

INOVALIS

REAL ESTATE INVESTMENT TRUST

Annual Information Form

For the year ended December 31, 2022

March 29, 2023

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GLOSSARY OF TERMS USED IN THIS ANNUAL INFORMATION FORM

As used in this Annual Information Form, the following acronyms and terms have the respective meanings set out below:

“**Affiliate**” has the meaning given to that term in NI 45-106;

“**AFFO**” has the meaning given to adjusted funds from operations;

“**Adjusted funds from operations**” as FFO subject to certain adjustments, including adjustments for: (i) the non-cash effect of straight-line rents, (ii) the cash effect of the lease equalization loans, (iii) amortization of fair value adjustment on assumed debt, (iv) the non-cash portion of the asset management fees paid in Exchangeable securities, (v) capital expenditures, excluding those funded by a dedicated cash reserve or capex financing, and (vi) amortization of transaction costs on mortgage loans;

“**Annual Asset Management Fee**” has the meaning given to that term in the section “*Description of the Business*” – *Management Fees*”;

“**Asset Manager**” means Inovalis SA;

“**Assets Under Management**” means the value of the assets of the REIT managed by the Manager, as determined at the end of each fiscal year by an external valuator selected by the REIT. For assets acquired during any given fiscal year, such assets’ contribution to Assets Under Management during the year of acquisition shall be calculated based on the Historical Gross Purchase Price;

“**Bad Homburg Property**” means the REIT’s wholly owned property located in Bad Homburg, Germany;

“**Board of Trustees**” means the Board of Trustees of the REIT;

“**CanCorp Duisburg**” means CanCorp Duisburg 1 S.à r.l., a Luxembourg private limited liability company having a share capital of €12.500, with its registered office located at 23, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, and duly registered with the Luxembourg Trade and Corporate Register under the number B 182.184.

“**CanCorp Europe**” means CanCorp Europe SA, a public limited liability company pursuant to the laws of Luxembourg, which is a Subsidiary of the REIT;

“**Closing Market Price**” has the meaning given to that term in the Declaration of Trust;

“**Cologne Investment**” means the REIT’s 6% interest in an entity that owns a property located in Cologne, Germany;

“**Debt Service Coverage Ratio****” (“**DSCR****”) is a non-GAAP financial measure” (non-GAAP measures in this AIF are denoted by the suffix “**”) that means a measurement of the REIT’s available cash flow to pay current debt obligations;

“**Declaration of Trust**” means the amended and restated declaration of trust of the REIT dated February 8, 2013, as amended and restated on April 20, 2013, January 20, 2016 and April 9, 2020, governed by the laws of the Province of Ontario, pursuant to which the REIT was created and is governed, as may be amended, supplemented or varied from time to time;

“**Distribution Date**” means a date on which the Trustees have determined that a distribution will be made by the REIT to the Unitholders;

“**Duisburg Property**” means the property located in Duisburg, Germany in which the REIT has an interest;

“Exchangeable Securities” means the exchangeable securities issued by CanCorp Europe, in the form of interest bearing notes, non-interest bearing notes, share premium and common shares;

“FFO” has the meaning given to funds from operations;

“Fifth Amended and Restated Management Agreement” means the fifth amended and restated management agreement effective March 27, 2023 between the REIT, affiliates of the REIT and Inovalis SA;

“France Telecom” means France Telecom S.A.;

“French ICC” means the French “indice du cout de la construction” or the French ICC construction cost index;

“French SPV” means an indirect, wholly-owned subsidiary of CanCorp Europe formed under French law for the purpose of acquiring one of the French Leaseholds;

“Full REIT Internalization” has the meaning given to that term under *“Asset and Property Management Services – REIT Finance Functions”*;

“Funds from Operations” or “FFO” has the meaning set out in the *“Non-IFRS Measures”* section of this AIF.

“GLA” means gross leasable area, but excludes gross leasable area resulting from parking space, where applicable;

“Gross Book Value” has the meaning given to that term in the Declaration of Trust;

“Gross Revenue” means all revenue received or receivable from the real properties owned directly or indirectly by the REIT;

“Historical Gross Purchase Price” means the historical price of the real estate plus taxes and legal and administrative costs;

“Holder” means a holder of Units who, for the purposes of the Tax Act and at all relevant times is resident in Canada, deals at arms-length with and is not affiliated with the REIT and holds the Units as capital property;

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Canadian Professional Accountants (“CPA”) in Part I of The CPA Canada Handbook – Accounting, as amended from time to time;

“IFRIC 21” has the meaning given to it by the IFRS Interpretations Committee;

“Indebtedness” has the meaning given to that term in the Declaration of Trust;

“Independent Trustee” means a Trustee who, in relation to the REIT, is “independent” within the meaning of National Instrument 58-101 – Disclosure of Corporate Governance Practices, as replaced or amended from time to time (including any successor rule of policy thereto);

“Inovalis SA” means Inovalis S.A. and its subsidiaries;

“Investment Criteria” means office properties outside of Canada with an occupancy level above 80%, secured rental cash flow, a property value between €20 million to €60 million and potential future upside with respect to matters including rent and area development;

“Investment Guidelines” has the meaning given to that term under *“Investment Guidelines and Operating Policies”*;

“Investment Properties Portfolio” refers to the seven wholly owned properties of the REIT.

“Joint arrangements” or **“JV”** means the REIT's participation in jointly controlled entities and co-ownerships with third parties;

“JV” see the definition of Joint Arrangements;

“Kösching Investment” means the REIT's 50% interest in an entity that owns a property located in Ingolstadt, Germany;

“Lead Trustee” means the lead trustee of the Board of Trustees;

“License Agreement” means the license agreement between Inovalis SA and the REIT dated April 10, 2013 pursuant to which Inovalis SA has granted the REIT a royalty-free license to, among other things, use the Inovalis SA name, trademark and related marks, logos and designs on an exclusive basis within Canada and on a non-exclusive basis elsewhere;

“Luxembourg” means the Grand Duchy of Luxembourg;

“Management Agreement” means the management agreement dated April 10, 2013 between the REIT, affiliates of the REIT and Inovalis SA, as amended and restated on May 15, 2018, March 21, 2021 and as amended and restated by the Fifth Amended and Restated Management Agreement on March 27, 2023;

“Management Fees” has the meaning given to that term under “Management of the REIT”;

“Market Price” has the meaning given to that term in the Declaration of Trust;

“Neu-Isenburg Investment” means the REIT's 50% interest in an entity that owns a property located in Neu-Isenburg, Germany.

“Non-Resident” means a non-resident of Canada or a partnership that is not a “Canadian partner” for purposes of the Income Tax Act;

“Operating Policies” has the meaning given to that term under “Investment Guidelines and Operating Policies”;

“Delizy Investment” means the REIT's 50% interest in SCI Delizy Diamants, a legal entity owning real estate located in Paris, France;

“Participatory distribution” means a special distribution paid to Unitholders based on 50% of the cash attributable to the excess of the sale price of assets over IFRS fair market value, in addition to the regular monthly distribution to Unitholders;

“Partnership Buyout Strategy” means the REIT's strategy to buy out the interest of its partners in Joint Arrangements in some or all of the Duisburg, Bad Homburg, Stuttgart, Pantin, Neu-Isenburg and Kösching properties.

“Plans” means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit-sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans under the Tax Act;

“Property Recycling Strategy” means the REIT's strategy to redevelop or sell non-core properties and reinvest the capital in core properties;

“REIT” means Inovalis Real Estate Investment Trust and or its affiliates where the context requires;

“REIT Finance Functions” has the meaning given to that term under “*Asset and Property Management Services – REIT Finance Functions*”;

“REIT Finance Function Internalization” has the meaning given to that term under “*Asset and Property Management Services – REIT Finance Functions*”;

“REIT Subsidiaries” has the same meaning as the definition of “Subsidiary” as it applies to the REIT properties;

“REIT Units” means, collectively, Units, Special Voting Units and Exchangeable Securities;

“Related Party” means, with respect to any person, a person who is a “related party”, as that term is defined in Multilateral Instrumental 61-101 – *Take-Over Bids and Special Transactions*, as such rule may be amended from time to time (and including any successor rule or policy thereto);

“Rueil Development Loan” means the \$24.9 million loan representing 40% of the equity required for an office property development in Rueil, France, in the Paris western periphery. The load was to a company 80%-owned by Inovalis SA in 2016 and paid the REIT an annual interest rate of 8.50% until 2020 when it was repaid upon the sale of the office property;

“Rights Plan” means the unitholder rights plan approved by the Board of Trustees on March 29, 2023;

“SEDAR” means the System for Electronic Documents Analysis and Retrieval;

“Special Committee” means the committee of independent Trustees that was formed in October 2020 to consider strategic alternatives available to the REIT to enhance Unitholder value;

“Special Voting Unit” means a unit representing an interest in the REIT (other than Units) authorized and issued under the Declaration of Trust to a holder of Exchangeable Securities which have no economic interest but which provide the Exchangeable Securities holder with the same voting rights in the REIT as a Unit;

“Subsidiary” has the meaning given to that term in NI 45-106;

“Tax Act” means the *Income Tax Act* (Canada), as amended from time to time, and the *Income Tax Regulations* (Canada), as amended from time to time, as applicable;

“Total Portfolio” refers to the seven properties referred to as the Investment Properties and the six properties of the REIT held in joint-ownership with other parties;

“Trio Investment” means the REIT’s 95% interest in an entity that owns the Trio property located near Frankfurt, Germany;

“Trustees” means the trustees of the REIT from time to time;

“TSX” means the Toronto Stock Exchange;

“Units” means the Units of the REIT;

“Unitholders” means holders of Units, but “unitholders”, when used in lower case type, refers to holders of REIT Units.

“Weighted average lease term*”** or **“WALT***”** is a non-GAAP financial measure (non-GAAP measures in this AIF are denoted by the suffix “***”) that is used to measure a property portfolio’s risk of vacancy and refers to the average period in which all leases in a property or portfolio will expire. It is calculated as the sum of the percentages of rentable area multiplied by the number of years in each remaining lease term.

FORWARD-LOOKING INFORMATION

Certain statements contained, or contained in documents incorporated by reference, in this AIF constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the REIT's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, occupancy rates, rental rates, productivity, projected costs, capital investments, development and development opportunities, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding the REIT's future results, performance, achievements, prospects, costs, opportunities, and financial outlook, including those relating to acquisition and capital investment strategies and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities.

Although management believes that the expectations reflected in the forward-looking information are reasonable, no assurance can be given that these expectations will prove to be correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this document as well as the following:

- the ability to continue to receive financing on acceptable terms;
- the future level of indebtedness and the REIT's future growth potential will remain consistent with current expectations;
- there will be no changes to tax laws adversely affecting the REIT's financing capability, operations, activities, structure, or distributions;
- the REIT will retain and continue to attract qualified and knowledgeable personnel as the portfolio and business grow;
- the impact of the current economic climate and the current global financial conditions on operations, including the REIT's financing capability and asset value, will remain consistent with current expectations;
- there will be no material changes to government and environmental regulations that could adversely affect operations;
- conditions in the international and, in particular, the French, German, Spanish and other European real estate markets, including competition for acquisitions, will be consistent with past conditions;

- capital markets will provide the REIT with readily available access to equity and/or debt financing, including any intensification thereof, and
- the demand for the REIT's properties and global supply chains and economic activity in general.

The REIT cautions that this list of assumptions is not exhaustive. Although the forward-looking statements contained in this AIF are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not, or the times at or by which, such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including, but not limited to:

- the REIT's ability to execute its growth and capital deployment strategies;
- the impact of changing conditions in the European office market;
- the marketability and value of the REIT's portfolio;
- changes in the attitudes, financial condition and demand in the REIT's demographic markets;
- fluctuation in interest rates and volatility in financial markets;
- the geopolitical conflict in the Ukraine and Russia on the REIT's business, operations and financial results;
- general economic conditions, including any continuation or intensification of the current economic downturn;
- developments and changes in applicable laws and regulations; and
- such other factors discussed under "Risk and Uncertainties" in this AIF.

If any risks or uncertainties with respect to the above materialize, or if the opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking statements. The opinions, estimates or assumptions referred to above and described in greater detail under "Risks and Uncertainties" should be considered carefully by readers. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known or that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements.

Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Certain statements included in this AIF may be considered a "financial outlook" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this AIF. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of this AIF. Except as expressly required by applicable Canadian securities law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this AIF are qualified by these cautionary statements.

NON-GAAP Measures

There are financial measures included in this AIF that do not have a standardized meaning under IFRS. These measures include funds from operations, adjusted funds from operations, and other measures presented on a proportionate share basis. These measures have been derived from the REIT's financial statements and applied on a consistent basis as appropriate. Management includes these measures as they represent key performance indicators to management, and it believes certain investors use these measures as a means of assessing relative financial performance. These measures, as computed by the REIT, may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities. These measures should not be considered in isolation or used in substitute for other measures of performance prepared in accordance with IFRS. The definition of Funds from Operations follows below. Refer to the Glossary for other definitions of these Non-GAAP measures.

Funds from Operations (“**FFO**”) follows the definition prescribed by the Real Estate Property Association of Canada publication on Funds From Operations & Adjusted Funds From Operations, dated January 2022 with one exception.

Management considers FFO to be a meaningful supplemental measure that can be used to determine the REIT's ability to service debt, fund capital expenditures, and provide distributions to Unitholders.

As an exception, considering the significant amount of cash held in Euros in Canada and the volatility of the Canadian dollar against the Euro, the unrealized gain (loss) recognized for the three and twelve months ended December 31, 2022, and 2021, have been excluded from the FFO calculation. Finally, non-recurring administrative expenses relating to items that are not reasonably likely to occur within two years prior to, or following the disclosure, are adjusted have also been excluded from FFO.

FFO is reconciled to net income, which is the most directly comparable IFRS measure. FFO should not be construed as an alternative to net income or cash flow generated from operating activities, determined in accordance with IFRS.

FFO for the REIT is defined as net income in accordance with IFRS, subject to certain adjustments including adjustments for: (i) acquisition, eviction and disposal costs (if any), (ii) net change in fair value of investment properties, (iii) net change in fair value of derivative financial instruments at fair value through profit and loss, (iv) net changes in fair value of Exchangeable Securities, (v) finance costs related to distribution on Exchangeable Securities, (vi) adjustment for property taxes accounted for under IFRIC 21 (if any), (vii) loss on exercise of lease option (if any), (viii) adjustment for foreign exchange gains or losses on monetary items not forming part of an investment in a foreign operation (if any), (ix) gain or loss on disposal of investment properties or an interest in a subsidiary (if any), (x) finance income earned from loans to joint ventures (if any), (xi) loss on extinguishment of loans (if any), (xii) deferred taxes, (xiii) non-controlling interest, (xiv) goodwill / bargain purchase gains upon acquisition, and (xv) income taxes on sale of investment properties and provision for tax reassessment.

Exchangeable Securities are recorded as liabilities. Exchangeable Securities are recorded at fair value through profit and loss in accordance with IFRS. However, both are considered as equity for the purposes of calculating FFO and AFFO, as they are economically equivalent to the REIT's Units, with the same features and distribution rights, that are economically equivalent to the distribution received by Unitholders.

Additional information regarding these non-GAAP measures, including definitions and reconciliations to the most directly comparable GAAP figure, where applicable, can be found in the

MD&A which is available at www.inovalisreit.com and on www.sedar.com. See the section "Discussion of Financial Performance - Non-GAAP Measures and Other Financial Measures" of the MD&A for the descriptions of each non-GAAP measure used in this AIF, and the section "FFO Calculation and AFFO Calculation" of the MD&A for the quantitative reconciliations to the most directly comparable GAAP figures for FFO and FFO Payout Ratio and the "Capital Management" section of the MD&A for the quantitative reconciliations to the most directly comparable GAAP figures for Debt-to-Gross-Book-Value; these sections are incorporated by reference.

Non-GAAP measures in this AIF are denoted by the suffix "***".

USE OF OPERATING METRICS

The REIT uses certain operating metrics to monitor and measure the operational performance of its portfolio. Operating metrics in this AIF include GLA, committed occupancy, weighted average lease term and average term to maturity. Certain of these operating metrics, may constitute supplementary financial measures as defined in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure". These supplementary measures are not derived from directly comparable measures contained in the Financial Statements but may be used by management and disclosed on a periodic basis to depict the historical or future expected financial performance, financial position or cash flow of the REIT.

CORPORATE STRUCTURE

Business Overview

The REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. The REIT was founded and sponsored by Inovalis SA, the Asset Manager, a company that was incorporated in Paris, France. The Units have been listed on the TSX under the trading symbol INO.UN since April 10, 2013. The head and registered office of the REIT is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7.

