

CORPORATE GOVERNANCE

The board and management of SPH REIT Management Pte. Ltd., and the manager of SPH REIT (the “Board”; the “Management”; the “Manager”), are committed to good corporate governance as they believe that it is essential to the sustainability of SPH REIT’s business and performance as well as in protecting the interests of the unitholders of SPH REIT (“Unitholders”). Good corporate governance is also critical to the performance and success of the Manager.

SPH REIT’s corporate governance policies and practices are in accordance with the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the “MAS”) on 6 August 2018 (the “2018 Code”). The Manager has adhered to the principles and provisions of the 2018 Code in all material aspects. In so far as any provision has not been complied with, the reason has been provided. The Annual Report should be read in totality for the Manager’s full compliance.

THE MANAGER OF SPH REIT

The Manager has general powers of management over the assets of SPH REIT. The Manager’s main responsibility is to manage SPH REIT’s assets and liabilities for the benefit of Unitholders.

The Manager discharges its responsibility for the benefit of Unitholders, in accordance with applicable laws and regulations as well as the trust deed constituting SPH REIT dated 9 July 2013 (“Trust Deed”) and as amended from time to time. The Manager sets the strategic direction of SPH REIT and gives recommendations to DBS Trustee Limited, as trustee of SPH REIT (the “Trustee”) on the acquisition, divestment, development and/or enhancement of its assets in accordance with its stated investment strategy. As a REIT manager, the Manager is granted a Capital Markets Services Licence (“CMS Licence”) by the MAS.

The Manager uses its best endeavours to ensure that SPH REIT conducts its business in a proper and efficient manner; and conducts all transactions with or for SPH REIT on an arm’s length basis and on normal commercial terms. The Manager’s other functions and responsibilities include:

1. preparing business plans on a regular basis, which may contain proposals and forecasts on gross revenue, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions;
2. ensuring compliance with the applicable provisions of the Securities and Futures Act and all other relevant legislation such as the SGX-ST Listing Manual, the Code on Collective Investment Schemes (including Appendix 6) issued by the MAS (the “CIS Code”), the Trust Deed, the CMS Licence and any tax ruling and all relevant contracts;
3. attending to all regular communications with Unitholders; and
4. supervising SPH Retail Property Management Services Pte Ltd, the property manager that manages the day-to-day property management functions (including leasing, accounting, budgeting, marketing, promotion, property management, maintenance and administration) for SPH REIT’s properties, pursuant to the property management agreements signed for the respective properties.

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: The Manager is headed by an effective Board which is collectively responsible and works with Management for the long-term success of SPH REIT.

The Board is responsible for the overall management and corporate governance of the Manager and SPH REIT including establishing goals for Management and monitoring the achievement of these goals and holds Management accountable for performance. The Board also sets the values and ethical standards of SPH REIT as well as considers sustainability issues relevant to its business, its stakeholders, and its impact on the environment.

The key roles of the Board are to:

1. guide the corporate strategy and directions of the Manager;
2. ensure that senior management discharges business leadership and demonstrates the necessary management capability with integrity and enterprise;
3. oversee the proper conduct of the Manager; and
4. safeguard the interests of Unitholders and SPH REIT's assets.

A letter explaining a director's duties and obligations is issued to every new Director upon appointment. The letter sets out the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

To assist the Board in the discharge of its oversight function, the Audit and Risk Committee ("ARC") and the Nominating and Remuneration Committee ("NRC") have been constituted with written terms of reference.

The Board has put in place a set of internal controls containing approval limits for operational and capital expenditures, investments and divestments, bank borrowings and cheque signatory arrangements. In addition, sub-limits are also delegated to various management levels to facilitate operational efficiency.

Matters requiring the Board's decision and approval include:

1. Material transactions such as major funding proposals, investments, acquisitions and divestments including SPH REIT's commitment in terms of capital and other resources;
2. The annual budgets and financial plans;
3. Annual and half-yearly financial reports;
4. Internal controls and risk management strategies and execution; and
5. Appointment of directors and key management staff including review of performance and remuneration packages.

The names of the members of the Board Committees are set out in the Corporate Directory page of this Annual Report.

CORPORATE GOVERNANCE

Board and Board Committee Attendance

The Board meets on a quarterly basis and as warranted by particular circumstances. Six Board meetings were held in the financial year ended 31 August 2021 ("FY2021") to discuss and review the Manager's and SPH REIT's key activities, including its business strategies and policies for SPH REIT, proposed acquisitions and disposals, the annual budget, the performance of the business and the financial performance of SPH REIT and the Manager. The Board also reviews and approves the release of the half and full-year results. For the quarter where no financial report was issued, the Board reviewed and approved the operational and performance update for that quarter. A Director who is unable to attend any meeting in person may participate via telephone or video conference. The attendance of the Directors at meetings of the Board, ARC and NRC, and the frequency of such meetings, is disclosed below. A Director who fails to attend three Board meetings consecutively, without good reason, will not be nominated for re-appointment and will be deemed to have resigned.

Apart from the Board meetings, the Management had also organised five regular management update meetings to brief the Directors on the impact of COVID-19 on its operations and financial performance, and the relevant legislation and regulations imposed on the malls in Singapore and Australia.

