND

He obtained his bachelor's degree in Business Administration majoring in Management from the University of Asia and the Pacific.



## LOURDES T. GUTIERREZ-ALFONSO

Director

Ms. Gutierrez is a Director of the Company. She is a certified public accountant, has extensive experience in real estate, and has a strong background in finance and marketing.

### CONCURRENT POSITIONS

- Chief Operating Officer of Megaworld Corporation
- Chairman of the First Oceanic Property Management, Inc.
- Director in Global-Estate Resorts, Inc. (publicly-listed), Suntrust Properties, Inc., Twin Lakes Corporation, Southwoods Mall, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Megaworld Cebu Properties, Inc., Oceantown Properties, Inc., Megaworld Bacolod Properties, Inc., Eastwood Cyber One Corporation, Davao Park District Holdings, Inc., and Prestige Hotels & Resorts, Inc.
- Chairman of Belmont Newport Luxury Hotels, Inc., Megaworld Global-Estate, Inc., Savoy Hotel Manila, Inc.
- A trustee and a Corporate Secretary of Megaworld Foundation, Inc.

### PROFESSIONAL BACKGROUND

She previously held the position of Senior Executive Vice President for Finance and Administration in Megaworld Corporation.



## KATHERINE L. TAN

Director

Ms. Tan is a Director of the Company. She has extensive experience in the food and beverage industry.

### CONCURRENT POSITIONS

- Director of Megaworld Corporation (publicly-listed)
- Director and Treasurer of Alliance Global Group, Inc. and Emperador Inc. (both publicly-listed)
- Director and Corporate Secretary of The Bar Beverage, Inc.
- Director and President of Andresons Global, Inc., Raffles & Company, Inc., The Andresons Group, Inc., and Choice Gourmet Banquet, Inc.
- Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

### EDUCATIONAL BACKGROUND

She obtained a bachelor's of science degree in Nutrition from St. Scholastica's College.



## JESUS B. VARELA

Independent Director

Mr. Varela is an Independent Director of the Company and has served as such since April 2021.

### CONCURRENT POSITIONS

- Independent director in the Board of Megaworld Corporation and Global-Estate Resorts, Inc. (publicly-listed)
- Director and Chairman of Governance & Investment Committee of Oil and Petroleum Holdings International Reserves, HK Ltd. (OPHIR, HK Ltd)
- Honorary Chairman of Euro Exim Consultancy Limited
- President of Foundation for Crime Prevention, Philippine Greek Business Council, and Philippine Peru Business Council.
- Board Regent of Unibersided de Manila
- Director General at International Chamber of Commerce Philippines
- President of Foundation for Crime Prevention, Philippine Greek Business Council and Philippine Peru Business Council

### PROFESSIONAL BACKGROUND

Mr. Varela has more than 20 years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri-Business Corporation, Agriculture Anti-Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and to Athens.

### EDUCATIONAL BACKGROUND

Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University. He also attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar, and other inhouse seminars conducted by the Department of Labor and the Development Academy of the Philippines.



### **SERGIO R. ORTIZ-LUIS, JR.**

**Independent Director**

Mr. Ortiz-Luis is an Independent Director of the Company and has served as such since April 2021.

#### **CONCURRENT POSITIONS**

- Independent Director of Alliance Global, Inc. (publicly-listed) and Calapan Ventures, Inc.
- President of the Philippine Exporters Confederation, Inc. (PHILEXPORT), and Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry.
- Honorary Chairman of Integrated Concepts & Solutions, Inc.
- Vice Chairman of Export Development Council.
- Director of Waterfront Philippines, Inc., Philippine Estate Corporation, B.A. Securities, Manila Exposition Complex, Inc., and Jolliville Holdings.

#### **EDUCATIONAL BACKGROUND**

He obtained his bachelor’s degree in Liberal Arts and Business Administration from De La Salle College. Mr. Ortiz-Luis, Jr. has doctorate degrees in Humanities from Central Luzon State University, Business Technology from Eulogio “Amang” Rodriguez Institute of Science and Technology, and in Business Administration from Angeles University Foundation. He pursued further studies and is currently a candidate for Master of Business Administration at De La Salle College.



### **ANTONIO E. LLANTADA, JR.**

**Independent Director**

Mr. Llantada is an Independent Director of the Company and has served as such since May 2021. He is also a certified public accountant by profession.

#### **CONCURRENT POSITIONS**

- Professor of Accounting and Finance at Enderun Colleges and Thames International Business School
- Guest lecturer at the Asian Institute of Management School of Executive Education and Lifelong Learning
- Member of the Philippine Institute of Certified Public Accountants and Institute of Internal Auditors.