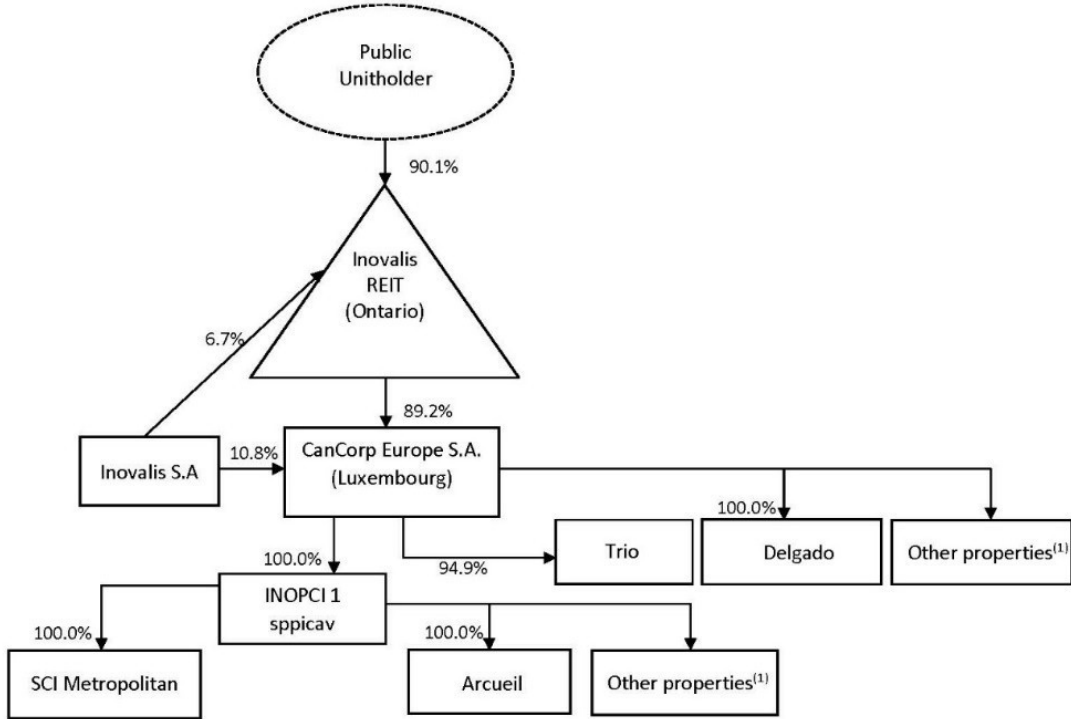
The REIT's long-term objectives are to:

- generate predictable cash distributions on a tax-efficient basis from investments in income-producing office properties;
- grow the asset base, primarily in France, Germany and Spain, but also opportunistically in other European countries where assets meet the investment criteria;
- identify and sell assets having achieved exceptional valuation growth and redeploy the capital in selected assets with long-term high potential;
- ensure distributions to Unitholders, through an accretive acquisition program that successfully leverages Inovalis S.A.'s extensive relationships and depth of commercial property and financing; and,
- maximize the long-term value of stable income-generating properties and the net asset value ("NAV") per Unit through active and efficient management.

The REIT's Investment criteria encompasses office properties outside of Canada with an occupancy level above 80% (unless AFFO accretive), secured rental cash flows, a property value between €20 million and €60 million (unless AFFO accretive) and a potential future upside with respect to matters including rent and area development. According to management, this target investment size falls within a very liquid segment of the real estate market in Europe, and debt financing for such acquisitions is readily available from local lenders.

ORGANIZATIONAL STRUCTURE

Corporate Structure
at December 31, 2022



(1) Other subsidiaries of the REIT holding an interest in the remaining properties in which the REIT has an interest, none of which individually represent 10% of assets or revenue of the REIT.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

2020

In January 2020, the REIT completed the winding up of its joint venture partner's 75% ownership interest in the Arcueil property.

In March, 2020 the REIT implemented its business continuity plan to address the effect of the French and German government-mandated closure of workplaces due to the COVID-19 pandemic. See "[Description of the Business – COVID-19 pandemic](#)" in this AIF.

In April 2020, the REIT's Normal Course Issuer Bid was approved by the TSX. Between May and November, 2020, the REIT bought back and cancelled 989,275 Units at prices ranging between \$6.41 and \$8.50 per Unit. See "[Normal Course Issuer Bid](#)" in this AIF.

In April 2020, the Board of Trustees approved housekeeping amendments to the Declaration of Trust to allow the REIT to hold electronic or virtual meetings of Unitholders.

In May 2020, the Rueil Development Loan was repaid and the REIT participated in 20% of the profits from the sale of the asset underlying the loan.

In May, 2020, the REIT suspended its Dividend Reinvestment Plan effective as of the distribution payable on May 15, 2020.

At the REIT's Annual and Special Meeting held on May 13, 2020, Unitholders approved the Rights Plan. See "[Unitholder Rights Plan](#)" in this AIF.

In October, 2020, the REIT completed the buy-back of its joint-venture partner's 50% stake in the Bad Homburg asset for a total purchase price of \$10.8 million, which was previously announced in August 2020.

On October 28, 2020, the REIT announced the formation of a Special Committee formed of all independent members of the Board of Trustees to consider strategic alternatives available to the REIT. The Special Committee reviewed and evaluated a wide range of strategic alternatives to enhance Unitholders' value. The REIT evaluated the possible acquisition or disposition of certain portfolio assets. The process concluded in June 2021. For more information, see the REIT's Management Information Circular dated June 18, 2021 in connection to the July 13, 2021 Annual General Meeting; this document which is incorporated by reference, is available on SEDAR at www.sedar.com.

In November 2020, following the exercise of its put option, the REIT repaid the entire outstanding principal amount of three promissory notes, by delivering a total of 4,489,127 Units to REIT Notes Program Ltd., a non-Canadian investor.

In November 2020, the REIT launched a sale process for the Courbevoie (Veronese) asset.

2021

On March 23, 2021 the Board of Trustees approved a two-year extension of the Management Agreement with the Asset Manager by way of an amended and restated management agreement that became effective on April 1, 2021. See "[Asset and Property Management Services](#)".

The Normal Course Issuer Bid expired on April 12, 2021.

On April 19, 2021, the joint venture agreement with the partner in the Duisburg property was extended to a maturity date of December 31, 2022.

On June 7, 2021 the Board of Trustees announced the intention to pursue a strategy that includes new

“core and core+” investments in its current and new European markets following the completion of its strategic review process. At the same time, a Participatory Distribution program was initiated with a special distribution of CAD\$10.0 million paid in addition to the regular monthly distribution on July 15, 2021. The CAD\$0.307 per unit Participatory Distribution was based on 50% of the cash attributable to sales over IFRS fair market value on the Vanves and Rueil properties.

On June 29, 2021, the REIT sold its 6% interest in Cologne and the balance of its interest-bearing loan with Cologne to SC Advenis IMMO Capital, a related party, for total consideration of CAD\$963,000 (655,000).

On June 30, 2021, the REIT completed the process of restructuring Luxembourg holding company (“**Luxco**”) into a Specialized Investment Fund within the meaning of the Luxembourg law of February 13, 2007.

On July 13, 2021, five of the REIT’s seven Trustees stepped down and three new independent Trustee candidates were elected by Unitholders: Mike Bonneveld, Laetitia Pacaud and Robert Waxman.

On November 30, 2021, the REIT sold the Jeuneurs asset for a net sale price of CAD\$103.173 million (€69,586), including closing cost.

On November 10, 2021 it was announced that a new hedging contract had been established for the period from November 2022 to October 2024. See “[Debt Profile – Hedges](#)”.

2022

On March 28, 2023, the REIT acquired the Gaïa office property in Nanterre, located in the immediate vicinity of the La Défense district of Paris.

On March 31, 2022, the REIT purchased two connected office buildings in Alcobendas, north of Madrid, Spain.

On April 7, 2022, the Board of Trustees approved the reinstatement of the Dividend Reinvestment Plan (“DRIP”), commencing effective with the April distribution for Unitholders.

On August 15, 2022 the Board of Trustees determined to reduce the REIT’s monthly distribution to Unitholders from \$0.068750 per unit to \$0.034375 per unit, or from \$0.8250 to \$0.4125 on an annualized basis. The Board of Trustees also discontinued its previously announced initiative to automatically distribute to unitholders 50% of all profits received from the sale of its properties. On the same date, the REIT suspended its DRIP effective as of the September Distribution.

On November 4, 2022, the REIT received formal notice from Orange S.A. the sole tenant of the 334,521 square foot Arcueil property, that it will not be renewing its lease when it expires in June 2023.

On December 19, 2022, the REIT closed on the disposition of the Courbevoie property located in the La Defence area of Paris for €27.2 million (CAD \$39.4 million).

At December 31, 2022, the REIT had 32,778,699 issued and outstanding Units, including 938,036 Exchangeable Securities.

Sequence of Property Acquisitions

The table below summarizes the REIT's proportionate ownership and date of acquisition of properties

Date of Acquisition	Property name	Location	REIT's % Ownership at Acquisition	REIT's Ownership at Dec. 31, 2022
July 2014	Duisburg	Duisburg, Germany	50%	50%
October 2014	Sablère	Paris, France	100%	100%
October 2014	Baldi	Saint Ouen, France	100%	100%
April 2015	Bad Homburg	Bad Homburg, Germany	50%	100%
July 2015	Arcueil	Arcueil, France	25%	100%
March 2016	Metropolitan	Paris, France	100%	100%
June 2017	Stuttgart	Stuttgart, Germany	50%	50%
August 2017	Delizy	Paris, France	50%	50%
December 2017	Neu-Isenburg	Frankfurt, Germany	50%	50%
February 2018	Kösching	Ingolstadt, Germany	50%	50%
April 2019	Trio	Neu-Isenburg, Germany	95%	95%
April 2022	Gaïa	Paris, France	100%	100%
April 2022	Delgado	Madrid, Spain	100%	100%

DESCRIPTION OF THE BUSINESS

General

At December 31, 2022, the Total Portfolio of thirteen properties in France, Germany and Spain in which the REIT has an interest was comprised of approximately 1.5 million square feet of gross leasable area. As of that date, the occupancy was 83.6% (Investment Properties) and 86.6% (Total Portfolio) and had a weighted average lease term** of 2.8 years (Investment Properties) and 3.0 years (Total Portfolio). Six of the REIT properties are located in France, six are located in Germany and one is in Spain.

The REIT properties are strategically located in major cities and town centers, generally in close proximity to public transit. Given their central and strategic locations, these properties are attractive to office, commercial, industrial and retail tenants.

Property Recycling Strategy

Management has maintained a property recycling strategy (the "**Property Recycling Strategy**") since the IPO with the purpose of unlocking value in our current portfolio and strategically using that value to pursue investments that management believes have the potential to produce above-average risk-adjusted returns for our Unitholders over the medium-to-long term.

Unlocking value can be achieved through office or mixed-use redevelopment that will offer LEED certified, best-in-class operational properties with life-safety, health and wellness systems, or the sale of the properties, depending on a number of external market and economic driven factors.

In 2022, the REIT completed the two-year strategy for the sale of Courbevoie which closed in December 2022 for \$39.4 million, which was \$9.3 million above the Q3 2022 appraised value of the property. The net cash from this transaction is intended to be invested in the REIT's partnership buyout strategy (the "**Partnership Buyout Strategy**") described below.

The Baldi, Sabliere and Arcueil properties have been added to the Property Recycling Strategy and the plans consider alternatives for redeveloping or selling them between 2023 and 2024. Monetizing these properties in a patient and opportunistic approach will mean a year of flat growth for the REIT. The REIT will continue to own, for the long term, a core portfolio of properties in key markets that we wish to remain invested in. These core properties are expected to: (i) generate strong income and cash flow and (ii) produce healthy indexed rental-rate growth and deliver bottom-line performance. From a capital allocation standpoint, the REIT's strategy is to maintain a significant allocation of capital in directly-held, income-producing office real estate.

As the REIT works through the 2023-2024 property recycling strategy, the REIT's NOI and cashflow will fluctuate in the short term to as a measure to achieve the longer term opportunity to reallocate capital.

Partnership Buyout Strategy

The REIT's Partnership Buyout Strategy is a long-term strategy to buy out the REIT's partners in Joint Arrangements of some or all of the ownership of the Duisburg, Stuttgart, Pantin, Neu-Isenburg and Kösching properties. Relative to other investment or capital allocation opportunities, management believes the investment will ultimately produce a better return on capital in the longer term. The proceeds from dispositions under the Property Recycling Strategy and the REIT's re-financing strategy for existing properties will generate the cash required to deliver the Partnership Buyout Strategy in 2023-2024. Management has solid relationships with many European financial institutions and the REIT's access and ability to secure financing remains strong. Management will continue to maintain sufficient liquidity to manage the portfolio and pursue these strategies.

Asset and Property Management Services

The asset and property management services for the REIT are provided by the Asset Manager and certain other entities on the terms set out in the Management Agreement originally entered into by the REIT on April 10, 2013, as amended and restated on April 1, 2018, May 15, 2018, March 23, 2021 and March 27, 2023.

Pursuant to the Management Agreement, the Asset Manager acts as the manager of the REIT and provides strategic, advisory, asset management, project management, construction management and administrative services necessary to manage the operations of the REIT. For purposes of the Management Agreement, a reference to the REIT includes its subsidiaries, as applicable. The address of the REIT is 52 rue de Bassano, 75008 Paris, France. The Asset Manager has over 300 employees as of December 31, 2022.

The Management Agreement has a term of three years ending March 31, 2026, and may be renewed for an additional term of one year upon the mutual agreement of the parties. If the REIT intends not to renew the Management Agreement, it must provide the Asset Manager with at least three months' prior written notice to this effect prior to the expiration of the term.

REIT Finance Functions

The Management Agreement has provisions for the internalization of the finance functions of the REIT (the "**REIT Finance Functions**") and a time to be determined by the Board of Trustees (the "**REIT Finance Function Internalization**").

Until the REIT Finance Function Internalization has been completed, the Asset Manager will provide all REIT Finance Functions. After the completion of the REIT Finance Function Internalization, all of the REIT Finance Functions shall be performed by the REIT, except for the role of CFO which shall continue to be performed by the Asset Manager.

Furthermore, the REIT has the option to internalize all management functions (the “**Full REIT Internalization**”) at any time, in consultation with the Asset Manager, or at the REIT’s sole option upon the REIT achieving a market capitalization of \$750,000,000. In any case, the REIT must provide at least six months’ prior written notice to the Asset Manager if it wishes to effect the Full REIT Internalization.

Services of the Asset Manager

In connection with the Management Agreement, the Asset Manager provides the services of a senior management team to the REIT, including the following: assisting the REIT in selecting providers of property management services; advising the Board of Trustees on strategic matters (including potential acquisitions, dispositions, financings, development and redevelopment); providing services of management and executive personnel, including CEO and CFO; providing guidance to property managers on operating and capital expenditures; assisting the REIT with respect to investor relations strategies and activities; advising the REIT on regulatory compliance requirements, risk management policies and certain litigation matters, and coordinating with legal counsel in all jurisdictions to this end; providing all required documentation necessary for the REIT’s continuous disclosure requirements; supervising and conducting all leasing services; providing construction management services; supervising property expansions, capital projects and development and redevelopment projects; identifying, evaluating, negotiating and assisting in structuring acquisitions, disposition and other transactions; supervising property management services provided by third-party providers; providing advisory, consultation and investment management services and monitors the financial performance of the REIT; advising and assisting with borrowings, issuances of securities and other capital requirements; making recommendations with respect to the payment of distributions; establishing and maintaining internal controls over financial reporting of the REIT; preparing all reports reasonably requested by the REIT; and providing any additional services as may from time to time be agreed to in writing by the REIT and the Asset Manager for which the Asset Manager will be compensated on terms to be agreed upon between the Asset Manager and the REIT prior to the provision of such services.

Notwithstanding the foregoing, it may at times be prudent for the Asset Manager to delegate certain of its responsibilities under the Management Agreement to a third party provider. As a result, the Asset Manager is entitled to subcontract certain of its obligations under the Management Agreement where it is appropriate to do so, except for its responsibility for ensuring the proper functioning of internal controls over financial reporting of the REIT, which cannot be delegated. Any such subcontracting will be done at the expense of the Asset Manager and will not relieve the Asset Manager of its obligations or liability under the Management Agreement.

Costs and Expenses

The Management Agreement has provisions for the allocation of costs and expenses as between the Asset Manager and the REIT. The REIT is obligated to reimburse the Asset Manager for all reasonable actual out-of-pocket costs and expenses incurred by the Asset Manager in connection with the performance of the services set out in the Management Agreement, except for any costs and expenses that have been specifically identified as being the responsibility of the Asset Manager.

The Management Agreement provides that the REIT and the Asset Manager are to agree to a budget for general and administrative expenses on an annual basis (the “**G&A Budgeted Amount**”), with any additional proposed expenditures to be approved by the REIT. The Asset Manager is obligated to reimburse the REIT for amounts in excess of the G&A Budgeted Amount based on the following scale:

Percentage of Excess over G&A Budgeted Amount	Percentage of Excess G&A to be reimbursed by the Asset Manager to the REIT
0% - 10%	Nil
10% - 15%	20%
15% - 20%	30%
20% - 25%	50%
25%+	100%

In addition, from January 1, 2023 until the completion of the REIT Finance Function Internalization, the Asset Manager shall reimburse the REIT for 50% of all costs related to the REIT Finance Functions.