The Directors recognize that they are fiduciaries and are expected to exercise independent judgment in the best interests of SPH REIT and have consistently discharged this duty in all relevant matters.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND RISK COMMITTEE AND NOMINATING AND REMUNERATION COMMITTEE (FOR FY2021)

Directors' attendance at the Board, ARC and NRC meetings for the period from 1 September 2020 to 31 August 2021.

| Name of Director | Board | Audit & Risk Committee | Nominating & Remuneration Committee |
|---|------------|------------------------|-------------------------------------|
| Leong Horn Kee Board Chairman (Appointed on 10 June 2013) | 6 out of 6 | 4 out of 4 | 4 out of 4 |
| Soon Tit Koon Audit & Risk Committee Chairman (Appointed on 10 June 2013) | 6 out of 6 | 4 out of 4 | 4 out of 4 |
| David Chia Chay Poh* Nominating & Remuneration Committee Chairman (Appointed from 10 June 2013 to 1 December 2020) | 1 out of 1 | 1 out of 1 | 1 out of 1 |
| Trina Loh Soh Yong^ Nominating & Remuneration Committee Chairman (Appointed on 1 December 2020) | 5 out of 5 | 3 out of 3 | 3 out of 3 |
| Hoo Sheau Farn (Appointed on 26 September 2018) | 6 out of 6 | 4 out of 4 | 4 out of 4 |
| Ng Yat Chung (Appointed on 1 August 2017) | 6 out of 6 | 4 out of 4 | 4 out of 4 |
| Ginney Lim May Ling (Appointed on 10 June 2013) | 6 out of 6 | 4 out of 4 | 4 out of 4 |
| Chua Hwee Song (Appointed on 30 November 2018) | 6 out of 6 | 4 out of 4 | 4 out of 4 |

* Mr David Chia Chay Poh stepped down as a Non-Executive and Independent Director with effect from 1 December 2020. He served as member of the ARC and Chairman of the NRC until 1 December 2020.

^ Mrs Trina Loh Soh Yong was appointed as a Non-Executive and Independent Director, a member of the ARC and Chairman of the NRC with effect from 1 December 2020.

Access to Information

The Manager recognises that the timely provision of complete, adequate and accurate information is critical for the Board to be effective in discharging its duties.

The Board is provided with monthly and quarterly reports (where applicable) and half-yearly reports encompassing management reports, financial statements, progress reports of SPH REIT's business operations, as well as analysts' reports. The full-year and half-year results announcements and annual budget are presented to the Board for approval. Financial results are compared against the immediate preceding year as well as budgets, together with explanations given for significant variances for the relevant period. The Board also receives regular updates regarding industry and technological developments. Because of the COVID-19 situation, Directors received more regular updates through management update meetings. Such reports enable Directors to keep abreast of issues and developments in the industry, as well as challenges and opportunities for SPH REIT.

As a general rule, board papers are sent to Directors at least one week in advance in order for Directors to be adequately prepared for the meeting. Senior Management and the property management team, when appropriate, attend Board meetings to answer any queries from the Directors. The Directors also have unrestricted access to the Company Secretary and Management at all times. Directors are entitled to request from Management and be provided with such additional information as needed to make informed and timely decisions. The Company Secretary works closely with the Chairman in setting the agenda for Board meetings and attends all Board meetings and prepares minutes of the Board proceedings. The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flow within the Board and the Board Committees and between Management and Directors. The Company Secretary also organises orientation and training for Directors, as well as provides updates and advises Directors on all governance matters. The appointment and removal of the Company Secretary is subject to the approval of the Board.

Should Directors, whether as a group or individually, need independent professional advice relating to the Manager's affairs, the Company Secretary will appoint a professional advisor to render the relevant advice and keep the Board informed of such advice. The cost of such professional advice will be borne by the Manager.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of SPH REIT.

Currently, the Board comprises seven Directors, of whom four are independent Directors and three are non-independent non-executive Directors. Each Director has been appointed on the strength of his/her calibre, expertise and experience.

SPH REIT is committed to building an open, inclusive and collaborative culture, and recognises the benefits of having a Board with diverse backgrounds and experience. Such diversity will provide a wider range of perspectives, skills and experience, which will allow the Board to better identify possible risks, raise challenging questions, and contribute to strategic direction and problem-solving. The Board is of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, gender, knowledge and core competencies such as accounting, law, finance, business or management experience, industry knowledge and strategic planning experience. The Board will continue to review its composition regularly to ensure that the Board has the appropriate balance and diversity to maximise its effectiveness.

CORPORATE GOVERNANCE

The current composition of the Board and the Board Committees is set out below:

| Name of Director | Board | Audit & Risk Committee | Nominating & Remuneration Committee |
|--|---|------------------------|-------------------------------------|
| Leong Horn Kee Board Chairman (Appointed on 10 June 2013) | Chairman and Non-Executive Independent Director | – | Member |
| Soon Tit Koon (Appointed on 10 June 2013) | Non-Executive Independent Director | Chairman | Member |
| Trina Loh Soh Yong (Appointed on 1 December 2020) | Non-Executive Independent Director | Member | Chairman |
| Hoo Sheau Farn (Appointed on 26 September 2018) | Non-Executive Independent Director | Member | Member |
| Ng Yat Chung (Appointed on 1 August 2017) | Non-Independent, Non-Executive Director | – | Member |
| Ginney Lim May Ling (Appointed on 10 June 2013) | Non-Independent, Non-Executive Director | – | Member |
| Chua Hwee Song (Appointed on 30 November 2018) | Non-Independent, Non-Executive Director | – | Member |

The Board Diversity Policy sets out the Manager's approach to diversity on its Board. In identifying qualified and suitable candidates for appointment to the Board, the NRC will consider candidates on merit against the objective criteria set and with due regard for the benefits of diversity on the Board. Under this policy, NRC will review the relevant objectives for promoting and achieving diversity on the Board and make recommendations for approval by the Board. NRC will review this policy from time to time as appropriate.