#### **PROFESSIONAL BACKGROUND**

He previously served as the Internal Audit Consultant and Chief Audit Executive of Empire East Land Holdings, Inc. (publicly-listed).

#### **EDUCATIONAL BACKGROUND**

Mr. Llantada graduated from De La Salle University of Manila with a bachelor’s degree in Bachelor of Science degree in Accounting and a Bachelor of Arts degree in Behavioral Science. He pursued postgraduate studies at the Ateneo Graduate School of Business, obtaining a master’s degree in Business Administration.



## **BOARD MEETING ATTENDANCE**

MREIT’s regular board meetings are conducted on a monthly basis. The members of the Board, including Independent Directors, are required to attend all its regular and special meetings,

whether in person or through teleconferencing, except in the event of justifiable causes. However, the absence of Independent Directors shall not affect the quorum requirement.

## **RENUMERATION**

The levels of remuneration of the Company are sufficient to attract and retain the services of qualified and competent Directors and Officers. The Board is expected to align the remuneration of key officers and board members with the long term interests of the Company.

The total annual compensation of all directors and principal officers shall not exceed ten percent (10%) of the net income of MREIT, as mandated by the REIT Act of 2009. No director can also participate in deciding on their own remuneration.

The Board members shall receive a standard per diem of Seven Hundred Thousand Pesos (PhP 700,000) for their attendance in Board meetings, and the same amount is allocated for 2022. There are no arrangements pursuant to which any director of the Company was compensated or is to be compensated, directly or indirectly, during the year ended December 31, 2021, for any service provided as a director.

## BOARD COMMITTEES

### EXECUTIVE COMMITTEE

The Executive Committee primarily reports all approved resolutions adopted by it during the meeting of the Board. Apart from this, the Board has the authority to delegate and determine other duties and functions of the Executive Committee.

### CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee assists the Board in performing corporate governance responsibilities.

### BOARD RISK OVERSIGHT COMMITTEE

The Board Risk Oversight Committee is responsible for overseeing the Company's Enterprise Risk Management System.

### AUDIT COMMITTEE

The Audit Committee is tasked with managing the Company's financial reporting, internal control system, internal and external audit processes, and compliance with relevant laws and regulations.

### RELATED PARTY TRANSACTION COMMITTEE

The Related Party Transaction Committee is responsible for all matters related to the party transactions of the Company.

DIRECTORS	EXECUTIVE COMMITTEE	CORPORATE GOVERNANCE COMMITTEE	BOARD RISK OVERSIGHT COMMITTEE	AUDIT COMMITTEE	RELATED PARTY TRANSACTION COMMITTEE
Francisco C. Canuto			<b>M</b>		
Lourdes T. Gutierrez-Alfonso	<b>M</b>				<b>M</b>
Kevin Andrew L. Tan	<b>C</b>			<b>M</b>	
Katherine L. Tan					
Jesus B. Valera	<b>M</b>	<b>M</b>	<b>C</b>		
Antonio E. Llantada, Jr.		<b>M</b>		<b>C</b>	
Sergio R. Ortiz-Luis		<b>C</b>	<b>M</b>	<b>M</b>	<b>C</b>

**C** - CHAIRPERSON    **M** - MEMBER

## POLICIES AND GUIDELINES

MREIT's policies are the guidelines that establish standards and formal expectations for the Company's employees, key officers, and directors. It ensures that the Company actualizes the best practices that best reflect the Company's priorities. It reduces risks by establishing expectations and consistency and improves employee performance by encouraging them to embody the Company's values.



### WHISTLE-BLOWING POLICY

The Company encourages all stakeholders to communicate legitimate concerns regarding illegal, unethical, or questionable material-related-party transactions. This promotes honest and ethical business practices in the Company.



### RELATED PARTY TRANSACTIONS POLICY

All employees, senior management, and directors are required to immediately disclose any relationship or association with a proposed supplier or contractor or its authorized representative to avoid conflict of interest. This is in accordance with the Company's Code of Business Conduct and Ethics.



### CONFLICT OF INTEREST POLICY

The Board members are prohibited from using their position to profit from or gain any advantage or benefit for themselves. In the case or potential of a conflict of interest, the director shall fully disclose this and should not participate in decision-making.

Before entering official transactions, employees must submit a written disclosure to their supervisor regarding any relationship or association with a supplier or contractor.



### SYSTEM AUDIT GUIDELINES

The Company encourages all stakeholders to communicate legitimate concerns regarding illegal, unethical, or questionable material-related-party transactions. This promotes honest and ethical business practices in the Company.