Management Fees

In performing its obligations under the Management Agreement, the Asset Manager is entitled to receive the following fees from the relevant subsidiary of the REIT:

- a) an annual asset management fee (the “**Annual Asset Management Fee**”), payable quarterly in arrears, based on the percentage of assets under management in accordance with the following scale, provided that the Annual Asset Management Fee will be reduced by \$500,000 upon completion of the REIT Finance Function Internalization:

Assets Under Management	Annual Asset Management Fee
On the first \$1.0 billion	0.5%
From \$1.0 billion to \$2.0 billion	0.4%
On \$2.0 billion and over	0.3%

- b) a leasing fee in an amount equal to 10% of the first year annual rent for lease renewals signed by existing tenants, payable on the signing of a binding lease, extension, renewal or amending document; provided that the Asset Manager is responsible for the fees of any external real estate agent retained to assist with a lease renewal or to find a new tenant;
- c) a construction management fee payable on capital projects in an amount equal to 5% of all hard construction costs incurred on a project excluding work done on behalf of tenants or any maintenance capital expenditures, which will be invoiced and paid together with the costs of the applicable capital project;
- d) an acquisition fee in the amount of 1.0% of the purchase price of any property acquired by the REIT or its subsidiaries payable on completion of each acquisition in cash, provided that no such acquisition fee will be payable in respect of the acquisition of properties owned or managed by the Asset Manager;
- e) a disposition fee in the amount of (a) 1.0% of the gross sale proceeds of any disposition completed by the Asset Manager or (b) 0.5% of assets under management in the event there is a change of control of the REIT which results in the termination of the Management Agreement, a sale of all or substantially all of the assets of the REIT, or the sale or disposition of Luxco. and
- f) a general and administrative services savings fee, which shall be payable in the event that the actual G&A expenses of the REIT are significantly less than the G&A Budgeted Amount in accordance with the following scale:

Percentage of Excess over G&A Budgeted Amount	Percentage of Excess G&A to be reimbursed by the Asset Manager to the REIT
0% - 10%	Nil
10% - 15%	20%
15% - 20%	30%
20% - 25%	50%
25%+	100%

The Annual Asset Management Fee, leasing fee, construction management fee, acquisition fee, disposition fee and a general and administrative services savings fee are collectively referred to as the “**Management Fees**”.

At the discretion of the Board of Trustees, the Annual Asset Management Fee may be paid through the issuance of a note, which will be contributed by the Asset Manager to Luxco in exchange for Exchangeable Securities, in the form of Luxco Common Shares, Luxco Notes and NIB Notes in the same relative proportion of Luxco Common Shares, Luxco Notes and NIB Notes held by the Asset Manager immediately prior to the issuance of such Exchangeable Securities, subject to any required unitholder or regulatory approvals (including the approval of the Toronto Stock Exchange); provided that no less than 50% of the Annual Asset Management Fee will be paid to the Asset Manager in cash. The Board of Trustees has established a policy for determining the payment of these fees in Units or cash. The 2022 Annual Asset Management Fees were paid in cash and the Board of Trustees has determined that the 2023 Annual Asset Management Fees will also be paid in cash.

Ongoing Interest

At all times during the term of this Management Agreement, the Asset Manager and any of its directors and officers, collectively shall own that number of Trust Units (including Exchangeable Securities on an “as converted basis”) having an aggregate value equal to at least 10% of the equity value of the REIT (unless otherwise agreed by the Asset Manager and the REIT).

A copy of the Fifth Amended and Restated Management Agreement may be obtained by contacting the REIT at the address set forth under the section “[Additional Information](#)”. It is also available on the REIT’s website at www.inovalisreit.com and on SEDAR at www.sedar.com.

Management Fees Paid in the Past Two Years

The fees paid to Inovalis SA in 2022 and 2021 are set out below:

Management Fees	Total Value (million)		Cash (million)		Exchangeable Securities and Equivalent # of Special Voting Units	
	2022	2021	2022	2021	2022	2021
Asset Management Fee ⁽¹⁾	\$2.3	\$2.8	\$2.3	\$2.8	0	0
Brokerage and Incentive Fee	\$0.9	\$2.1	\$0.9	\$2.1	0	0
Acquisition Fee	\$1.0	\$0.0	\$1.0	\$0.0	0	0
Disposition Fee	\$0.4	\$1.1	\$0.4	\$1.0	0	0
Property Management ⁽²⁾	\$1.0	\$1.3	\$1.0	\$1.3	0	0

(1) A portion of the Asset Management fees are invoiced to joint venture entities. In 2022, (\$1.1 million) and in 2021, (\$1.2million),

(2) This fee does not include the Property Management Fees paid for properties owned in partnership.

Real Estate Portfolio

Portfolio

At December 31, 2022, the REIT had an interest in thirteen properties. Seven of the properties were entirely owned by the REIT (five are in France: Sablière, Baldi, Metropolitan, Arcueil and Gaïa, one in Germany, Bad Homburg and one in Spain, Delgado); one property is 94.9% owned by the REIT and is in Germany (Trio); five were held in partnerships with various global institutional funds (Delizy in France; Duisburg, Neu-Isenburg, Kösching and Stuttgart in Germany).

Property table as at December 31, 2022

Property	Class	Date completed /renovated	Approximate GLA (000 SF)	# of Tenants	Occupancy Rate
Sablière	Office	1985	41.0	5	45%
Baldi	Office/Mixed use	1991	123.7	9	31%
Metropolitan	Office	1993	78.8	6	100%
Arcueil	Office	1969/ 2013	334.5	1 ⁽¹⁾	100%
Gaïa	Office	2014	119.5	7	84%
Delizy	Office	1992	71.6	19	68%
Total France			769.2	47	81%

(1) Orange, the sole tenant of Arcueil will vacate the property when their lease expires in mid-2023.

Property	Class	Date completed /renovated	Approximate GLA (000 SF)	# of Tenants	Occupancy Rate
GERMANY AND SPAIN	Delgado	Office	2001/2020	2	100%
	Trio	Office	2007	7	87%
	Bad Homburg	Office	2004	5	71%
	Duisburg	Office	2007	2	100%
	Stuttgart	Office	1994/2014	5	99%
	Neu-Isenburg	Office/Mixed use	2013	6	100%
	Kösching	Office	2017	1	100%
Total Germany and Spain			771.1	28	91.2%
TOTAL FRANCE, GERMANY AND SPAIN AT DECEMBER 31, 2022			1,540.2	75	86.6%
Investment Properties			1,117.8	42	83.6%
Jointly Held Properties			422.4	33	94.3%

Occupancy

The 83.6% average occupancy rate at December 31, 2022 across the seven Investment Properties increased from 77.2% as at December 31, 2021. The occupancy rate across the Total Portfolio, including properties owned through joint-ventures increased to 86.6% from 82.6% as at December 31, 2021. The increase in occupancy rates is predominantly due to the disposition of the Courbevoie property which had been vacated throughout 2021 and 2022 under the conditional terms of the sale of the asset which closed in December 2022.

Tenants

The tenant base in the portfolio is well diversified from an industry segment standpoint, with many national and multinational tenants. As at December 31, 2022, the REIT had 42 tenants across the Investment Properties and 75 tenants in the Total Portfolio.

The following table shows the REIT's five largest tenants, sorted by contribution to GLA in our seven fully owned properties, presented on an Investment Properties basis.

INVESTMENT PROPERTIES				
Tenant	Tenant Sector	GLA (SQ FT.) ⁽¹⁾	% of GLA	Average remaining lease term (years)
Orange ⁽²⁾	Telecommunications	284,958	26.7%	0.5
The Lorenz Bahlsen Snack-World	Food and beverage	81,870	7.7%	3.0
ITP Aero	Aeronautics	59,159	5.5%	2.0
Indra	IT Systems	58,115	5.4%	6.4
Fresenius	Health care	41,611	3.9%	1.1
Top 5 tenants		525,713	49.3%	1.8
Other tenants	Diversified	306,668	28.7%	4.6
Vacant		234,826	21.9%	
Total		1,067,207	100.0%	2.8

(1) Activity, storage and intercompany restaurant areas are weighted by being accounted for a third of their effective areas.

(2) Orange, the sole tenant of Arcueil will vacate the property when their lease expires in mid-2023.

The REIT's five largest tenants in the Total Portfolio is presented in the table below on a Total Portfolio basis.

TOTAL PORTFOLIO				
Tenant	Tenant Sector	GLA (SQ FT.) ⁽¹⁾	% of GLA	Average remaining lease term (years)
Orange ⁽²⁾	Telecommunications	284,958	19.7%	0.5
Daimler Truck	Manufacturer	100,485	6.9%	6.4
The Lorenz Bahlsen Snack-World	Food and beverage	81,870	5.6%	3.0
Hitachi Power	Manufacturer	78,138	5.4%	5.0
ITP Aero	Aeronautics	59,159	4.1%	2.0
Top 5 tenants		604,611	41.8%	2.6
Other tenants	Diversified	588,612	40.6%	3.5
Vacant		256,268	17.6%	
Total		1,449,490	100.0%	3.0

(1) Activity, storage and intercompany restaurant areas are weighted by being accounted for a third of their effective areas.

(2) Orange, the sole tenant of Arcueil will vacate the property when their lease expires in mid-2023.

Leasing profile

Rental indexation

All leases have rental indexation based on either the French ICC (construction cost index) or ILAT (index averaging construction costs and CPI indexes) or the German Consumer Price Index, as applicable.

The change in occupancy and leasing activity in the IP Portfolio by geographic region for year ended December 31, 2022 was as follows:

IP Portfolio	January 1, 2022	Acquisition / Disposition	New leases	Lease Expiries	Other changes	December 31, 2022	Occupancy rate	Committed space (sq. ft) ⁽¹⁾	Total space (sq. ft)	Committed occupancy
France	502,228	89,812	10,060	(12,486)	(18,761)	570,853	81.8%	-	570,853	81.8%
Germany	246,577	-	-	-	-	246,577	81.4%	4,855	251,432	83.0%
Spain	-	117,274	-	-	-	117,274	100.0%	-	117,274	100.0%
Total IP Portfolio	748,805	207,086	10,060	(12,486)	(18,761)	934,704	83.6%	4,855	939,559	84.1%

(1) The committed space relates mostly to a new lease on the Trio property

The column “Other changes” in the above and below tables refers to the vacant areas of the newly acquired Gaia property, covered by the rental guarantee until March 2025.

The change in occupancy and leasing activity in the Total Portfolio, including joint ventures at the REIT’s proportionate ownership interest, by geographic region as at December 31, 2022, are as follows:

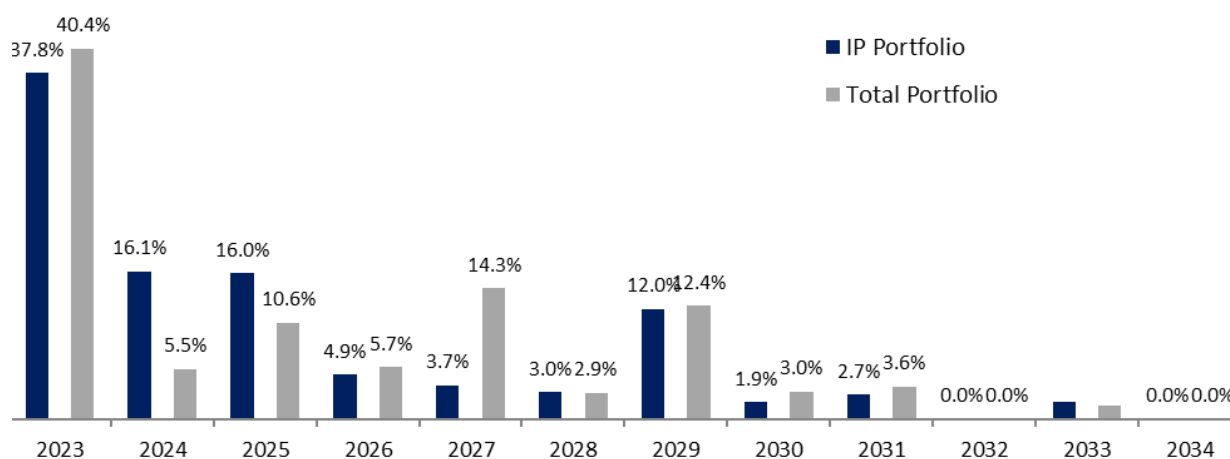
Total Portfolio	January 1, 2022	Acquisition / Disposition	New leases	Lease Expiries	Other changes	December 31, 2022	Occupancy rate	Committed space (sq. ft) ⁽¹⁾	Total space (sq. ft)	Committed occupancy
France	552,675	89,812	14,896	(18,974)	(18,761)	619,648	80.6%	-	619,648	80.6%
Germany	594,935	-	1,367	-	-	596,302	91.2%	2,254	598,556	91.6%
Spain	-	117,274	-	-	-	117,274	100.0%	-	117,274	100.0%
Total Portfolio	1,147,610	207,086	16,263	(18,974)	(18,761)	1,333,224	86.6%	2,254	1,335,478	86.7%

(1) In addition to the new lease commitment on the Trio property, committed space relates mostly to the departure on the 5th floor on the Duisburg property, partly offset by the new signed lease on 85% of the floor, effective July 2023.

The above table shows the positive impact of the joint venture portfolio on the Total Portfolio occupancy rate. If the REIT fully owned the five joint venture owned assets, the Total Portfolio occupancy would be 1% higher or 87.6%.

Lease maturity profile

Lease Maturity Profile as at December 31, 2022
(% of total GLA)



The above graph sets out the percentage of total GLA of the IP Portfolio and Total Portfolio subject to leases expiring by year (excluding early lease terminations).

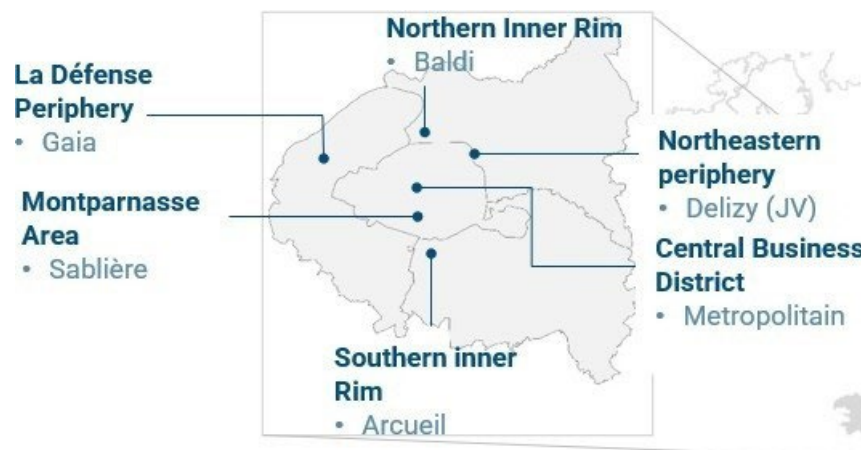
The average remaining lease term, not including tenant early termination rights, in the IP Portfolio

is 2.8 years (3.0 years for the Total Portfolio). Assuming all tenants exercise their early termination rights and leave at the earliest possible date, which the REIT believes is unlikely, the average remaining lease term in the portfolio is 2.2 years (Total Portfolio 2.5 years).

The 2023 peak relates to the single-tenant Arcueil property and the Neu-Isenburg property, in which the main tenants' leases are both maturing in June 2023.

DESCRIPTION OF THE PROPERTIES

Assets owned entirely by the REIT except where JV is noted.



FRANCE (PARIS)

Sablère The property, located at the address known municipally as 27-29 rue de la Sablière, Paris France, was constructed in 1985, and is comprised of a 41,043 square foot building. The six storey building with two underground levels is situated on the region of Ile de France, in the 14th district of Paris, which engulfs the majority of the Montparnasse region, along with the Tour Montparnasse and the metro station Montparnasse Bienvenue which is an important hub for travelers and tourists. The property is leased to a total of five tenants, occupying 45% of the total GLA. This property is now Inovalis SA has managed the property since September 2014. Sablière is a component of the Property Recycling Strategy. See “*Description of the Business — General Property — Recycling Strategy*”.

Baldi The office and mixed use property, located at the address known municipally as 44/50 Avenue du Capitaine Glarner, Saint-Ouen, France, was constructed in 1991, and is now comprised of 123,657 square feet. The four buildings are located around a central courtyard and situated 300 meters from the Paris ring road. The property is leased to nine tenants and is currently 31% leased. Baldi is a component of the Property Recycling Strategy. See “*Description of the Business — General Property — Recycling Strategy*”.

Metropolitan The property is located at the address known municipally as 35 rue Grenata, in the Ile de France area of Paris, France. This region is a favoured location for numerous French and international companies as well as public and private institutions. The 78,800 square foot asset is designated for office and retail usage for six tenants on six levels. The property is currently 100% leased based on the occupancy rate.