The Board considers that its present size is appropriate, facilitating effective decision making and allowing for a balanced exchange of views, robust deliberations and debates among members, and effective oversight over Management. The Board also includes three female Directors in recognition of the importance of gender diversity. The current Board composition reflects a diversity of gender, age, skills and knowledge.

The independence of each Director is assessed by the Board in accordance with Provision 2.1 of the 2018 Code and the Securities and Futures (Licensing and Conduct of Business) Regulations.

Key information regarding the Directors, including directorship and chairmanship (both present and those held over the preceding five years) in other listed companies, and other principal commitments, are set out in the Board of Directors' section and on pages 16 to 20.

The Board and Management are given opportunities to engage in open and constructive debate for the furtherance of strategic objectives of the Manager and SPH REIT. All Board members are supplied with relevant, complete and accurate information on a timely basis and may challenge Management's assumptions and also extend guidance to Management, in the best interest of SPH REIT.

To facilitate open discussions and the review of the performance and effectiveness of Management, the Directors meet at least once annually without the presence of Management.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman and CEO are separate persons and are not related, to maintain an effective check and balance. The Chairman is a non-executive and independent Director. The CEO bears executive responsibility for SPH REIT's business and implements the Board's strategic decisions. The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman sets the agenda for Board meetings, ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive exchanges and sharing within the Board and between the Board and Management, facilitates the effective contribution of Directors, and facilitates effective communications with Unitholders. He takes a lead role in promoting high standards of corporate governance, with the full support of the Directors, the Company Secretary and Management.

The Manager does not have any lead Independent Director given that the Chairman and CEO are not the same person and are not immediate family members. The Chairman is not part of the management team and is an independent Director.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NRC administers nominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members. In addition, as part of regulatory requirements, MAS also gives approval for any change of the CEO or of any appointment of Director. Directors of the Manager are not subject to periodic retirement by rotation.

The composition of the Board, including the selection of candidates for new appointments to the Board as part of the Board's renewal process, is determined using the following principles:

- (a) the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management, the property industry and in the finance and legal fields; and
- (b) at least one-third of the Board should comprise independent Directors. Where, among other things, the Chairman of the Board is not an independent Director, at least half of the Board should comprise independent Directors.

Provision 4.5 of the 2018 Code recommends that the NRC and the Board assess the ability of each Director to diligently discharge his or her duties if he or she holds a significant number of listed company directorships and principal commitments and disclose the assessment in the annual report. The Board is of the view that, the limit on the number of listed company directorships that an individual may hold should be six but this serves only as a guide. The Board has the discretion to decide whether to adhere to the guide on a case-by-case basis, as a person's available time and attention may be affected by many different factors such as whether they are in fulltime employment and their other responsibilities.

CORPORATE GOVERNANCE

A Director with multiple directorships is expected to ensure that sufficient attention is given to the affairs of the Manager in managing the assets and liabilities of SPH REIT for the benefit of Unitholders. In considering the nomination of Directors for appointment, the Board will take into account, amongst other things, the competing time commitments faced by Directors with multiple Board memberships. All Directors have confirmed that notwithstanding the number of their individual listed company board representations and other principal commitments, they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of SPH REIT for the benefit of Unitholders. The Board is of the view that current commitments of each of its Directors are reasonable and each of the Directors is able to and has been able to carry out his/her duties satisfactorily.

The NRC will review the composition of the Board and ARC periodically, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.

The NRC regularly reviews the balance and mix of expertise, skills and attributes of the Directors in order to meet the business and governance needs of the Manager, shortlists candidates with the appropriate profile for nomination or re-nomination and recommends them to the Board for approval. It looks out for suitable candidates to ensure continuity of Board talent. Some of the selection criteria used are integrity, independent mindedness, diversity of competencies, ability to commit time and effort to the Board, track record of good decision-making experience in high-performing companies and financial literacy.

The Board does not appoint alternate directors.

The Board may seek advice from external search consultants where necessary.

Training for Directors

Upon the appointment of a Director, he is provided with a letter setting out his key responsibilities. New Directors will go through an orientation and induction programme, which includes site visits to the operational centres so as to familiarise them with SPH REIT's business, operations and organisation structure. Directors are updated on changes in relevant laws and regulations; industry developments; and analyst and media commentaries on matters related to SPH REIT.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as Directors' duties and responsibilities, changes to laws, regulations, accounting standards and industry related matters so as to update them on matters that affect or may enhance their performance as Board or Board Committee members. The NRC also reviews and recommends to the Board training and professional development programmes for the Directors.

Directors are informed and encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, SGX-ST, and relevant business and financial institutions and consultants.

For FY2021, Directors were provided with or underwent training in various areas including regulatory updates such as risk management, impact of COVID-19 and business sustainability and data-driven digital commerce. Directors also attended Directors conferences and seminars on audit committees that were organised by the Singapore Institute of Directors.

Directors may, at any time, request for further explanations, briefings or informal discussions on any aspect of SPH REIT's or the Manager's operations or business issues from Management.

Review of Directors' Independence

The NRC will review annually and as and when circumstances require, whether a Director is considered an independent director based on the 2018 Code, the SGX-ST Listing Manual, the Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB) Regulations") and the MAS Guidelines No. SFA04-G07 "Guidelines to all Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management" dated 1 January 2016 (collectively, the "Relevant Requirements").

Under the 2018 Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the Manager, its related corporations, its substantial shareholders or the substantial unitholders of SPH REIT or the Manager's officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Unitholders. Under the SGX-ST Listing Manual, a director is deemed not to be independent if (i) he or she is employed by the Manager, its related corporations or the Trustee for the current or any of the past three financial years; or (ii) he or she has an immediate family member who is, or has been in any of the past three financial years, employed by the Manager, any of its related corporations or the Trustee and whose remuneration is determined by the NRC.