**KEY EXECUTIVE OFFICERS**



**KEVIN ANDREW L. TAN**  
Chief Executive Officer



**GIOVANNI C. NG**  
Treasurer



**ENGLEBERT G. TEH**  
Chief Financial Officer



**MARIA CARLA T. UYKIM**  
Corporate Secretary



**CHERYLL B. SERENO**  
Compliance Officer and Data Privacy Officer



**DAVE MICHAEL  
V. VALERIANO**  
Investor Relations Officer



**ROLANDO J. TIONGSON**  
President and CEO  
MREIT Fund Managers, Inc.



**ERIC JOHN C. ENRIQUEZ**  
President and CEO  
MREIT Property Managers, Inc.



# RISK AND OPPORTUNITY MANAGEMENT

The Management, through the CFO, identifies the key risk areas and performance indicators, and monitors these factors.... The Board of Directors (if MREIT does not have a BROCC) provides oversight over the risk management activities of the company and reviews the companies risk exposures and the steps that management has taken to identify, analyze, treat, and monitor such risks.

MREIT established an Enterprise Risk Management (ERM) process that provides a comprehensive approach to managing the risks the business entails. The Company proactively manages these anticipated risks through continuous identification, mitigation, and monitoring of serious risks by collaborating with key risk owners, critical support units, and proper external entities if needed.

The conduct of the Company's affairs entails calculated risks that MREIT is expected to manage. Thus, risk management is integrated into the Company's decision-making process to ensure that its objectives are met.

## RISK ASSESSMENT PROCESS FIGURE



### 1. RISK IDENTIFICATION

**Finds, recognizes, and describes risks** that might help or prevent the Company from achieving its objectives through relevant, appropriate, and latest information.

### 2. RISK ANALYSIS

**Comprehends the nature of risk, its characteristics, and the level of risk** through a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls, and effectiveness.

### 3. RISK EVALUATION

**Comparing the results of the risk analysis with established risk criteria** to determine the Company's course of action.

### 4. RISK TREATMENT

**Selects and implements options for addressing risks.** It involves formulating and selecting risk treatment options, planning and implementing risk treatment, assessing the effectiveness of that treatment, deciding whether the remaining risk is acceptable, and taking further treatment if needed.

RISK	MITIGATION
<p><b>REAL ESTATE MARKET RISK</b> MREIT is exposed to risks inherent in the office property market in the Philippines. These may include changes in demand which may affect rental rates, renewal or replacement of expiring leases, or lead to early termination of contracts. Generally, an adverse development may lead to a reduction in revenue and/or an increase in costs.</p>	<p>The Property Manager adopts a proactive asset management and enhancement approach to generate resilient and steadily growing gross revenues and net operating income, and optimize occupancy levels. MREIT's portfolio properties are well-maintained to ensure the competitiveness of the properties. Marketing strategies are in place to promote the properties, while strong relationships with tenants are maintained to ensure continued satisfaction and retention. Leases and tenant mix are actively monitored to reduce any period of vacancy and to avoid concentration of any risks.</p>
<p><b>OPERATIONAL RISK</b> Unforeseen circumstances may interrupt the business of each portfolio property. These circumstances may include natural disasters, fire, equipment failures and global pandemics</p>	<p>MREIT maintains comprehensive property and liability insurance policies with coverage features and insured limits that we believe are consistent with market practice in the real estate industry in the Philippines.</p>
<p><b>CREDIT RISK</b> Failure of a customer or a counterparty to settle its financial and contractual obligations as they fall due may lead to potential financial losses</p>	<p>All potential leases are subject to thorough review which includes an assessment of the potential tenant's credit standing. In addition, under the general terms of our lease agreements, our lessees and tenants for office properties are obligated to pay an advance rental deposit equivalent to three months' rental and an additional security deposit also equivalent to three months' rental upfront, and the regular lease payments are due in advance at the beginning of each month.</p>
<p><b>FINANCING AND CAPITAL RAISING RISK</b> Company may be subject to risks normally associated with debt financing including changes in interest rates, ability to refinance said debt or at terms that are at par with the terms of existing indebtedness. The ability to raise capital may also restrict our ability to acquire properties or require us to set aside funds for maintenance or the paying back of security deposits.</p>	<p>The Fund Manager actively monitors financial market risks and MREIT's exposure to risks associated with changes in interest rates and maturing debt facilities. As of today, MREIT's debt level is at 0.14x the Deposited Properties. As MREIT embarks on its journey to grow into one of the largest REITs in Southeast Asia, it will ensure that it will maintain an appropriate level of gearing and that any debt financing it secures will not result in any concentration in its debt maturity or interest repricing schedules to minimize refinancing risk.</p>



# CONSOLIDATED FINANCIAL STATEMENTS