Arcueil The property is located in the “Vache Noire” district, an urban redevelopment sector in the inner southern suburban of Paris known as Arcueil. The 334,521 square foot asset is let to Orange Group who have given formal notice of their intention to vacate the building when the lease expires in mid-2023. It was developed in 1969 and consists of nine upper levels and two

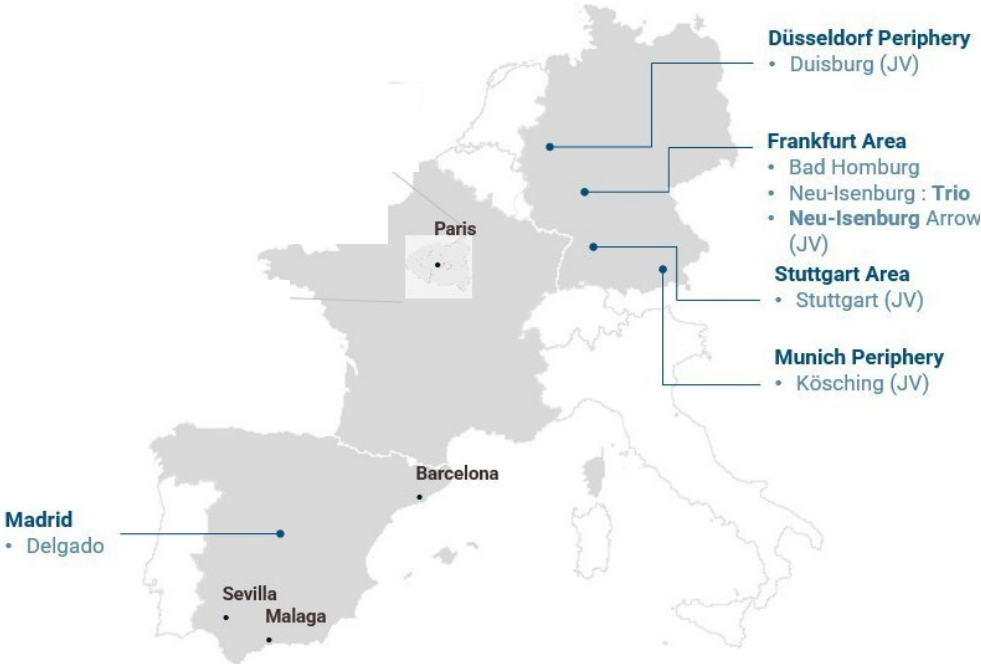
basement levels, with 253 parking spaces. The property is currently 100% leased until mid-2023 based on the occupancy rate. Arcueil is a component of the Property Recycling Strategy. See “Description of the Business — General Property — Recycling Strategy”.

Gaia The 100% owned property in Nanterre, a suburb of Paris, which is in the immediate vicinity of the La Défense district. The Gaia is a 5-floor, 119,499 square foot building built in 2014. The property is leased to seven tenants. The property is currently 84% occupied and with the rental guarantee provided by the vendor at the time of acquisition in 2022, the income from the property is equivalent to full occupancy until March 2025.

Delizy (Pantin) The 50% jointly owned property is located on the north-eastern periphery of Paris, with highway and public transport connections. The property is a 143,234 square foot modern and sustainable office building with 230 parking units and great diversification among its 19 tenants. The REIT plans to complete refurbishment works on this property. The property is currently 71.5% leased based on the occupancy rate. Delizy is a component of the Partnership Buyout Strategy. See “Description of the Business — General — Partnership Buyout Strategy”.

GERMANY AND SPAIN

Assets owned entirely by the REIT except where JV is noted.



Trio The 94.9% Trio property is strategically located less than 10 minutes by train from downtown Frankfurt and about the same distance to the International Airport. The property is composed of three modern office buildings built in 2007 with a gross leasable area of approximately 204,336 sq. ft. The property is currently occupied by seven different tenants and is anchored by a solid local tenant, Lorenz Snack-World GmbH, an international company that produces and exports food products. The property is currently 87% leased based on the occupancy rate.

Duisburg The 50% jointly owned Duisburg property is located at the address known municipally as Schifferstrasse 80, Duisburg, Germany. The building is comprised of 217,920 square feet of leasable area, of which 205,300 square feet are of office use. It is fully occupied by two tenants and is arranged over eight floors and two basement floors with 200 underground parking spaces. The property consists of four building cores, has a flexible design due to its layout and an attractive glass and aluminum façade. The utilities, storage area and approximately 200 parking spaces are located in the two basement levels. A multi-storey car park located at an additional site in the vicinity provides 353 parking spaces. An additional 79 external parking spaces are located adjacent to the multi-storey car park. The property is currently 100% leased based on the occupancy rate. Duisburg is a component of the Partnership Buyout Strategy. See *“Description of the Business — General — Partnership Buyout Strategy”*.

Bad Homburg The property is a single building with five storeys plus three underground levels. The building was constructed in 2004. Occupied by five tenants, it has one main entrance, and the office areas could be subdivided into 3 units per floor. The property offers views of the Frankfurt skyline. Altogether the building comprises 109,104 square feet of leasable area. The leasable area provides 77,700 square feet of office and 31,300 of other space (storage, common area and terrace). There are 207 parking spaces in the underground parking garage and in front of the building. The optimal horizontal and vertical divisibility of the building permits leases to several tenants. Inovalis SA has managed this property since 2007. The property is currently 87% leased based on the occupancy rate.

Stuttgart The 50% jointly owned property is located in the Stuttgart metropolitan region, close to a motorway with easy access to multimodal transportation links including Stuttgart Airport. It is in one of the most economically sound and innovative hi-tech regions in Europe and one of the most powerful economic centers in Germany. Built in 1994 and refurbished in 2014, it is a 242,832 square feet modern office building with 432 parking units with five quality tenants operating in the German automotive industry. It has five above ground floors and two underground floors. Occupied by 5 tenants, the property is currently 99% leased based on the occupancy rate. Stuttgart is a component of the Partnership Buyout Strategy. See *“Description of the Business — General — Partnership Buyout Strategy”*.

Neu-Isenburg The 50% jointly owned property is in the greater Frankfurt area located less than 10km from downtown Frankfurt, with highway and public transport connections. Occupied by six tenants, the property is a 134,688 square foot modern and sustainable office building with 330 parking units, anchored by an American Fortune 500 manufacturer of electronic components. The property is currently 100% leased based on the occupancy rate. Neu-Isenburg is a component of the Partnership Buyout Strategy. See *“Description of the Business — General — Partnership Buyout Strategy”*.

Kösching The 50% jointly owned property is strategically located less than 10km from the global headquarters of Audi AG in Ingolstadt, Germany and has one tenant. The recently constructed modern office building and research and development facility, has a gross leasable area of approximately 106,116 square feet. The property is currently 100% leased based on the occupancy rate. Kösching is a component of the Partnership Buyout Strategy. See *“Description of the Business — General — Partnership Buyout Strategy”*.

Delgado The 100% owned complex of two connected office buildings is located in Alcobendas and is part of the Arroyo de la Vega market, an established office area strategically located a short distance from downtown Madrid and the Madrid Barajas International Airport. It is near the A-1 highway, a major roadway that connects many corporate headquarters with Madrid. The high quality, modern office buildings, with approximately 118,400 SF of leasable space, are fully let to two tenants from the aeronautical sector. The building includes 250 parking spaces, modern and flexible space with state-of-the art equipment and great synergy for both tenants. It was built in

2001 and was recently refurbished. The property is currently 100% leased based on the occupancy rate.

Building Improvements

The REIT is committed to improving its operating performance by incurring appropriate capital expenditures to replace and maintain the productive capacity of its property portfolio to sustain its rental income generating potential over the portfolio's useful life. Development projects continue to reward the REIT's Unitholders by increasing the overall value of the portfolio and providing new, steady income streams as lease lifts occur.

In 2022 the REIT completed capital expenditures and tenant improvements of approximately \$0.8 million on its investment properties, compared to \$1.9 million in 2021.

Guarantees, Commitments and Contingencies

Guarantees provided by the REIT with respect to its long-term debts include a preferential claim held by the mortgage lenders on the Sablière, Baldi, Walpur, Gaïa, Delgado and Trio 1, 2, 3 properties in the amount of \$173.4 million.

The REIT also has a share pledge on the shares of SCI Baldi.

The companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3, SCI Baldi, SCI Sabliere, and Walpur also need to comply with banking covenants. The REIT is in breach of the debt service coverage ratio** ("**DSCR****") banking covenant on the mortgage loans held within SCI Baldi and SCI Sabliere at December 31, 2022. The REIT is in compliance with all other covenants as at December 31, 2022.

Second rank mortgages on the building were granted by the company SCI Sabliere. Finally, the companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3 have set up a capex reserve for \$3.6 million.

Loan covenant breaches

As at December 31, 2022, the REIT was in breach of certain covenants on two of its mortgage loans with third-party lenders, as follows:

Baldi SCI

The REIT is in breach of the DSCR covenant on the mortgage loan within Baldi SCI as at December 31, 2022. The covenant requirement of 115% is in breach as a result of planned tenant vacancies within this entity in preparation for the future sale of the Baldi property. See "*Description of the Business — General Property — Recycling Strategy*". The total carrying amount of the loan is included as a current liability, due to the lender's right to repayment upon breach of the covenant. Subsequent to the year-end, the REIT signed a waiver with the lender waiving the lender's right to repayment until the end of Q2 2023.

Sabliere SCI

The REIT is in breach of the DSCR** covenant on the mortgage loan within Sabliere SCI as at December 31, 2022. The covenant requirement of 120% is in breach as a result of planned developments and related refinancing of such developments within the entity. The total carrying amount of the loan is included as a current liability due to the lender's right to repayment upon breach of the covenant. Subsequent to the year-end, the REIT advanced funds to a cash reserve account with the lender such that the loan covenant breach was remediated.

Tenant commitments received

The companies SCI Metropolitan, SCI Sabliere, Cancorp Trio 1, Cancorp Trio 2 and Cancorp Trio 3 and Walpur received bank guarantees securing the rentals of certain tenants up to \$2.7 million.

DEBT PROFILE

Financing activities

The REIT's debt strategy is to have secured mortgage financing with a term to maturity that is appropriate in relation to the lease maturity profile of the portfolio and then to put such debt in place, when appropriate, by interest-only financings. REIT management prefers fixed rate financings or floating rate financings with a cap. On December 31, 2022, after taking into consideration the effect of interest rate swap (23%) and interest rate cap (2%) as well as fixed interest rates (48%), 73% of the REIT's long-term debt obligation has no exposure to interest rate risk.

The Operating Policies in the Declaration of Trust sets the maximum indebtedness of the REIT at 60% of Gross Book Value.

Key performance indicators in the management of the REIT's debt are summarized in the following table.

Financing Activity Metrics at December 31, 2022

To measure the REIT's debt performance, management uses the non-GAAP key indicators below:

	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Capital management metrics				
Debt-to-gross book value	43.6%	36.1%	50.5%	43.3%
Debt-to-gross book value, net of cash	38.7%	26.5%	46.4%	35.7%
Debt due in the next 12 months ⁽¹⁾	44,451	51,746	79,758	52,461
Weighted average loan term to maturity	3.7 years	3.9 years	3.4 years	3.4 years
Weighted average interest rate ⁽¹⁾	1.91%	2.08%	1.93%	1.99%
Interest coverage ratio ⁽²⁾	3.4	2.6	3.5	3.0

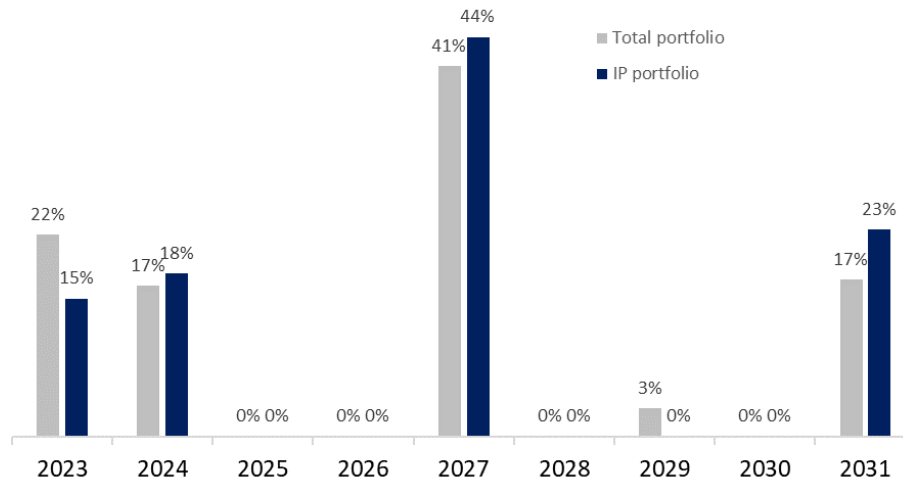
(1) Includes lease liabilities and mortgage financings.

(2) As defined in the section "Non-GAAP Financial Measures and Other Financial Measures".

Mortgages

The following graph sets out, as at December 31, 2022, the percentage of total mortgage principal installments and maturity balances of the mortgages (and any other loans) to be paid over each of the following ten calendar years.

Leasehold and Mortgage Financing Maturity Profile
(% of amount outstanding as at December 31, 2021)



As at December 31, 2022, due to the lender’s right to repayment as a result of a breach of the covenant on each of the Baldi and Sabliere properties, such loans have been classified as current liabilities for a total amount of CAD\$20,768.

The Bad Homburg mortgage loan, on which a one-year extension was obtained in March 2022 with a 1.45% rate (vs.1.43% in the previous agreement), is maturing in March 2023 and will be renewed or paid out using cash and refinanced at a later date. Management is considering various opportunities including collateralization with other German financing in the portfolio.

In all instances, the REIT could use a portion of its CAD\$45 million available cash to repay partly or in full the mortgage loans that are maturing or in breach in 2023.

For the Total Portfolio, the in-place financing on the Duisburg property, initially maturing in June 2023, was renegotiated by management in March 2022 and led to a new bullet mortgage for a term of five years at 2.47% fixed total interest.

The 2027 maturity relates mostly to the lease liability contract on the Arcueil property. With the sole tenant leaving the premises in mid-2023, management is actively considering redevelopment opportunities and will continue to keep its senior lenders informed on next steps. The Arcueil financing is a finance lease, and consequently there are no covenants to breach as long as the debt instalments are regularly paid.

Management is in regular communication with the senior lenders, including those of the Baldi, Sablière and Arcueil properties, to update them on leasing and redevelopment strategies and the renegotiation of financing terms for the in-place loans (particularly amortization schedules) to avoid any further breaches of covenants.

Hedges

To mitigate against the risk of foreign exchange fluctuations on the distributions to our Unitholders, the REIT has established an active foreign exchange hedging program. A hedging contract is in place for the period from November 2022 to October 2024. Twenty-three monthly forward exchange contracts have been entered into for the conversion of \$2.2 million at \$1.5263/EUR average exchange rate.

RISK FACTORS

The REIT is exposed to various risks and uncertainties, many of which are beyond the control of management, the occurrence of which could materially and adversely affect the REIT's investments, prospects, cash flows, results of operations or financial condition and management's ability to make cash distributions to Unitholders. Management believes the risk factors described below are the most material risks to the REIT, however they are not the only ones. Additional risk factors not presently known to the REIT, or that management currently believes are immaterial could also materially and adversely affect the REIT's investments, prospects, cash flows, results of operations or financial condition and management's ability to make cash distributions to Unitholders and negatively affect the value of the Units.

Financing risks, leverage and restrictive covenants may limit the ability for growth

The real estate industry is capital intensive. The REIT requires access to capital to maintain our properties, as well as to fund our growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favorable terms. Failure to access required capital could adversely impact investments, cash flows, operating results or financial condition, the ability to make distributions on the Units and the ability to implement the REIT's growth strategy.

As indebtedness increases there is risk that the REIT may default on its debt obligations. The ability to make scheduled payments on the principal of, or interest on, and to otherwise satisfy the REIT's debt obligations depends on future performance, which is subject to the financial performance of the properties, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the REIT's control.

As a result of the REIT's asset recycling plan and the resulting lease terminations, the REIT is currently in breach of certain restrictive covenants contained in certain of its debt obligations relating to the Debt Service Coverage Ratio**. See the section "*Guarantees, Commitments and Contingencies*". If these breaches were to be enforced by the relevant lenders, a portion of the REIT's indebtedness may then become immediately due and payable. If the debt under these obligations or other debt instruments is accelerated, the REIT may not have sufficient liquid assets to repay amounts due thereunder. The REIT has been in communication with the lenders for both mortgage loans to refinance the loans and remediate the covenants that have been breached.

Following a comprehensive analysis by management that considered a wide range of factors related to the REIT's future cash flow, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the REIT's ability to continue as a going concern for at least the next twelve months.

Risks inherent in the real estate industry may adversely affect the REIT's financial performance

The REIT is subject to risks involving the economy in general, including, among other things, inflation, deflation or stagflation, unemployment, geopolitical events such as the war between Russia and Ukraine and a local, regional, national or international outbreak of a contagious disease, including COVID-19 and its potential intensification. Poor economic conditions could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates which could harm the REIT's financial condition. In weak economic environments, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT.