The NRC and the Board have established a process for assessing the independence of Directors. As part of the process, each of the relevant non-executive Directors is required to confirm, upon appointment, as well as on an annual basis, that there are no material relationships which would render him or her non-independent. The confirmations are reviewed by the Board during which the Board also considers the Directors' respective contributions at Board meetings.

CORPORATE GOVERNANCE

The Board has also carefully considered the disclosures required under the SF(LCB) Regulations in relation to the Directors' independence, and its views are as follows:

| Name of Director | Had been independent from the management of the Manager and SPH REIT during FY2021 | Had been independent from any business relationship with the Manager and SPH REIT during FY2021 | Had been independent from every substantial shareholder of the Manager and every substantial unitholder of SPH REIT during FY2021 | Had not been a substantial shareholder of the Manager or a substantial unitholder of SPH REIT during FY2021 | Had not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FY2021 |
|----------------------------------|--|---|---|---|---|
| Leong Horn Kee | ✓ | ✓ | ✓ | ✓ | ✓ |
| Soon Tit Koon | ✓ | ✓ | ✓ | ✓ | ✓ |
| Trina Loh Soh Yong | ✓ | ✓ | ✓ | ✓ | ✓ |
| Hoo Sheau Farn ¹ | ✓ | | ✓ | ✓ | ✓ |
| Ng Yat Chung ² | | | | ✓ | ✓ |
| Ginney Lim May Ling ³ | | | | ✓ | ✓ |
| Chua Hwee Song ⁴ | | | | ✓ | ✓ |

- Ms Hoo Sheau Farn is a partner of Allen & Gledhill LLP ("A&G"). A&G received payments from the SPH Group in FY2021. Hence, pursuant to the SF(LCB) Regulations, Ms Hoo is deemed not to be independent from any business relationship with the Manager and SPH REIT. Notwithstanding the foregoing, the Board, in consultation with the NRC, is of the view that Ms Hoo should nevertheless be regarded as an independent director of the Manager as Ms Hoo has less than 5% share in A&G and was not involved in any of the matters handled by A&G for the SPH Group and the legal fees received by A&G was not substantive in relation to its total earnings. Further, the Board is satisfied that as at 31 August 2021, Ms Hoo was able to act in the best interests of all the unitholders of SPH REIT as a whole.
- Mr Ng Yat Chung is an executive director and the CEO of SPH (the Sponsor) as well as a director of various subsidiaries of SPH. SPH wholly-owns the Manager and is a substantial unitholder of SPH REIT. Hence, pursuant to the SF(LCB) Regulations, during FY2021, Mr Ng is deemed (i) not to be independent from the management of the Manager and SPH REIT by reason of his employment at SPH; (ii) not to be independent from any business relationship with the Manager and SPH REIT by reason of the payments which the Trustee or the Manager or the Manager's related corporations made to and/or received from SPH; and (iii) not to be independent from every substantial shareholder of the Manager and every substantial unitholder of SPH REIT by reason of his employment at SPH and his directorships in SPH and its subsidiaries. Notwithstanding the foregoing, the Board is satisfied that, as at 31 August 2021, Mr Ng was able to act in the best interests of all the unitholders of SPH REIT as a whole.
- Ms Ginney Lim May Ling is the General Counsel of SPH (the Sponsor) as well as a director of various subsidiaries of SPH. SPH wholly-owns the Manager and is a substantial unitholder of SPH REIT. Hence, pursuant to the SF(LCB) Regulations, during FY2021, Ms Lim is deemed (i) not to be independent from the management of the Manager and SPH REIT by reason of her employment at SPH; (ii) not to be independent from any business relationship with the Manager and SPH REIT by reason of the payments which the Trustee or the Manager or the Manager's related corporations made to and/or received from SPH; and (iii) not to be independent from every substantial shareholder of the Manager and every substantial unitholder of SPH REIT by reason of her employment at SPH and her directorships in SPH's subsidiaries. Notwithstanding the foregoing, the Board is satisfied that, as at 31 August 2021, Ms Lim was able to act in the best interests of all the unitholders of SPH REIT as a whole.
- Mr Chua Hwee Song is the CFO of SPH (the Sponsor) as well as a director of various subsidiaries of SPH. SPH wholly-owns the Manager and is a substantial unitholder of SPH REIT. Hence, pursuant to the SF(LCB) Regulations, during FY2021, Mr Chua is deemed (i) not to be independent from the management of the Manager and SPH REIT by reason of his employment at SPH; (ii) not to be independent from any business relationship with the Manager and SPH REIT by reason of the payments which the Trustee or the Manager or the Manager's related corporations made to and/or received from SPH; and (iii) not to be independent from every substantial shareholder of the Manager and every substantial unitholder of SPH REIT by reason of his employment at SPH and his directorships in SPH's subsidiaries. Notwithstanding the foregoing, the Board is satisfied that, as at 31 August 2021, Mr Chua was able to act in the best interests of all the unitholders of SPH REIT as a whole.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.

The Board had implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees as well as for assessing the contribution by Directors to the effectiveness of the Board.

The NRC reviews the performance of the Board, Board Committees and individual Director on an annual basis, based on the objective performance criteria and evaluation process recommended by the NRC and approved by the Board from time to time.

Board Evaluation Process

This process involves having Directors complete a Questionnaire seeking their views on various aspects of Board performance, such as Board composition, access to information, process and accountability.

The Company Secretary compiles Directors' responses to the Questionnaire into a consolidated report. The report is discussed at the NRC meeting.

For FY2021, the Questionnaire on the performance of the Board and Board Committees was reviewed in accordance with the best practices on board evaluation. The performance of the Board was reviewed as a whole, taking into account the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with the Management.

Individual Director Evaluation

For FY2021, the NRC also conducted a peer evaluation to assess the performance of individual Directors. The Board Chairman assessed the performance of individual directors based on factors such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings, industry and business knowledge, functional expertise, and commitment and dedication. The results of the peer evaluation are compiled by the Company Secretary and given to the Board Chairman, who assesses the performance of the individual Directors, and will discuss with each individual Director if needed.

The NRC is satisfied that all performance objectives have been achieved for FY2021 for the Board as a whole and for individual Directors.

Succession Planning

The NRC regards succession planning as an important part of corporate governance and follows an internal process of succession planning for the Directors and CEO to ensure the progressive and orderly renewal of the Board. The NRC reviews and recommends to the Board the succession plans for the Directors as well as the CEO. Board succession planning is carried out through the annual review of the Board's composition as well as when a Director gives notice of his or her intention to retire or resign.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of SPH REIT, taking into account the strategic objectives of SPH REIT.

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

As SPH REIT has no personnel of its own, the Manager hires qualified staff to manage the operations of the Manager and SPH REIT. As such, the remuneration of Directors and staff of the Manager is paid by the Manager, and not by SPH REIT.

The NRC supports the Board in the remuneration matters of the Manager in accordance with the NRC's written terms of reference. As the NRC comprises all members of the Board, the majority of the NRC is independent. Chairman of the NRC is Mrs Trina Loh who is an independent director. The NRC's terms of reference set out the scope and authority, amongst others, in performing the functions of a remuneration committee, which include the following:

1. review and recommend to the Board a framework of remuneration for the Board, CEO and key executives;
2. review and recommend to the Board the specific remuneration packages for each Director, the CEO and key executives;
3. review and administer the share and other incentive scheme(s) adopted by the Manager and decide on the allocations to eligible participants under the said share scheme(s); and
4. review the Manager's obligations arising in the event of termination of the executive directors' and key executives' contracts of service, so as to ensure that such contracts of service contain fair and reasonable termination clauses.

The NRC is responsible for the annual review of the Manager's remuneration policy, its implementation and ensuring compliance with relevant legislation and regulation. In particular, the remuneration policy should reflect these key objectives:

1. Unitholder alignment: to ensure that performance measures are aligned to Unitholders' interest;
2. Alignment with performance: variable compensation takes into account financial performance and achievement of non-financial goals; and
3. Competitiveness: Employees receive compensation and benefits packages, which are reviewed annually and benchmarked to the external market.

The NRC has considered the remuneration policies and practices of the Manager's holding company, Singapore Press Holdings Limited ("SPH"), and believes that these are transparent and suitable for adoption by the Manager taking into account the circumstances of the Manager and SPH and its subsidiaries as well as the benefits of tapping into SPH's compensation framework. In its decision to adopt the remuneration policies and practices of SPH, the NRC took into account that the framework of remuneration for the Board and key executives should not be taken in isolation; it should be linked to the building of management strength and the development of key executives. Following the directions and guidelines from the MAS on the remuneration of directors and key executive officers of REIT managers, the Board with the assistance of the NRC has reviewed the remuneration objectives, policies and procedures applicable to the Manager, with a view to aligning them with the substance and spirit of such directions and guidelines from the MAS.

| Name | Board Member S\$ | Audit & Risk Committee S\$ | Nominating & Remuneration Committee S\$ | Total Fees S\$ |
|----------------------------------|---------------------|----------------------------------|--|-------------------|
| Leong Horn Kee | 70,000 Chairman | | 7,000 | 77,000 |
| Soon Tit Koon | 40,000 | 20,000 Chairman | 7,000 | 67,000 |
| David Chia Chay Poh [^] | 10,108 | 3,285 | 3,032 Chairman | 16,425 |
| Trina Loh Soh Yong ^{^^} | 30,000 | 9,750 | 9,000 Chairman | 48,750 |
| Hoo Sheau Farn | 40,000 | 13,000 | 7,000 | 60,000 |
| Ng Yat Chung [*] | 40,000 | | 7,000 | 47,000 |
| Chua Hwee Song [*] | 40,000 | | 7,000 | 47,000 |
| Ginney Lim May Ling [*] | 40,000 | | 7,000 | 47,000 |
| Total Fees | 310,108 | 46,035 | 54,032 | 410,175 |

[^] Mr David Chia Chay Poh stepped down as a Non-Executive and Independent Director with effect on 1 December 2020. He served as member of the ARC and Chairman of the NRC until 1 December 2020.

^{^^} Mrs Trina Loh Soh Yong was appointed as a Non-Executive and Independent Director, a member of the ARC and Chairwoman of the NRC with effect from 1 December 2020.

^{*} Directors who are full-time SPH management staff engaged by SPH. They do not receive Directors' fees. Fees are instead paid directly to SPH.

Directors' fees comprise a basic retainer fee and fees in respect of service on Board Committees. The Directors' fees are appropriate for the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the Directors, such that the independence of the independent non-executive Directors is not compromised by their compensation. Whilst there are no unit-based compensation schemes in place for non-executive Directors, the NRC may consider the introduction of unit-based compensation for non-executive Directors as and when appropriate.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the CFO during FY2021.

No employee of the Manager whose remuneration exceeded \$100,000 in FY2021 was a substantial shareholder of the Manager, substantial unitholder of SPH REIT or immediate family member of a Director, the CEO or a substantial shareholder of the Manager or substantial unitholder of SPH REIT. "Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister and parent.