In addition, fluctuation in interest rates or other financial market volatility may adversely affect the REIT's ability to refinance existing indebtedness on its maturity or on terms that are as favourable as the terms of the existing indebtedness, which may impact negatively on AFFO, may restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments, or may adversely affect the ability of the REIT to complete acquisitions on financially desirable terms.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices to generate sufficient cash for operations and making distributions and interest payments.

Concentration of tenants may result in significant vacancies in the properties

Five of the REIT's largest tenants, by percentage of total GLA, occupy 48.8% of the total weighted areas. Four of the five largest tenants are committed to multi-year leases, which are set to expire gradually between 2023 and 2029, there is no assurance that such tenants will continue to occupy such premises for the remainder of their lease terms. Some of them have break options before the end of their leases, and the earliest dates on which those five largest tenants may effectively move range between 2023 and 2026. The lease for the REIT's largest tenant which fully occupies the Arcueil asset expires in mid-2023 and the REIT has been notified of their intention to not renew the lease. This tenant currently contributes 36% to the REIT's annual rental revenue and represents 28% of the REIT's rental income on the Total Portfolio. The REIT is advancing its plans for mixed use re-development of this asset.

To minimize further risk of vacancy, the REIT will continue to closely monitor all leases and ensure that they work with the current tenants to determine their future leasing plans, which would allow the REIT to source tenants in advance of the current tenants' vacating the property.

Lease renewals, rental increases, lease termination rights and other lease matters

Leases for tenants of the REIT properties will mature or expire from time to time. There can be no assurance that tenants will renew leases upon the expiration or that rental rate increases will be achieved upon such renewal. The failure to renew leases or achieve rental rate increases may adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution.

Despite management's objective to maintain continuous occupancy of leased premises, tenants may fall into financial difficulty from time to time and there can be no guarantee that tenants will continue to occupy such premises nor be able to fully pay rent. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

Environmental contamination on properties may expose us to liability and adversely affect our financial performance

The properties may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or the buildings could bear other environmental risks. Prior to acquiring the interests in the properties (including the leasehold interests), management undertook environmental studies on each property. No sign of pollution was evidenced on any of the properties.

The REIT is subject to various federal, state and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on the REIT to undertake

remedial action on contaminated sites and in contaminated buildings. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial.

The REIT has insurance in place to protect against certain environmental liabilities in respect of certain of the properties, with limits, which are customary and available for portfolios like the REIT's.

Necessary capital and operating expenditures are made to ensure compliance with environmental laws and regulations. Although there can be no assurance, management does not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations or distributions or cash interest payments.

The REIT may incur significant capital expenditures

Certain significant expenditures must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. To retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand, which can entail significant costs that may not be passed on to tenants.

Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could entitle tenants to withhold or reduce rental payments or even to terminate existing leases. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units.

Changes in government regulations may affect the investment in the REIT's properties

The REIT is subject to laws and regulations governing the ownership, leasing or operations of real property, employment standards, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). This may include sudden regulatory changes required for the safe occupancy of buildings during the COVID-19 pandemic. In addition, the political conditions in the jurisdictions in which the REIT operates are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which the REIT is subject in the jurisdictions in which it operates could materially affect the rights and title to the properties. All the properties held directly or indirectly, by the REIT are located in France, Germany and Spain. Although the governments in France, Germany and Spain are generally stable and friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the REIT is subject or the effect of any such change on investments.

Failure to receive deductions for interest payments may adversely affect the cash flows, results of operations and financial condition

During the acquisition of the properties, the REIT entered into financing transactions with third parties and affiliates. These financing agreements will require payment of principal and interest. There are several rules in German and Luxembourg tax laws restricting the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which are not yet clarified by the tax authorities and the tax courts. The tax deductibility of interest expenses depends on, among other

things, the details of the security structure for debt financings, the annual amount of tax net-debt interest, the amounts and terms of Unitholder or affiliate financings and our general tax structure. There is a risk of additional taxes being triggered on the rental income and capital gains in case the tax authorities or the tax courts adopt deviating views on the above. If this were the case, this would result in a higher tax burden and, consequently, could have a material adverse effect on cash flows, financial condition and results of operations and ability to pay distributions on the Units. In France, and assuming that interest rates on group loans are arm's length, tax laws restricting the deductibility of interest expenses for corporate income tax purposes should have no impact since INOPCI 1 is exempt from corporate income tax provided it complies with its distribution obligations.

Changes in currency exchange rates could adversely affect the REIT's business

Substantially all of the REIT's investments and operations are conducted in currencies other than Canadian dollars; however, distributions to Unitholders are paid in Canadian dollars. The REIT also raises funds primarily in Canada from the sale of securities in Canadian dollars and invests such funds indirectly through its subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on financial results, which are denominated and reported in Canadian dollars, and on the ability to pay cash distributions to Unitholders. Active hedging programs have been implemented to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and its ability to pay cash distributions to Unitholders may be negatively impacted.

Changes in interest rates could adversely affect cash flows and the REIT's ability to pay distributions and make interest payments

When concluding financing agreements or extending such agreements, the management's objective is to agree on terms for interest payments that will not impair desired profit and on amortization schedules and that do not restrict the ability to pay distributions to Unitholders. In addition to the variable rate portion of the leaseholds in respect of the REIT's properties, management may enter into future financing agreements with variable interest rates if the current low level of interest rates continues. There is a risk that interest rates will increase, which would result in a significant increase in the amount paid by the REIT and its subsidiaries to service debt, resulting in a decrease in distributions to Unitholders, and could impact the market price of the Units. Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

Dependence on the Inovalis S.A. for management services

The REIT is dependent on Inovalis S.A. with respect to the asset management of properties and the property management of the properties. Consequently, the REIT's ability to achieve its investment objectives depends in large part on Inovalis S.A. and its ability to provide advice. This means that the REIT's investments are dependent upon Inovalis S.A.'s business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by Inovalis S.A. or its key personnel, our investments and growth prospects may decline. The REIT may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager.

While the Trustees have similar oversight responsibility with respect to the services provided by Inovalis S.A. pursuant to the Management Agreement, the services provided by Inovalis S.A. are not performed by employees of the REIT, but by Inovalis S.A. directly and through entities to which it may subcontract. The Fifth Amended and Restated Management Agreement has been approved by the Board of Trustees for a three-year term expiring on March 31, 2026.

Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects

The REIT carries general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in France, Germany and Spain and otherwise acceptable to the trustees. For the property risks, the REIT intends to carry “Multi-Risk” property insurance including but not limited to, natural catastrophic events and loss of rental income insurance (with at least a 12 to 18-month indemnity period). The REIT also carries boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (of a catastrophic nature such as from pandemics war or nuclear accidents) that are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure currently. The REIT partially self-insures against terrorism risk for the entire portfolio. The REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, the REIT could lose the investment in, and anticipated profits and cash flows from, one or more of its properties, but it would continue to be obligated to repay any recourse mortgage indebtedness on such properties. The REIT does not carry title insurance on the properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property. The REIT does not carry pandemic insurance on the properties. If a loss occurs resulting from the inability of a tenant to pay rent or a restriction on the operation of a property due to government regulation related to the COVID-19 pandemic, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

IFRS reporting may result in our consolidated statement of financial position and consolidated statement of earnings being subject to volatility as the fair value of portfolio changes.

The fair value of the REIT’s properties is dependent upon, among other things, rental income from current leases, assumptions about rental income from future leases reflecting market conditions, expected future cash outflow in respect of such leases, the demand for properties such as the properties, the availability and cost of financing and general economic conditions. A change in one or a combination of these factors, many of which are not controlled by the REIT, may have a material impact to the fair value of its properties. The REIT’s chosen accounting policy under IFRS requires that real estate assets be recorded at “fair value” with changes in fair value being recorded in earnings in the period of change. Accordingly, the statement of financial position and the statement of earnings are subject to volatility as the fair value of its real estate portfolio changes and these changes may be material.

Reliance on partnerships

The REIT has a material non-controlling interest in partnerships with several institutional investors. These arrangements create a risk as the business objectives or economic interests of the partner, as in any joint business arrangement, may not be aligned with those of the REIT. The partner may want to make decisions that negatively affect the value of its real estate assets or income of the REIT. Such investments may involve risks that are not present in investments where a third party is not involved, including the possibility that a partner may have financial difficulties resulting in a negative impact on the investment or be liable for the actions of its third-party

partner. Although the REIT may not have control over these investments and therefore, may have a limited ability to protect its position, such partnership arrangements contain terms and conditions which, in the opinion of the independent trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venture partner's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties and provisions to provide for the participation of the REIT in the management of the joint venture arrangements. The REIT's investment in properties through Joint Arrangements is subject to the investment guidelines set out in the Declaration of Trust.

Taxation of Trusts

The REIT qualifies as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax consequences to the REIT and its Unitholders would be materially and adversely different in certain respects.

Application of the SIFT Rules

Certain rules (the "SIFT Rules") apply to a trust that is a "SIFT trust" as defined in the Tax Act. Provided that a trust does not own "non-portfolio property" (as defined in the Tax Act), it will not be subject to the SIFT Rules. Based on the investment restrictions of the REIT, the REIT may not acquire any non-portfolio property and, therefore, is not subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules or the administrative policies or assessing practices of the CRA will not be changed in a manner that adversely affects the REIT and Unitholders.

FAPI

The REIT's "participating percentage" (as defined in the Tax Act) of "foreign accrual property income" ("FAPI") earned by any controlled foreign affiliate ("CFA") of the REIT must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by the REIT, thereby increasing the allocation of income to the REIT and, therefore, the allocation of income by the REIT to Unitholders.

In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the CFA were a resident of Canada and in Canadian currency (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders.

Foreign Currency

For purposes of the Tax Act, the REIT is required to compute its Canadian tax results using Canadian currency, including for purposes of computing FAPI earned by CFAs of the REIT. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Change of Tax Law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates or the administrative policies and assessing practices and policies of the CRA, the Department of Finance (Canada) and any foreign tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders.

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time.

Taxation of the REIT and the REIT's Subsidiaries

Although the REIT and its subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by its subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or its subsidiaries. In addition, certain tax positions adopted by the REIT and its subsidiaries may be challenged by the CRA or a foreign taxing authority. This could materially increase the taxable income of, and taxes payable by, the REIT and its subsidiaries, and thereby increase taxable income of Unitholders and/or adversely affect the REIT's financial position and cash available for distribution to Unitholders.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the REIT's subsidiaries are able to deduct depreciation, interest and loan expenses relating to the REIT's properties for purposes of the Tax Act. No assurances can be given that the CRA will agree with capital cost allowance claims by the REIT's subsidiaries and that expenses claimed by the REIT and its subsidiaries are reasonable and deductible.

Qualified Investments

Management of the REIT will endeavor to ensure that the Units continue to be qualified investments for trusts governed by a registered retirement savings plan, a registered education savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan and a tax-free savings account, each as defined in the Tax Act (collectively, "Plans"); however, there can be no assurance in this regard. In addition, Redemption Notes or other property received on an in specie redemption of Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

EIFEL Rules

On November 3, 2022, the Minister of Finance released revised proposals to amend the Tax Act (the "EIFEL Proposals") that are intended, where applicable, to limit the deductibility of interest and other financing-related expenses by an entity to the extent that such expenses, net of interest and other financing-related income, exceed a fixed ratio of the entity's tax EBITDA. The EIFEL Proposals are proposed to be effective for taxation years beginning on or after October 1, 2023. Management is currently considering the impact of the EIFEL Rules on the REIT. If the EIFEL Rules apply to limit the REIT's (or any subsidiary's) deduction of interest or other financing expenses in its computation of income or loss for the purposes of the Tax Act, the amount of taxable income allocated by the REIT to Unitholders may increase, which could reduce the after-tax return associated with an investment in Units. Unitholders are advised to consult their personal tax advisors.

German Taxes

The Luxembourg SPV would be subject to municipal trade tax (“**TT**”) if acting through a German permanent establishment. Management of the REIT have assumed that the Luxembourg SPV will not be subject to TT based on the REIT’s current understanding of the structure. However, no assurances can be given that the Luxembourg SPV will not be subject to TT.

Luxco taxation

CanCorpEurope S.A., a public limited liability company (or “**société anonyme**”) and a subsidiary of the REIT (“**Luxco**”) is a Special Investment Fund within the meaning of the Luxembourg law of 13 February 2007 (“**SIF**”), with multiple compartments and variable capital (“**Société d’Investissement à Capital Variable**”) subject to a tax of 0.01% (so called “**taxe d’abonnement**”) per annum of its Net Asset Value. No Luxembourg withholding tax is levied on distributions from CCE. No assurance can be given that a tax authority will not challenge certain positions taken by the REIT and the REIT’s subsidiaries in connection with the structure of Luxco. CCE, as a SIF, might be subject to the Luxembourg real estate levy. This levy of 20% applies on gross rental income and disposal gains deriving from real estate located in Luxembourg. Since CCE does not hold any properties located in Luxembourg, the real estate levy should not apply.

Foreign income taxes

The REIT’s subsidiaries are subject to tax either on their taxable income or on a withholding basis under applicable legislation in France, Germany, Spain, Luxembourg and the United States. These subsidiaries account for their current or recovered taxes at the current enacted and substantively enacted tax rates and use the liability method to account for deferred taxes. The tax expense related to taxable subsidiaries for the period comprises current and deferred taxes.

The REIT’s subsidiaries that hold the leasehold rights on the properties located in France are established in France and should therefore be considered as tax residents in France. Under current French tax legislation, income derived from the French REIT’s subsidiaries, incorporated under the form of Société Civile Immobilière subject to article 8 of the French Tax Code, and allocated to INOPCI 1 should be corporate income tax exempt in the hands of INOPCI 1 on the basis that INOPCI 1 complies with its distribution obligations. A withholding tax should be levied in France on dividend distributions made by INOPCI 1 which is OPCI (collective undertaking for real estate investment) to CCE. The reduced rate of 15% provided by the double tax treaty (“**DTT**”) concluded between Luxembourg and France should apply to dividends distributed by the INOPCI to CCE.

CanCorp Duisburg (“**CCD**”), TFI CanCorp Isenburg (“**CCI**”), TFI CanCorp Kosching (“**CCK**”), TFI CanCorp Stuttgart (“**CCS**”), CanCorp Cologne, CanCorp Cologne 2 and CanCorp Trio I, CanCorp Trio II, CanCorp Trio III (together “**Trio**”), Walpur Four, Arcueil SI GP (the “**Luxembourg subsidiaries**”) (are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes. There is a minimum net wealth tax in Luxembourg. CCE is a Specialized Investment Fund according to the Luxembourg Specialized Investment Fund Law dated 13 February 2007 and as such is exempt from corporate income tax, municipal business tax and net wealth tax. CCE is subject to an annual subscription tax (“**taxe d’abonnement**”) charged at an annual rate of 0.01% based on its net asset value, valued at the end of each calendar year.

Arcueil SCS is a Luxembourg partnership (société en commandite simple) fully owned by CCE, that is tax transparent for Luxembourg corporate income tax purposes, i.e. all the income and expenses are deemed to be realized directly by the sole partner.

Trio, CCD, CCI, CCK, CCS and Walpur Four are Luxembourg limited liability companies that are managed in Luxembourg and, therefore, should not be considered tax resident of Germany for

German tax purposes. Trio, CCD, CCI, CCK, CCS and Walpur Four are collectively called the (“German Co”). However, the German Co are subject to corporate income tax (“CIT”) in Germany on their German source of income (or in case German Co is a partnership and therefore transparent for CIT purposes its partners). As the German Co’s rental revenues belong to German source income, such (net) income is subject to CIT, even if the German Co (and their shareholders) are not German tax residents. This is true irrespective of whether German Co is a corporation or a partnership and therefore transparent. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg and the double tax treaty between Germany and France because the German Co’s properties are located in Germany and income from German real estate is taxed in the country where the real estate is located. To determine taxable income for CIT purposes, a taxpayer may deduct certain expenses incurred in connection with its German source income (e.g., with respect to the acquisition and ownership of real property (in particular depreciation) and certain operating expenses) provided that such costs are incurred on arm’s length terms.

Cancorp Vegacinco, a limited liability company, is established in Spain as a fully taxable company, subject to annual corporate income at a 25% rate. SIF are explicitly excluded from the benefit of the DTT concluded between Luxembourg and Spain. Any distributions from Cancorp Vegacinco to CCE should thus be subject to the withholding tax rate applicable in Spain and could not benefit from any reduced rate provided by the DTT.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Management’s Discussion and Analysis of Results of Operations and Financial Condition of the REIT as at December 31, 2022, as filed on SEDAR at www.sedar.com, is incorporated by reference herein.

TRUSTEES AND OFFICERS

The Board of Trustees consists of five Trustees, all of whom are Independent Trustees within the meaning of National Instrument 58-101 – Disclosure of Corporate Governance Practices (“NI 58-101”). The Trustees are elected by Unitholders at each annual meeting of Unitholders and hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and are eligible for re-election or re-appointment.

The following table sets forth the name, municipality or province and country of residence and positions held with the REIT (or functions performed on behalf of the REIT) of each Trustee and executive officer of the REIT. The principal occupations of each Trustee and Officer is detailed in the biographies that follow the table.

Name, Province or State and Country of Residence	Trustee since	Position/Title	Committees	Principal Occupation
Michael Bonneveld Ontario, Canada	2021	Independent Trustee	Compensation and Governance Committee, Investment Committee	President, Skyline Industrial REIT ⁽¹⁾
Jean-Daniel Cohen Luxembourg	2013	Independent Trustee, Chair of the Board of Trustees	Compensation and Governance Committee, Audit Committee	Chair and CEO, Hoche Partners Group of Companies
Marc Manasterski Immeuble Abillama, Metn, Lebanon	2013	Independent Trustee	Investment Committee	Partner, Quilvest Real Estate

Name, Province or State and Country of Residence	Trustee since	Position/Title	Committees	Principal Occupation
Laetitia Pacaud Ontario, Canada	2021	Independent Trustee	Audit Committee Compensation and Governance Committee Chair, Investment Committee	Chief Operating Officer & Chief Financial Officer at Epic Investment Services
Robert Waxman Ontario, Canada	2021	Independent Trustee	Audit Committee Chair	Chief Financial Officer, Skyline Investments ⁽¹⁾
Stéphane Amine Paris, France	n/a	President	N/A	Chairman and Founder, Inovalis SA
David Giraud Paris, France	n/a	Chief Executive Officer	N/A	Managing Director, Inovalis SA
Khalil Hankach Paris, France	n/a	Chief Financial Officer & Secretary	N/A	Deputy Managing Director, Inovalis SA

(1) Skyline Industrial REIT and Skyline Investments are unrelated.

Mr. Giraud has been Chief Executive Officer of the REIT since April 2013. Mr. Hankach has been Chief Financial Officer and Secretary since June 2019 and Chief Investment Officer of the REIT since January, 2014.

Each Trustee's term of office expires at the next annual meeting of Unitholders or when his/her successor is duly elected or appointed, unless his/her term ends earlier in accordance with the terms of the Declaration of Trust.

As a group, the REIT's Trustees and executive officers beneficially own, or control or direct, directly or indirectly, 985,408 Units, representing approximately 3.0% of the issued and 32,778,699 outstanding Units as at March 29, 2023. In addition, through his controlling equity interest in Inovalis S.A., Mr. Stéphane Amine, President of the REIT, indirectly exercises control or direction over the beneficially owned 1,314,574 Units and 938,036 Special Voting Units, representing a 6.7% effective interest in the REIT as at March 29, 2023 (on a fully exchanged basis).

As noted in the section "*Asset and Property Management Services — Ongoing Interest*", the Asset Manager and any of its directors and officers, collectively shall own Units (including Exchangeable Securities on an "as converted basis") having an aggregate value equal to at least 10% of the equity value of the REIT, to be acquired subject to the REIT's Insider Trading Policy provisions.

Additional information regarding the Trustees and executive officers of the REIT is set forth below:

Trustee Bios

Michael Bonneveld, Independent Trustee. Mr. Bonneveld has been President of Skyline Industrial REIT since 2022. Between 2009 and 2022, Mr. Bonneveld was Director of Acquisitions and Vice President of Asset Management with the Skyline Group of Companies which encompasses the privately held Skyline Apartment REIT, Skyline Retail REIT, Skyline Commercial REIT, and Skydev where he led acquisitions. Mr. Bonneveld holds a Bachelor of Arts (Urban Development) from the University of Western Ontario.

Jean-Daniel Cohen, *Independent Trustee and Chair of the Board of Trustees.*

Since 2001 Mr. Cohen has served as the Chair and CEO of Hoche Partners Group of Companies, an international investment bank focused on providing advisory, structured financing, private equity and real estate services to family offices and medium-sized businesses. Prior to his current role, Mr. Cohen served as Managing Director of LAURAD, a real estate-focused private equity investment group and was the Managing Partner at Aurel-Leven, a leading independent French brokerage and investment bank, the Managing Partner at UFFI REAM, a real estate asset manager and CEO of Louis Dreyfus Finance (Banque), the banking arm of the Louis Dreyfus Group. Mr. Cohen is a director of the following public companies: Realia Properties Inc., Fonciere Volta and Société centrale des bois et scieries de la Manche. Between 2017 and 2021, Mr. Cohen was on the board of directors of Crosswood (NYSE Euronext), and between 2014 and 2022, he was on the board of directors of Advenis SA. He is also on the board of the charity, ALLMEP. Mr Cohen graduated from Ecole Centrale de Paris.

Marc Manasterski, *Independent Trustee.* Mr. Manasterski is a partner and Head of Quilvest Real Estate, a division of Quilvest, a multi-family office with global reach. Before joining Quilvest in February 2008, Mr. Manasterski served as Chief Executive Officer of Alliance Hospitality Group, managing a large hotel portfolio in France, Belgium and Italy on behalf of Whitehall, Goldman Sachs' real estate opportunity fund. Prior to that, Mr. Manasterski acquired more than 20 years of direct experience in real estate development. Mr. Manasterski was Chief Executive Officer of several private investment funds owned by banks or/and high net worth individuals. Mr. Manasterski holds an H.N.D. in Marketing from the College for the Distributive Trades (London) and a Master of Business Administration from INSEAD, Fontainbleau.

Laetitia Pacaud, *Independent Trustee.* Ms. Pacaud is the Chief Operating Officer and Chief Financial Officer at Epic Investment Services, a fully integrated North American real estate platform managing a portfolio of office, retail, industrial and multi-family residential properties. Previously, Laetitia joined MDC Group (now operating as Epic Investment Services in Canada) as Executive Vice-President of Business Development in January 2018. Prior to joining MDC Group, Laetitia was President and a founding member of Strathallen Capital Corporation which was founded in 2003. Ms. Pacaud is a Chartered Professional Accountant and has an ICD.D designation from the Rotman School of Management, Directors Education

Robert Waxman, *Independent Trustee.* Mr. Waxman has been Chief Financial Officer of Skyline Investments, a Canadian company publicly listed in Tel-Aviv since 2018. The company owns Canadian and US hotel and resorts and has a strategic land development business. Between 2016 and 2018, Mr. Waxman was a Senior Advisor in the Finance Modernization & Effectiveness group with the advisory branch of Deloitte LLP. Prior to that period, Mr. Waxman was Chief Financial Officer of the TSX venture exchange-listed CHC Student Housing Corp. from 2013 to 2015. He also founded Silvercove Capital, an asset management firm which he led from 2009 until 2013. Mr. Waxman is a Chartered Professional Accountant, a Chartered Financial Analyst and holds a Bachelor of Business Administration from Wilfrid Laurier University.

Officers

Stéphane Amine, *President.* Mr. Amine has over 35 years of management experience in the European real estate market. Since founding of Inovalis SA in 1998, Mr. Amine has helped build Inovalis S.A. into one of Western Europe's leading privately owned real estate investment management companies with assets under management \$7billion. Prior to

founding Inovalis S.A., Mr. Amine managed the multinational investors of Constructa SA, a leading developer and property manager with offices, at the time, in the United Kingdom, Switzerland and the United States. Mr. Amine graduated with a Master of Management from Reims Management School (RMS Grand Ecole / Sup de Co Reims).

David Giraud, Chief Executive Officer. Mr. Giraud has over 30 years of management experience in the European real estate market and serves as the Chief Executive Officer of the REIT. Since co-founding Inovalis S.A. in 1998, Mr. Giraud has helped build Inovalis S.A. into one of Western Europe's leading privately owned real estate investment management companies, with assets under management of \$7 billion. During this time Mr. Giraud has focused on fund structuring, investor relations and overall fund management. Prior to co-founding Inovalis SA, Mr. Giraud acted as Chief Operating Officer of various private equity companies which made investments in various industries Turkey, Lebanon and France. Mr. Giraud graduated with a Master of Management from Reims Management School (RMS Grande Ecole / Sup de Co Reims).

Khalil Hankach, Chief Investment Officer. Mr. Hankach has over 20 years of experience in the European real estate market. From 2003 to 2006, he worked in the acquisitions department and was responsible for acquiring assets in both France and Germany. During this same time he helped Inovalis cultivate strong relationships with various European banks and was charged with raising senior debt for real estate acquisitions. Mr. Hankach has helped build Inovalis S.A. into one of Western Europe's leading privately owned real estate investment management companies, with assets under management of \$7 billion. In 2006, Mr. Hankach headed a joint-venture between Inovalis, United States and Middle Eastern investors in order to purchase performing loans and secure mezzanine financing for third party buyers of real estate. Since 2010, Mr. Hankach has managed the internal Inovalis' team responsible for bank and investor relations while also securing senior debt financing for a variety of real estate acquisitions. Mr. Hankach graduated from the University of Manchester with a Bachelor and Master of Economics.

Penalties or Sanctions

None of the REIT's Trustees or executive officers, and to the best of the Trustees' knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the REIT's Trustees or executive officers, and to the best of the Trustees' knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT, has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

None of the REIT's Trustees or executive officers, and to the best of the Trustees' knowledge, no Unitholder holding a sufficient number of the REIT's securities to affect materially the control of the REIT is, as at the date hereof, or has been within the 10 years before the date hereof,

- a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or
- (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Independent Trustee Matters

In addition to requiring the approval of a majority of the Trustees, the following matters require the approval of at least a majority of the REIT’s independent Trustees who have no interest in the matter to become effective:

- a) making any material change to the Management Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder);
- b) entering into any agreement or transaction in which any Related Party has a material interest or making a material change to any such agreement or transaction;
- c) approving or enforcing any agreement entered into by the REIT with a Related Party;
- d) permitting any of the REIT’s Subsidiaries to acquire any real or other property in which a Related Party has an interest or to sell any interest in any real or other property to a Related Party; and
- e) making or prosecuting any claim by or against any Related Party.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains “conflict of interest” provisions similar to those applicable to corporations under Section 120 of the Canada Business Corporations Act, which serve to protect unitholders without creating undue limitations on the REIT. Given that the REIT’s Trustees and officers will be engaged in a wide range of real estate and other business activities, the Declaration of Trust requires each of the REIT’s Trustees and officers to disclose to the REIT if he or she is a party to a material contract or transaction or proposed material contract or transaction with the REIT or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. The Board of Trustees has also adopted a written code of conduct that applies to all of the REIT’s Trustees, officers and employees and addresses conflicts of interests, among other fair dealing, compliance and ethical obligations of such persons.

Certain of the REIT's Trustees may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See "[Risk Factors](#)".

Board Leadership

Mr. Jean-Daniel Cohen is the Chair of the Board of Trustees. The board maintains a position description for the chair that is reviewed annually and approved by the Compensation and Governance Committee and the board.

The chair directs the operations of the board. He chairs each meeting of the board and is responsible for the management and effective functioning of the board and provides leadership to the board in all matters. More specifically, the chair works in consultation with the members of executive management to, among other things, set the agenda for each board meeting; ensures that the board has all the information it needs to discuss the matters brought before it; and ensures that all of the board's responsibilities as set out in the board mandate, are being fulfilled.

The chair monitors the reports from the committees of the board to ensure the committees are fulfilling the responsibilities delegated to them by the board. The chair also chairs meetings of the unitholders and facilitates the response by management to unitholder concerns. The chair ensures that strategic plans are communicated to the board and that such plans are evaluated as to their success.

The board has the authority to appoint an independent Trustee as lead trustee if the chair of the board is non-independent. The lead trustee ensures that the board operates independently of management and that the Trustees have an independent leadership contact. The lead trustee chairs meetings of the independent Trustees. The board maintains a position description for the lead trustee. The lead trustee meets periodically with the other independent Trustees to obtain insight as to areas where the board and its committees can operate more effectively and to ensure that the board is able to discharge its responsibilities independent of management. Currently, the board does not have a lead trustee as the chair is independent.

COMMITTEES

Pursuant to the Declaration of Trust, the Board of Trustees has established three committees: the Audit Committee, the Compensation and Governance Committee and the Investment Committee. Each Committee is to be composed of at least three Trustees, all of whom must be independent Trustees and a majority of whom must be residents of Canada. The nominees for election as Trustees are determined by the Compensation and Governance Committee in accordance with the provisions of the Declaration of Trust and the Charter of the Compensation and Governance Committee.

TRUSTEES	AUDIT COMMITTEE	COMPENSATION AND GOVERNANCE COMMITTEE	INVESTMENT COMMITTEE
Jean-Daniel Cohen, Chair Mike Bonneveld Marc Manasterski Laetitia Pacaud Robert Waxman	Robert Waxman, Chair Jean-Daniel Cohen Laetitia Pacaud	Laetitia Pacaud, Chair Mike Bonneveld Jean-Daniel Cohen	Mike Bonneveld, Chair Laetitia Pacaud Marc Manasterski

Audit Committee

National Instrument 52-110 – Audit Committees (“NI 52-110”) and the Declaration of Trust require the Board of Trustees to have an Audit Committee consisting of at least three Trustees, all of whom must be Independent Trustees, to enhance the independence of the REIT’s external auditors and oversee the financial reporting and risk management of the REIT.

A copy of the written charter for the Audit Committee is attached to this AIF as Schedule A.

All of the members of the Audit Committee are financially literate and independent (as such terms are defined in NI 52-110).

The Trustees have appointed an Audit Committee of three members consisting of, namely, Mr. Waxman who is the Chair of the Audit Committee, Mr. Cohen and Ms. Pacaud. All of the members of the committee are financially literate. The education and professional experience of each member of the Audit Committee relevant to the performance of his responsibilities on the Audit Committee is as follows:

- Mr. Waxman, the chair of the committee is Chief Financial Officer of Skyline Investments, a Canadian company publicly listed in Tel-Aviv. Between 2016 and 2018, Mr. Waxman was a Senior Advisor in the Finance Modernization & Effectiveness group with the advisory branch of Deloitte LLP. Prior to that period, Mr. Waxman was Chief Financial Officer of the TSX venture exchange-listed CHC Student Housing Corp. from 2013 to 2015. He also founded Silvercove Capital, an asset management firm which he led from 2009 until 2013. Mr. Waxman is a Chartered Professional Accountant, a Chartered Financial Analyst and holds a Bachelor of Business Administration from Wilfrid Laurier University.
- Mr. Cohen graduated from Ecole Centrale de Paris. Mr. Cohen is the Chairman of Hoche Partners Group of Companies, an international investment bank focused on providing advisory, structured financing, private equity and real estate services to family offices and medium sized companies. Mr. Cohen is a director of the following public companies: Realia Properties Inc., Fonciere Volta and Société centrale des bois et scieries de la Manche. Between 2017 and 2021, Mr. Cohen was on the board of directors of Crosswood (NYSE Euronext), and between 2014 and 2022, he was on the board of directors of Advenis SA.
- Ms. Pacaud is the Chief Operating Officer and Chief Financial Officer at Epic Investment Services. Previously, from 2018, Laetitia was Executive Vice-President of Business Development with MDC Group (now operating as Epic Investment Services in Canada). Prior to joining MDC Group, Laetitia was President and a founding member of Strathallen Capital Corporation which was founded in 2003. Ms. Pacaud is a Chartered Professional Accountant and has an ICD.D designation from the Rotman School of Management, Directors Education.

The Audit Committee pre-approves the nature and fees of any non-audit services to be provided to the REIT by the external auditors and considers whether the nature and extent of such services could detract from the independence of the external auditors in carrying out the audit function. The Audit Committee also reviews the performance of any non-audit services provided by the external auditors. At no time since the commencement of the REIT’s most recently completed financial year has the REIT relied on exemptions in relation to “De Minimis Non-Audit Services” or any exemption provided by Part 8 of National Instrument 52-110 – Audit Committees.

Audit Fees

The following table sets forth all services rendered by Ernst & Young LLP (and its network), the REIT's external auditor, for fees related to the REIT for each category of service for the financial year ended December 31, 2022 and 2021.

Category of fees	December 31, 2022	December 31, 2021
Audit Services ⁽¹⁾	\$750,400	\$595,090
Audit Related Services	\$0	\$0
Tax Services ⁽²⁾	\$47,673	\$40,000
All Other Services	\$0	\$0
Total	\$798,073	\$635,090

(1) Refers to all fees incurred in respect of audit services, being the professional services rendered by the external auditors for the audit of the REIT's consolidated financial statements, as well as services normally provided by the external auditors in connection with regulatory filings and engagements.

(2) The REIT's income tax filings in Canada.

Compensation and Governance Committee

The Declaration of Trust requires a Compensation and Governance Committee, consisting of at least three Trustees, to review, oversee and evaluate the governance and nominating policies and the compensation policies of the REIT. All members of the Compensation and Governance Committee are independent Trustees. The Trustees have appointed Ms. Pacaud, Mr. Bonneveld and Mr. Cohen, all of whom are independent, to the Compensation and Governance Committee. Ms. Pacaud is chair of the committee.