■ CORPORATE GOVERNANCE

In deciding on the remuneration of directors and key executive officers, the NRC will consider the level of remuneration that is appropriate to attract, retain and motivate the directors and key executive officers to run the Manager successfully. The NRC will, in setting the remuneration packages, take into account the pay and employment conditions within the industry and in comparable companies, the Manager's relative performance and the performance of the key executive officers.

The Manager adopts a remuneration policy for key management personnel comprising a fixed component, a variable component, benefits-in-kind and unit-based components. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Manager's and each individual employee's performance. The NRC will approve the bonus for distribution to staff on that basis.

For the Manager, long term incentive-based compensation in the form of Unit awards is granted as part of an overall compensation programme. It is an extension of the Manager's pay-for-performance philosophy. Performance unit awards recognise the contributions and services of high performing employees and motivate the incumbents to perform for the long-term success of SPH REIT as well as to enhance total returns for Unitholders. Unit awards were granted in FY2020 pursuant to the Manager's Performance Unit Plan approved by the Board.

The NRC may seek expert advice inside and/or outside of the Manager on remuneration of Directors and staff. It will ensure that in the event of such advice being sought, existing relationships, if any, between the Manager and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

In FY2021, an independent remuneration consultant, Willis Towers Watson, provided professional advice on Board and executive remuneration. Willis Towers Watson is a leading global advisory, broking and solutions company with over 45,000 employees serving more than 140 countries and markets. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors.

KEY MANAGEMENT PERSONNEL'S REMUNERATION

The 2018 Code and the Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) require (i) the disclosure of the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; (ii) the disclosure of the remuneration of at least the top five key executive officers (who are neither Directors nor the CEO) in bands of \$250,000, with a breakdown (in percentage or dollar terms) of each key executive officer's remuneration earned through base/fixed salary, variable or performance related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives; and (iii) the aggregate total remuneration paid to the top five key executive officers (who are neither Directors nor the CEO). In the event of non-disclosure, the Manager is required to give reasons for such non-disclosure.

The Board has considered this matter carefully and decided against the disclosure of the CEO and key executive officers in dollar terms due to the confidential and commercial sensitivities associated with remuneration matters. Such a disclosure would also not be in the interest of the Manager due to the intense competition for talents in the industry. The Manager is making available, remuneration of the CEO and Key Management Personnel in bands of S\$250,000, as indicated in the tables on the next page. The "Key Management Personnel" includes the Chief Financial Officer, Senior Investment Manager and Senior Asset Manager and any other persons deemed a "Key Management Personnel" by the NRC.

The Board is of the view that the disclosure of the aforescribed information as set out below and the other disclosures in this Report is consistent with the intent of Principle 8 of the 2018 Code and provides sufficient information and transparency to Unitholders on the Manager's remuneration policies, the level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Table 1 – Chief Executive Officer's Remuneration Table for FY2021

| Remuneration Band of CEO (Ms Susan Leng Mee Yin) (S\$) | Based/Fixed Salary (%) | Variable or Bonuses (%) | Benefits in Kind (%) | Units* (%) | Total (%) |
|---|---------------------------------------|--|-------------------------------------|-----------------------|----------------------|
| Between 500,001 to 750,000 | 62.90 | 24.26 | 0.07 | 12.77 | 100 |

Table 2 – Key Management Personnel's Remuneration Table for FY2021

| Remuneration Band of Key Management Personnel (excluding CEO) (S\$) | No. of Executives | Based/Fixed Salary (%) | Variable or Bonuses (%) | Benefits in Kind (%) | Units* (%) | Total (%) |
|--|------------------------------|---------------------------------------|--|-------------------------------------|-----------------------|----------------------|
| Between 1 to 250,000 | 3 | 86.33 | 12.28 | 0.13 | 1.26 | 100 |

Notes:

- 1 The Manager has less than five key management personnel other than the CEO.
- 2 The remuneration of CEO and key management personnel was borne by the Manager.
- * Based on the market price of the SPH REIT units when the SPH REIT units were credited into the employees' CDP accounts in FY2021.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Risk Management and Internal controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of SPH REIT and its Unitholders.

The ARC assists the Board in overseeing the risk governance of the Manager and SPH REIT to ensure that the Manager maintains a sound system of risk management and internal controls to safeguard SPH REIT's assets and Unitholders' interests.

The ARC's objectives in relation to risk management include the following:

- (a) Oversee SPH REIT's and the Manager's risk exposure and risk management strategy;
- (b) Review and guide Management in the formulation of SPH REIT's and the Manager's risk policies and implementation of risk management assessment processes and mitigation strategies;
- (c) Review the report to the Board of risk management activities and performance, including whether key risks are managed within acceptable levels, breaches of any of key risk indicators and the corrective actions taken;
- (d) Review annually, or more often as required by the ARC, the adequacy and effectiveness of SPH REIT's and the Manager's risk management and internal control systems and processes, including those governing financial, operational, compliance and information technology risks, and
- (e) Report to the Board all significant risk matters and ARC's assessment of risk management performance on an annual basis.

The Manager has in place a risk management framework which has been established to ensure adequate and effective management of risks in the Manager and SPH REIT and facilitate the Board's assessment on the adequacy and effectiveness of the Manager's and SPH REIT's risk management system. The framework sets out the governing policies, processes and systems pertaining to each of the key risk areas to which the Manager and SPH REIT are exposed. The framework also facilitates the assessment by the Board in the effectiveness of the Manager in managing each of the key risk areas.