Investment Committee

The Declaration of Trust provides that an Investment Committee may be appointed from among the Trustees consisting of at least three Trustees, all of whom must be independent Trustees in accordance with the Charter of the Investment Committee. Members of the Investment Committee, may authorize, without the Board of Trustees' approval, proposed acquisitions, dispositions or borrowings where the acquisition, disposition or borrowing, including the assumption or granting of any mortgage, does not exceed €40 million. The Investment Committee will also recommend to the Board of Trustees whether to approve or reject proposed Transactions, where the value of such transaction exceeds €40 million. The Trustees have appointed Mr. Bonneveld, Ms. Pacaud, and Mr. Manasterski to the Investment Committee. Mr. Bonneveld is Chair of the Committee

DECLARATION OF TRUST

The Third Amended and Restated Declaration of Trust dated April 9, 2020 is available on SEDAR at www.sedar.com.

Units and Special Voting Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without notice to or approval of the Unitholders.

Trust Units

No Unit has any preference or priority over another. Each Unit represents a Unitholder's proportionate undivided beneficial ownership interest in the REIT and confers the right to

one vote at any meeting of unitholders and to participate pro rata in any distributions by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units are fully paid and non-assessable when issued and are transferable. The Units are redeemable at the holder's option, and the Units have no other conversion, retraction, redemption or pre-emptive rights.

Units are redeemable at any time on demand by the holders thereof. Upon receipt of the redemption notice by the Transfer Agent and the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (a) 90% of the Market Price of a Unit calculated as of the date on which the Units were surrendered for redemption; and (b) 100% of the Closing Market Price calculated on the date on which the Units were surrendered for redemption. Cash payable on redemptions will be paid pro rata in cash to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie to such Unitholder of Redemption Notes or securities of a REIT subsidiary or other property of the REIT, as determined by the Trustees in their sole discretion.

Exchangeable Securities and Special Voting Units

The Exchangeable Securities are accompanied by Special Voting Units, which have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units will be issued in conjunction with Exchangeable Securities to which they relate, and will be evidenced only by the certificates representing such Exchangeable Securities. Special Voting Units are not be transferable separately from the Exchangeable Securities to which they are attached and will be automatically transferred upon the transfer of such Exchangeable Securities. Each Special Trust Unit will entitle the holder thereof to that number of votes at any meeting of unitholders that is equal to the number of Units that may be obtained upon the exchange of the Exchangeable Securities to which such Special Trust Unit is attached. Upon the exchange or surrender of an Exchangeable Security for a Unit, the Special Trust Unit attached to such Exchangeable Securities will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Trust Unit will cease to have any rights with respect thereto. Special Voting Units shall not be transferable separately from the Exchangeable Securities to which they relate and will automatically be transferred upon the transfer of any such Exchangeable Securities. Special Voting Units may only be transferred to permitted transferees of Special Voting Units. At December 31, 2021, there were 938,036 Exchangeable Securities outstanding.

Limitation on Non-Resident Ownership

Since the REIT does not own taxable Canadian property (as defined in the Tax Act) it is not subject to restrictions on the REIT's ownership by non-Canadian investors.

UNITHOLDER RIGHTS PLAN

On March 29, 2023, the Board approved the Rights Plan which had been approved by the TSX. A resolution to approve the Rights Plan is on the agenda for approval at the May 9, 2023 Annual General Meeting of Unitholders.

The primary objectives of the Rights Plan are to ensure, to the extent possible, the equal treatment of all Unitholders in connection with any take-over bid for the Units and, in the event of an unsolicited take-over bid, to provide the Board with sufficient time to evaluate the bid and to explore and develop alternatives.

While the existing legislative framework for take-over bids in Canada has addressed many concerns related to unequal treatment of Unitholders, there will continue to be a role for rights plans in protecting the REIT and protecting against unequal treatment of Unitholders. In particular, some remaining areas of concern include:

- protecting against “creeping bids” (the accumulation of more than 20 percent of the Units through purchases exempt from the Canadian take-over bid regime, such as (i) purchases from a small group of Unitholders under private agreements at a premium to the market price, resulting in a change of control transaction without the payment of a premium to all Unitholders, (ii) acquiring control or effective control through the slow accumulation of Units over a stock exchange without the payment of a control premium, or (iii) through other transactions outside of Canada without regard to the take-over bid protections of Canadian securities laws), and requiring the bid to be made to all Unitholders; and
- preventing a potential acquiror from entering into lock-up agreements with existing Unitholders prior to launching a take-over bid, except for permitted lock-up agreements as specified in the Rights Plan.

The Rights Plan is similar to other security holder rights plans adopted by other Canadian real estate investment trusts, income trusts and corporations.

Terms of the Rights Plan

General

To implement the Rights Plan, the Trustees will authorize the issuance of one right (a “**Plan Right**”) in respect of each Unit when issued. Each Plan Right entitles the registered holder to purchase from the REIT one Unit for the Exercise Price, subject to adjustment as set out in the Rights Plan. In the event of an occurrence of a Flip-in Event (as defined below), each Plan Right entitles the registered holder to purchase from the REIT that number of Units that have an aggregate Market Price (as defined in the Rights Plan) on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price (as defined in the Rights Plan), in accordance with the terms of the Rights Plan, for an amount in cash equal to the Exercise Price, subject to certain adjustments. The Plan Rights are not exercisable prior to the Separation Time (as defined below). The issuance of the Plan Rights will not affect reported earnings per Unit until the Plan Rights separate from the underlying Units and become exercisable. The issuance of Plan Rights will not change the manner in which Unitholders currently trade their Units.

The Rights Plan must be reconfirmed by a resolution passed by a majority of greater than 50% of the votes cast by all Unitholders at every annual meeting of Unitholders. If the Rights Plan is not so reconfirmed, the Rights Plan and all outstanding Plan Rights shall terminate and be void and of no further force and effect, provided that such termination shall not occur if a Flip-in Event that has not been waived pursuant to the Rights Plan has occurred prior to such annual meeting. Under the Rights Plan, the Exercise Price is an amount equal to three times the Market Price (as defined in the Rights Plan).

Flip-in Event

A “**Flip-in Event**” means a transaction as a result of which a Person becomes an Acquiring Person (as defined below). On the occurrence of a Flip-in Event, any Plan Rights Beneficially Owned on or after a date determined in accordance with the Rights Plan by an Acquiring Person (including any affiliate or associate thereof or any Person acting jointly or in concert with an Acquiring Person or any affiliate or associate of an Acquiring Person) and certain transferees of Plan Rights will become void and any such holder will not have any right to exercise Plan Rights under the Rights Plan and will not have any other rights with respect to the Plan Rights.

Acquiring Person

An “**Acquiring Person**” is, generally, a Person who is the Beneficial Owner of 20% or more of the then outstanding Units of the REIT. Under the Rights Plan there are various exceptions to this rule, including that an Acquiring Person: (i) shall not include: (A) the REIT or a subsidiary of the REIT, and (B) an underwriter or selling group member during the course of a public distribution, and (ii) may not, in certain circumstances, include a Person who becomes the Beneficial Owner of 20% or more of the outstanding Units as a result of any one of certain events or combinations of events that include: (A) a Unit reduction through an acquisition or redemption of Units by the REIT, and (B) an acquisition of Units made pursuant to a Permitted Bid (as defined below) or a Competing Permitted Bid.

Beneficial Ownership

A Person is deemed to be the “**Beneficial Owner**” of, and to “**Beneficially Own**”, Units in circumstances where that Person or any of its affiliates or associates: (i) is the owner of the Units at law or in equity, or (ii) in certain circumstances, has the right to become the owner at law or in equity where such right is exercisable within 60 days and includes any Units that are Beneficially Owned by any other Person with whom such Person is acting jointly or in concert. Under the Rights Plan there are various exceptions to this rule, including where a Person:

- a) has agreed to deposit or tender Units to a take-over bid pursuant to a permitted lock-up agreement in accordance with the terms of the Rights Plan; or
- b) is an investment fund manager or a trust company acting as trustee or administrator who holds such Units in the ordinary course of such duties for the account of another Person or other account(s), an administrator or trustee of one or more registered pension funds or plans, a crown agent or agency, a manager or trustee of a certain mutual funds or a Person established by statute to manage investment funds for employee benefit plans, pension plans, insurance plans or various public bodies, provided that such Person is not making and has not announced an intention to make a take-over bid alone or acting jointly or in concert with any other Person, other than an Offer to Acquire Units (as defined in the Rights Plan) pursuant to a distribution by the REIT, by means of a Permitted Bid, or by means of ordinary market transactions executed through the facilities of a stock exchange or organized over-the-counter market.

Lock-Up Agreements

A bidder, any of its affiliates or associates or any other Person acting jointly or in concert with the bidder may enter into lock-up agreements (each, a “Lock-up Agreement”) with the REIT’s Unitholders (each, a “**Locked-up Person**”) whereby such Locked-up Persons agree to tender their Units to the take-over bid or otherwise commit to support a control transaction (the “**Subject Bid**”) without a Flip-in Event occurring. Any such agreement must permit the Locked-up Person to withdraw their Units from the lock-up to tender to another take-over bid or support another transaction that (i) will provide greater value to the Locked-up Person than the Subject Bid or (ii) contains an offering price per Unit that exceeds by as much or more than a specified amount (a

“**Specified Amount**”) the value offered under the Subject Bid, and does not provide for a Specified Amount that is greater than 7% of the value offered under the Subject Bid.

Under a Lock-up Agreement no “break-up” fees, “top-up” fees, penalties, expense reimbursement or other amounts that exceed in aggregate the greater of: (i) 2.5% of the value payable to the Locked-up Person under the Subject Bid; and (ii) 50% of the amount by which the value payable to the Locked-up Person under another take-over bid or transaction exceeds what such Locked-up Person would have received under the Subject Bid; can be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender their Units to the Subject Bid or withdraws such Units previously tendered thereto in order to tender such Units to another take-over bid or participate in another transaction.

Permitted Bid

A Flip-in Event will not occur if a take-over bid is structured as a Permitted Bid. A Permitted Bid is a take-over bid made by means of a take-over circular, which also complies with the following provisions:

- a) the take-over bid is made to all registered Unitholders of the REIT, wherever resident, other than the Person making the bid;
- b) the take-over bid contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, irrevocable and unqualified conditions that:
 - i) no Units will be taken-up or paid for pursuant to the take-over bid: (A) before the close of business on a date that is not less than 105 days following the date of the take-over bid or such shorter minimum initial deposit period that a non-exempt take-over bid must remain open for deposits, in the applicable circumstances at such time, pursuant to NI 62-104; and (B) then only if, at the close of business on such date, the Units deposited or tendered pursuant to the take-over bid and not withdrawn constitute
 - ii) more than 50% of the Units outstanding which are held by “independent unitholders” (as defined in the Rights Plan);
 - iii) unless the take-over bid is withdrawn, Units may be deposited pursuant to the take-over bid at any time before the close of business on the date of the first take-up of or payment for Units;
- c) any Units deposited pursuant to the take-over bid may be withdrawn until taken-up and paid for; and
- d) if the requirement in clause (b) (i) (B) is satisfied, the Person making the bid will make a public announcement of that fact and the take-over bid will remain open for deposits and tenders of Units for not less than ten days from the date of such public announcement.

Trading of Rights

Until the Separation Time (as defined below), the Plan Rights will be evidenced by the associated issued and outstanding Units of the REIT. The Rights Plan provides that, until the Separation Time, the Plan Rights will be transferred with, and only with, the associated Units. Until the Separation Time, or earlier termination or expiration of the Plan Rights, each new Unit certificate issued after the applicable record time, if any, will display a legend incorporating the terms of the Rights Plan by reference. As soon as practicable following the Separation Time, separate certificates evidencing the Plan Rights (“**Plan Rights Certificates**”) will be mailed to registered Unitholders, other than an Acquiring Person and in respect of any Plan Rights Beneficially Owned by such Acquiring Person, as of the close of business at the Separation Time, and thereafter the Plan Rights Certificates alone will evidence the Plan Rights.

Separation Time

The Plan Rights will separate and trade apart from the Units after the Separation Time until the Expiration Time. Subject to the right of the Trustees to defer it, the “Separation Time” means the close of business on the eighth business day after the earliest of: (i) the first date of a public announcement that a Person has become an Acquiring Person; (ii) the commencement or first public announcement of the intent of any Person to commence a take-over bid other than a Permitted Bid or a Competing Permitted Bid; and (iii) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such.

Waiver

Without the consent of Unitholders or, if applicable, holders of Plan Rights, the Trustees may waive the application of the Rights Plan to a Flip-in Event that would occur by reason of a take-over bid made by means of a take-over bid circular to all Unitholders of the REIT provided that, if the Trustees waive the application of the Rights Plan to such Flip-in Event, they will be deemed to have waived the application of the Rights Plan to any other Flip-in Events occurring by reason of a take-over bid made by means of a take-over bid circular to all Unitholders of the REIT which is made prior to the expiry of any take-over bid in respect of which a waiver has been granted by the Trustees. The Trustees may also, subject to certain conditions, waive the application of the Rights Plan to a Flip-in Event triggered by inadvertence.

Redemption

The Trustees with the approval of a majority vote of the votes cast by Unitholders (or the holders of Plan Rights if the Separation Time has occurred) voting in person and by proxy, at a meeting duly called for that purpose, may redeem the Plan Rights at \$0.001 per Plan Right, subject to adjustment in accordance with the Rights Plan. Plan Rights will become void and be of no further effect on the date that any Person who has made a Permitted Bid, Competing Permitted Bid or Exempt Acquisition (as defined in the Rights Plan) takes up and pays for the Units pursuant to such transaction.

Power to Amend

The REIT may make amendments to the Rights Plan to correct clerical or typographical errors without the approval of the holders of Plan Rights. The REIT may make amendments to the Rights Plan to preserve the validity of the Rights Plan in the event of any change in applicable legislation, rules or regulations thereunder with the approval of the Unitholders of the REIT or, in certain circumstances, the holders of Plan Rights, in accordance with the Rights Plan. In other circumstances, amendments to the Rights Plan may require the prior approval of the Unitholders of the REIT or, the holders of Plan Rights.

Exemptions for Investment Advisors

Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans acquiring greater than 20% of the Units are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

INVESTMENT GUIDELINES AND OPERATING POLICIES

The Declaration of Trust provides for certain guidelines on investments that may be made by the REIT. The REIT’s investment and operating activities are limited because the REIT’s operating business is carried out by the REIT’s Subsidiaries. The Investment Guidelines governing the REIT’s investments in real estate and other assets and the Operating Policies governing the REIT’s investments are set out below.

Investment Guidelines

Pursuant to the Declaration of Trust and other documents governing the REIT, the REIT's assets may be invested only in accordance with the following Investment Guidelines:

- 1) The REIT will only invest in units, notes and securities of the REIT Subsidiaries, amounts receivable in respect of such units, notes and securities, cash and similar deposits in a Canadian or European chartered bank or trust company;
- 2) The REIT will not make, or permit any of the REIT Subsidiaries to make, any investment that could result in: (a) the Units being disqualified for investment by Plans; (b) the REIT owning "non-portfolio property" as defined in subsection 122.1(1) of the Tax Act; or (c) the REIT ceasing to qualify as a "mutual fund trust" for purposes of the Tax Act;
- 3) Subject to the other provisions hereof, Subsidiaries of the REIT shall invest only in income-producing real property or assets (including ownership and leasehold interests) or assets ancillary thereto located outside of Canada;
- 4) Subsidiaries of the REIT will not invest in raw land (except for the acquisition of properties adjacent to the REIT's existing properties for the purpose of renovation or expansion of existing assets where the total cost of all such investments does not exceed 10% of the REIT's Gross Book Value);
- 5) Subsidiaries of the REIT may invest in a joint venture arrangement only if:
 - a) the arrangement is an arrangement pursuant to which the applicable Subsidiary of the REIT holds, directly or indirectly, an interest in real property jointly or in common with others ("joint venturers") and the arrangement is formed and operated solely for the purpose of holding a particular real property or properties; and
 - b) the joint venture arrangement provides an appropriate mechanism to enable the applicable Subsidiary of the REIT to: (i) acquire the joint venturer's interest; (ii) dispose of or otherwise liquidate its interests; or (iii) sell the entire property, unless, in each case, the joint venture arrangement is an existing arrangement that is assumed as part of a portfolio acquisition or other similar transaction;
- 6) Except for temporary investments held in cash, deposits with a Canadian or European chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or in money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank or a European chartered bank maturing prior to one year from the date of issue, Subsidiaries of the REIT may not hold securities or enter into derivative contracts other than (i) for hedging and other risk management purposes; or (ii) securities of a joint venture entity or a partnership, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned by the applicable Subsidiary of the REIT, or an entity owned by the applicable Subsidiary of the REIT formed and operated solely for the purpose of holding a particular real property or real properties; or (iii) securities of a public real estate entity;
- 7) Subsidiaries of the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- 8) Subsidiaries of the REIT may invest in a mortgage or mortgage bonds (including participating or convertible mortgages) only where:
 - a) the real property which is security therefor is income-producing real property which otherwise meets the REIT's Investment Guidelines; (ii) the mortgage is a first mortgage registered on title to the real property which is security therefor; (iii) the amount of the mortgage loan is not in excess of 75% of the appraised market value of the property

securing the mortgage; and (iv) the aggregate value of the REIT's investments in mortgages, after giving effect to the proposed investment, will not exceed 20% of the REIT's Gross Book Value; or

- b) the sole intention is to use the acquisition of the mortgages as a method of acquiring control of an income-producing real property which would otherwise meet the Investment Guidelines set forth in the Declaration of Trust, provided that the aggregate value of the REIT's investments in these mortgages will not exceed 10% of the REIT's Gross Book Value and provided that the REIT has an option to acquire a 100% interest in the subject property or properties;
- 9) provided that, notwithstanding the foregoing, Subsidiaries of the REIT may invest in any mortgage, which does not satisfy either (a) or (b) above, if such investment is specifically approved by the Trustees; and
- 10) Subsidiaries of the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT and secured by a mortgage on such property) up to 25% of the REIT's Gross Book Value in investments or transactions which do not otherwise comply with the REIT's Investment Guidelines, so long as the investment is outside of Canada and does not contravene Paragraph 2 above.