Under the risk management framework, the Manager has implemented a systematic risk assessment process to identify significant risks, set relevant risk appetite, monitor risk exposure, and take risk mitigating measures when necessary. The Manager's approach to risk management and internal control and the management of key business risks is set out in the "Risk Management Report" section on pages 99 to 101 of this Annual Report.

The ARC reviews periodically the implementation by the Management of the risk management framework, and the extent to which risk perspectives are used in achieving its strategic objectives of SPH REIT. Key risks, their likely impact and possible control measures and management actions have to be continually identified, analysed and understood by Management before any significant undertaking is embarked upon. In addition, the Manager also promptly submits monthly reports to the Board on business and financial performance and updates on operational matters.

The SPH's Internal Audit Division ("IAD") has an annual audit plan for SPH REIT, which complements that of the external auditors. IAD's plan focuses on material internal control systems including financial, operational, IT and compliance controls, and risk management. IAD also assesses security and control in new systems development, recommends improvements on the effectiveness of operations, and contributes to risk management and corporate governance processes. Any material non-compliance with established processes or lapses in internal controls together with corrective measures are reported to the ARC. The ARC annually reviews the adequacy and effectiveness of IAD.

The CEO and CFO at each financial year-end will provide a letter of assurance to the Board on the integrity of the financial records/statements, as well as the adequacy and effectiveness of SPH REIT's risk management and internal control systems.

Such assurance includes the following:

- internal controls were established and maintained;
- material information relating to the Manager is disclosed on a timely basis for the purposes of preparing financial statements;
- Manager's risk management and internal controls were effective as at the end of the financial year; and
- financial records have been properly maintained and the financial statements give a true and fair view of SPH REIT's operations and finances.

The Board has received the CEO and CFO's letter of assurance that:

- (a) SPH REIT's financial records have been properly maintained and the financial statements for the period under review give a true and fair view of SPH REIT's operations and finances;
- (b) the system of risk management and internal controls within the Manager is adequate and effective in addressing the risks which the Manager considers relevant and material to its business operations.

Based on the internal audit reports submitted and the management controls that are in place, the ARC is satisfied that the internal control systems provide reasonable assurance that SPH REIT's assets are safeguarded, that proper accounting records are maintained and financial statements are reliable. In addition, the Manager's external auditors will highlight any material internal control weaknesses which have come to their attention in the course of their annual audit, which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses and recommendations, if any, will be reported by the external auditors to the ARC.

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and regular reviews performed by Management, CEO, CFO, the Board and ARC are of the opinion that the Manager's risk management systems and internal controls were adequate and effective as at 31 August 2021 to address financial, operational, compliance and information technology risks, which the Manager considers relevant and material to SPH REIT's operations.

The Board is of the view that the system of internal controls provides reasonable, but not absolute, assurance that the Manager will not be affected by any internal control event whether or not the event could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board adds that no system can provide absolute assurance against the occurrence of unforeseen events, material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities. The ARC concurs with the Board's comments.

Code of Dealings in Securities

The Manager has in place a Code of Dealings in SPH REIT units, which prohibits dealings in SPH REIT units by all Directors of the Manager, certain employees of the Manager, SPH and its subsidiaries, within trading "black-out" periods. The "black-out" periods are the one-month periods prior to the announcement of the half year and the full year financial statements of SPH REIT. These persons are also reminded to observe insider trading laws at all times, and not to deal in SPH REIT units when in possession of any unpublished price-sensitive information regarding the Manager or SPH REIT, or on short-term considerations. The Manager would issue reminders to its Directors, relevant officers and employees on the restrictions in dealing in SPH REIT units as set out above.

CORPORATE GOVERNANCE

Audit and Risk Committee

Principle 10: The Board has an audit committee which discharges its duties objectively.

The ARC currently comprises three members, all of whom are non-executive and independent Directors. The Chairman is Mr Soon Tit Koon and its members are Mrs Trina Loh and Ms Hoo Sheau Farn.

The Board is of the view that the members of the ARC have sufficient management expertise and experience to discharge the ARC's functions given their experience as directors and/or senior management in accounting, financial and industry areas. The ARC performs the functions as set out in the 2018 Code including the following:

- (a) reviewing the annual audit plans and audit reports of external and internal auditors;
- (b) reviewing the financial statements of SPH REIT before they are submitted to the Board for approval;
- (c) reviewing the assurance from the CEO and CFO on the financial records and financial statements;
- (d) reviewing the significant financial reporting issues so as to ensure the integrity of the financial statements of SPH REIT and any announcements relating to SPH REIT's financial performance;
- (e) reviewing the auditors' evaluation of the system of internal accounting controls;
- (f) reviewing at least annually and reporting to the Board the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and information technology controls;
- (g) reviewing the adequacy, scope, results and effectiveness of the internal audit function;
- (h) reviewing the adequacy, scope, results and effectiveness of the external audit, and the independence and objectivity of the external auditors annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;
- (i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (j) reviewing the Manager's whistleblowing policy, and ensuring that channels are open for possible improprieties to be raised and independently investigated, and for appropriate follow-up action to be taken;
- (k) overseeing any internal investigation into cases of fraud and irregularities;
- (l) reviewing interested person transactions;
- (m) approving (or participating in) the hiring, removal, evaluation and compensation of the head of the internal audit function;
- (n) ensuring that the internal audit function is adequately resourced and has adequate support within the Manager; and
- (o) overseeing the risk management function of the Manager to ensure the adequacy and effectiveness of risk management processes in safeguarding the interest of SPH REIT.

The ARC has the authority to investigate any matter within its terms of reference and has full access to management, full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The ARC has conducted an annual review of the performance of the external auditor and the volume of non audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, before confirming their re-appointment. The aggregate amount of fees paid to the external auditors for FY2021 was S\$460,000, comprising fees paid for audit and non-audit services of S\$388,000 and S\$72,000 respectively.