(collectively, the "**Investment Guidelines**")

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which the REIT has an interest will be deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement that holds real property.

Operating Policies

The Declaration of Trust and other documents governing the REIT provide that the REIT's operations and affairs must be conducted in accordance with the following Operating Policies and that the REIT will not permit any of the REIT Subsidiaries to conduct its operations and affairs other than in accordance with the following Operating Policies:

- 1) To the extent the Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of the REIT and the REIT's unitholders, any written instrument which, in the judgment of the Trustees, creates a material obligation of the REIT must contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of any of the Trustees, unitholders of the REIT, annuitants or beneficiaries under a plan of which a unitholder acts as a Trustee or carrier or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof will be bound;
- 2) The REIT will only guarantee the obligations of Subsidiaries, provided that the REIT may guarantee the obligations of Subsidiaries of the REIT that are general partners in partnerships that are not wholly-owned by the REIT if the REIT has received an unqualified legal opinion that the guarantee by the REIT will not cause the REIT to cease to qualify as a "mutual fund trust" for the purposes of the Tax Act;
- 3) Subsidiaries of the REIT will not enter into any transaction involving the purchase of lands or land and improvements thereon and the leasing thereof back to the vendor where the fair market value net of encumbrances of the property being leased to the vendor together with

all other property being leased by Subsidiaries of the REIT to the vendor and its affiliates exceeds 15% of the REIT's Gross Book Value;

- 4) The limitation referred to in paragraph 3 above will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by: (a) a federal, provincial, state, municipal or city government, or any agency or crown corporation thereof, of any jurisdiction; or (b) any corporation which has securities outstanding that have received and continue to hold an investment grade rating from a recognized credit rating agency at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements were entered into that is not less than "A low" or its equivalent;
- 5) Subsidiaries of the REIT may engage in construction, development or redevelopment of real property provided such real property could, on completion, meet the REIT's Investment Guidelines and Operating Policies;
- 6) To the extent that a Subsidiary of the REIT acquires a freehold interest in a property, title to such real property shall be held by and registered in the name of the relevant subsidiary of the REIT, the Trustees or in the name of a corporation or other entity majority owned, directly or indirectly, by the REIT or jointly, directly or indirectly, by the REIT with joint venturers;
- 7) Subsidiaries of the REIT will obtain and maintain at all times insurance coverage in respect of potential liabilities of Subsidiaries of the REIT and the accidental loss of value of the assets of Subsidiaries of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties;
- 8) The REIT shall not incur or assume any Indebtedness if, after giving effect to the incurring or assumption of the Indebtedness, the total Indebtedness of the REIT would be more than 60% of the REIT's Gross Book Value; and
- 9) Subsidiaries of the REIT shall obtain a Phase I ESA of each real property to be acquired by it and, if the Phase I ESA report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant, and as a condition to any acquisition such assessments shall be satisfactory to the Trustees.

(collectively, the "**Operating Policies**")

For the purpose of the foregoing Operating Policies, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which the REIT has an interest will be deemed to be owned by the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to investment in property will be deemed to include an investment in a joint venture arrangement.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, the Investment Guidelines set forth above may only be amended with the approval of at least 66 2/3% of the votes cast at a meeting of unitholders of the REIT called for that purpose, except for certain amendments that may be undertaken by a majority of the Trustees pursuant to the Declaration of Trust. Pursuant to the Declaration of Trust, the Operating Policies set forth above may only be amended with the approval of a majority of the votes cast at a meeting of unitholders of the REIT called for that purpose.

TRADING PRICE AND TRADING VOLUME OF THE UNITS

The Units of the REIT are listed on the TSX and are quoted under the symbol “INO.UN.” The following table sets forth, for the periods indicated, the price ranges and trading volumes of the Units on the TSX.

2022	Low	High	Volume
January	\$9.32	\$9.93	1,808,744
February	\$9.71	\$10.43	2,153,156
March	\$8.64	\$9.93	4,274,240
April	\$8.25	\$9.30	2,897,420
May	\$7.16	\$8.34	2,438,313
June	\$7.05	\$8.00	1,984,830
July	\$7.02	\$7.56	1,770,165
August	\$4.71	\$7.33	4,819,123
September	\$4.11	\$4.84	3,140,957
October	\$4.07	\$4.63	1,544,239
November	\$3.32	\$4.80	3,638,340
December	\$3.66	\$4.50	1,736,435

No securities of the REIT are quoted or traded in a foreign marketplace.

PRIOR SALES

There were no prior sales of exchangeable securities in 2022.

DISTRIBUTIONS AND DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT. Subject to compliance with such distribution policy, determinations as to the amounts distributable are in the discretion of the Trustees to determine the percentage payout of income that would be in the best interests of the REIT in accordance with the Declaration of Trust. Given that the level of working capital tends to fluctuate over time and should not affect the REIT’s distribution policy, working capital is not considered when determining the REIT’s distributions.

The REIT makes monthly cash distributions to Unitholders on each Distribution Date (being in respect of a month), on or about the 15th day of the following month. On August 15, 2022, the Board of Trustees reduced the REIT’s monthly distribution to Unitholders from \$0.068750 per unit to \$0.034375 per unit effective with the September 2022 distribution. This reduction changed the annualized distribution from \$0.8250 to \$0.4125.

Distribution History	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Monthly distribution	\$0.06875 to \$0.034375	\$0.06875	\$0.06875	\$0.06875	\$0.06875	\$0.06875	\$0.06875	\$0.06875	\$0.06875	\$0.06875
Annualized distribution	\$0.825 to \$0.4125	\$0.825	\$0.825	\$0.825	\$0.825	\$0.825	\$0.825	\$0.825	\$0.825	\$0.825

(1) The initial distribution was paid on June 17, 2013 for the period from the initial public offering until May 31, 2013.

10% UNITHOLDERS

To the knowledge of the Trustees and executive officers of the REIT, no other person or company owns, directly or indirectly, more than 10% of the Units.

LEGAL PROCEEDING AND REGULATORY ACTIONS

None of the REIT or the REIT Subsidiaries is currently involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this AIF, no Trustee, officer of the REIT, or unitholder that beneficially owns, or controls or directs more than 10% of the REIT Units, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or any proposed transaction, that has materially affected or would materially affect the REIT or any of the REIT Subsidiaries.

EXPERTS & INTERESTS OF EXPERTS

In 2022, appraisals of the REIT's portfolio of properties in France and Germany were prepared by Jones Lang LaSalle Expertises SAS and Jones Lang LaSalle GmbH and by Savills Valoraciones y Paseo de la Castellana for the Spanish property.

The employees of Jones Lang LaSalle Expertises SAS, Jones Lang LaSalle GmbH and Savills Valoraciones y Paseo de la Castellana, each beneficially own, directly or indirectly, less than 1% of the outstanding securities of any class or series of the REIT.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The external auditor of the REIT is Ernst & Young LLP. Ernst & Young LLP is independent of the REIT within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*. Ernst & Young LLP is located at 900 De Maisonneuve Boulevard West, Suite 2300, Montreal, Quebec, Canada.

The transfer agent and registrar for the Units is TSX Trust Company at its principal office located in Toronto, Ontario.

MATERIAL CONTRACTS

The following is the only material contract, other than contracts entered into in the ordinary course of business, entered into by the REIT or the REIT Subsidiaries within the most recently completed financial year of the REIT:

1. Deferred Unit Plan.

Subsequent to December 31, 2022, on March 27, 2023, the REIT entered into the Fifth Amended and Restated Management Agreement with Inovalis S.A. and the Unitholder Rights Plan.

ADDITIONAL INFORMATION

Additional information, including Trustees and officers' remuneration, principal holders of the REIT's Units and Units authorized for issuance under the Deferred Unit Plan, where applicable, is contained in the REIT's Management Information Circular for its most recent annual meeting of Unitholders that involves the election of Trustees. Additional financial information is also provided in the REIT's audited consolidated financial statements and management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2022.

Copies of the audited consolidated financial statements, management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2022, the material contract and this Annual Information Form may be obtained by contacting Khalil Hankach at Inovalis REIT at 151 Yonge Street, 11th Floor, Toronto (Ontario) M5C 2W7 or by email at Khalil.hankach@inovalis.com, or on SEDAR at www.sedar.com.

SCHEDULE A

Approved: November 14, 2017

Last updated: November 2021

INOVALIS REAL ESTATE INVESTMENT TRUST AUDIT COMMITTEE CHARTER

PURPOSE

The overall purpose of the Audit Committee (the “**Committee**”) of the REIT is to oversee the accounting and financial reporting practices of the REIT, monitor the REIT’s system of internal financial controls, evaluate and report on the integrity of the financial statements of the REIT, enhance the independence of the REIT’s external auditors and exercise the responsibilities and duties set out in this Charter and any other duties delegated thereto by the Board of Trustees.

COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the board of trustees of the REIT (the “**Board of Trustees**”), each of whom shall be, in the determination of the Board of Trustees, “independent” as that term is defined by Multilateral Instrument 52-110, as may be replaced or amended from time to time (including any successor rule or policy thereto), and the majority of whom shall be resident Canadians.
2. The members of the Committee shall be appointed annually by the Board of Trustees. Each member of the Committee shall serve at the pleasure of the Board of Trustees until the member resigns, is removed, or ceases to be a member of the Board of Trustees. Unless a Chair is elected by the Board of Trustees, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
3. At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the REIT’s financial statements.
4. The Board of Trustees, at its organizational meeting held in conjunction with each annual meeting of unitholders, shall appoint the members of the Committee for the ensuing year. The Board of Trustees may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a trustee of the REIT shall cease to be a member of the Committee.
5. Unless the Board of Trustees shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.

6. The Committee shall have access to such officers and employees of the REIT and to the REIT's external auditors and its legal counsel, and to such information respecting the REIT as it considers to be necessary or advisable in order to perform its duties.
7. Notice of every meeting shall be given to the external auditors, who shall, at the expense of the REIT, be entitled to attend and to be heard thereat.
8. Meetings of the Committee shall be conducted as follows:
 - (a) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;
 - (b) the external auditors or any member of the Committee may call a meeting of the Committee;
 - (c) any trustee of the REIT may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the chair of the Committee; and
 - (d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee.
9. The external auditors shall be entitled to communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the REIT as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.
10. Compensation to members of the Committee shall be limited to trustee's fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the REIT (other than as members of the Board of Trustees and members of committees of the Board of Trustees).
11. The Committee is authorized, at the REIT's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties and to set their compensation.

MEETINGS

12. The Committee may meet as many times in the year as is necessary for it to carry out its responsibilities.
13. The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.
14. No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum, provided that a majority of the members of the Committee comprising the quorum shall be resident Canadians.
15. The Chair, any member of the Committee, the external auditors, the Chairman of the Board of Trustees, the Chief Executive Officer or the Chief Financial

Officer may call a meeting of the Committee by notifying the REIT's Secretary who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for a meeting.

16. The external auditors are entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the REIT, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.
17. The Committee shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisers without consulting or obtaining the approval of the Board of Trustees or any REIT officer. The REIT shall provide appropriate funding, as determined by the Committee, for the services of these advisors.
18. The Committee shall have unrestricted access to the REIT's management and employees and the books and records of the REIT

DUTIES

19. The overall duties of the Committee shall be to:
 - (a) assist the Board of Trustees in the discharge of its duties relating to the REIT's accounting policies and practices, reporting practices and internal controls;
 - (b) establish and maintain a direct line of communication with the REIT's external auditors and assess their performance;
 - (c) oversee the co-ordination of the activities of the external auditors;
 - (d) ensure that the management of the REIT has designed, implemented and is maintaining an effective system of internal controls;
 - (e) monitor the credibility and objectivity of the REIT's financial reports;
 - (f) report regularly to the Board of Trustees on the fulfillment of the Committee's duties;
 - (g) assist the Board of Trustees in the discharge of its duties relating to the REIT's compliance with legal and regulatory requirements; and
 - (h) assist the Board of Trustees in the discharge of its duties relating to risk assessment and risk management.

EXTERNAL AUDIT

20. The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the

external auditors regarding financial reporting, and in carrying out such oversight the Committee's duties shall include:

- (a) recommending to the Board of Trustees a firm of external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT;
- (b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 – *Continuous Disclosure Obligations* or any successor legislation (“**NI 51-102**”), and the planned steps for an orderly transition;
- (c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
- (d) pre-approving the engagement letters of the external auditors, both for audit and non-audit services;
- (e) reviewing the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and
- (f) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

FINANCIAL REPORTING AND DISCLOSURE

21. The duties of the Committee as they relate to audits and financial reporting shall be to:

- (a) review the audit plan with the external auditor and management;
- (b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;
- (c) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (d) review the scope and quality of the audit work performed;
- (e) review the adequacy of the REIT's financial and auditing personnel;
- (f) review the co-operation received by the external auditor from the REIT's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;
- (g) review the internal resources used;
- (h) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;

- (i) review and approve the REIT's annual consolidated audited financial statements and those of its subsidiaries, the auditor's report thereon and the related management's discussion and analysis of the REIT's financial condition and results from operations ("MD&A"), and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (j) review and approve the REIT's interim unaudited financial statements and the related MD&A and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (k) review any errors or omissions in the current or prior year's financial statements;
- (l) contribute to the Board of Trustee's oversight of environmental, social and governance matters ("ESG") by reviewing the status of the ESG strategy, plans and policies, measurements, financials and disclosures;
- (m) review and assess any ESG gaps or risks and provides recommendations to the Board; and
- (n) establish a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters.

ACCOUNTING AND DISCLOSURE POLICIES AND PRACTICES

22. The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:
- (a) review changes to accounting principles of the Chartered Professional Accountants of Canada which would have a significant impact on the REIT's financial reporting as reported to the Committee by management and the external auditors;
 - (b) review the appropriateness of the accounting policies used in the preparation of the REIT's financial statements and consider recommendations for any material change to such policies;
 - (c) review the status of material contingent liabilities as reported to the Committee by management;
 - (d) review and approve before their release all public disclosure documents containing audited or unaudited financial information, including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms, management's discussion and analysis and financial guidance provided to analysts, rating agencies or otherwise publicly disseminated; and
 - (e) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

COMPLIANCE WITH LAWS

23. The duties of the Committee as they relate to compliance with laws shall be to:

- (a) review regular reports from management and others (e.g. the Auditor) with respect to the REIT's compliance with laws and regulations having a material impact on the financial statements;
- (b) review the status of taxation and statutory remittance matters of the REIT as reported to the Committee by management;
- (c) approve a Code of Business Conduct and Ethics and review reports from management and/or the Auditor on their review of compliance with the REIT's Code of Business Conduct and Ethics; and
- (d) monitor any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or business affairs of the REIT, or on the compliance policies of the REIT.

COMPUTERIZED SYSTEMS

24. The duties of the Committee as they relate to computerized systems shall be to:
- (a) review procedures and reports from management related to computerized accounting systems with respect to quality and accuracy;
 - (b) oversee any material changes to enterprise-wide information technology systems; and
 - (c) review annually, enterprise-wide information technology security and disaster recovery plans, the adequacy of the protection against damage and disruption, and security of confidential information through information systems reporting.

BOARD RELATIONSHIP AND REPORTING

25. The duties of the Committee as they relate to board relationship and reporting shall be to:
- (a) review the Committee's performance annually and propose recommended changes to the Board;
 - (b) review and assess the adequacy of this charter every two years, taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Bank has a reporting relationship, and submit such amendments as the Committee proposes to the Compensation and Governance Committee; and
 - (c) report regularly to the Board on Committee activities, issues and related recommendations

OTHER DUTIES

26. The other duties of the Committee shall include:
- (a) reviewing any inquiries, investigations or audits of a financial nature by

governmental, regulatory or taxing authorities;

- (b) approving the hiring of any employee from an external auditor;
- (c) reviewing and reporting to the Board of Trustees on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
- (d) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical; and
- (e) any other questions or matters referred to it by the Board of Trustees.