The ARC meets separately with the external and internal auditors, in each case without the presence of Management, at least once a year. The audit partner of the external auditors is required to be rotated every five years, in accordance with the requirements of the SGX-ST Listing Manual.

The half-year and full-year financial statements and the accompanying announcements of SPH REIT are reviewed by the ARC before being submitted to the Board for approval, to ensure the integrity of information to be released.

During the financial year, the ARC reviewed the financial statements prior to endorsing and recommending their release to the Board. Management's assessment of fraud risks, adequacy of the whistle-blower arrangements and whistle-blower complaints are reviewed by the ARC.

The ARC takes measures to keep abreast of the changes to regulatory environment and accounting standards which have a direct impact on the business of SPH REIT and its financial statements, with training conducted by professionals or external consultants.

In the review of the financial statements, the ARC had discussed with Management the accounting principles that applied and their judgment of items that affected the financial statements. This included a review of valuation of investment properties, a key audit matter ("KAM") identified by the external auditor in the audit report for the financial year ended 31 August 2021.

The ARC considered the standing of the valuers and their independence, appropriateness of valuation methodologies, and underlying key assumptions applied in the valuation of investment properties. The ARC reviewed the outcome of the valuation process and discussed the details of the valuation with Management. The committee also assessed the findings of the external auditor and consulted with the external auditors. The ARC concluded that the accounting treatment and estimates in the KAM were appropriate.

External Auditors

Details of the aggregate amount of fees paid to the external auditors for FY2021, and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found above.

The Manager confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the SGX-ST Listing Manual.

None of the ARC members is a former partner of the Manager's existing auditing firm.

Code of Business Ethics and Employee Conduct Policy

The Manager has an existing Code of Business Ethics and Employee Conduct Policy ("Ethics Code"), to guide the ethical conduct of its employees.

Whistleblowing Policy

The Manager has a Whistleblowing Policy & Procedure in place to allow staff and external parties such as suppliers, tenants, customers, contractors and other stakeholders, to raise concerns or observations about possible irregularities in confidence to the Manager, for independent investigation and appropriate follow up action to be taken. Such concerns include dishonesty, fraudulent acts, corruption, legal breaches and other serious improper conduct; unsafe work practices and any other conduct that may cause financial or non-financial loss to the Manager or damage to the Manager's reputation.

The Whistleblowing Policy sets out the reporting mechanisms and include the contact details of the Receiving Officer, to whom staff and external parties may raise their concerns. Complaints raised to the other parties within the Manager will be directed to the Receiving Officer, who is responsible for maintaining a centralized repository of all reported cases and ensuring that issues raised are properly resolved.

CORPORATE GOVERNANCE

The Whistleblowing Policy encourages staff and external parties to identify themselves whenever possible to facilitate investigations, but will also consider anonymous complaints, in certain circumstances. The Manager is committed to ensuring protection of whistleblowers against detrimental or unfair treatment, and the policy requires every effort to be made to ensure that confidentiality is maintained throughout the process (including in respect of the whistleblower's identity).

Whilst the Receiving Officer is tasked with investigating whistleblowing reports, the ARC is responsible for the oversight and monitoring of Manager's compliance with the Whistleblowing Policy.

Internal Audit

The internal audit of the Manager is a function outsourced to SPH's IAD. Audit engagements for the Manager and SPH REIT form part of the audit workplan for SPH Group.

The role of the internal auditor is to provide reasonable assurance to the ARC that the risk management, system of internal controls and governance processes designed by the Management are adequate and effective.

The IAD is staffed with five audit managers, including the Head of Internal Audit. All IAD staff have professional qualifications and are members of the Institute of Singapore Chartered Accountants ("ISCA") and/or Institute of Internal Auditors ("IIA"). Some IAD staff are also Certified Information Systems Auditors ("CISA"). All IAD staff have to adhere to a set of code of ethics adopted from the IIA. IAD is guided by the International Standards for the Professional Practice of Internal Auditing issued by the IIA and ensures staff competency through the recruitment of suitably qualified and experienced staff, provision of formal and on-the-job training, and appropriate resource allocation in engagement planning.

The Head of Internal Audit reports directly to the Chairman of the ARC in relation to the Manager's and SPH REIT's audit matters. IAD has unrestricted direct access to all the Manager's and SPH REIT's documents, records, properties and personnel. IAD's reports are submitted to the ARC for deliberation with copies of these reports extended to the relevant senior management personnel and the external auditor. The ARC reviews and approves the annual internal audit plans and resources to ensure that IAD has the necessary resources to adequately perform its functions. The ARC is satisfied that IAD is adequately resourced, effective and independent of the activities it audits.

UNITHOLDER RIGHTS & ENGAGEMENT

UNITHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

Principle 11: The Manager treats all Unitholders fairly and equitably in order to enable them to exercise Unitholder's rights and have the opportunity to communicate their views on matters affecting SPH REIT. The Manager gives Unitholders a balanced and understandable assessment of its performance, position and prospects.

Engagement with Unitholders

Principle 12: The Manager communicates regularly with its Unitholders and facilitates the participation of Unitholders during general meetings and other dialogues to allow Unitholders to communicate their views on various matters affecting SPH REIT.

Managing Stakeholders Relationships

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of SPH REIT are served.

The Manager is committed to treating all Unitholders fairly and equitably and keeping all Unitholders and other stakeholders and analysts informed of the performance of and changes in SPH REIT or its business which would be likely to materially affect the price or value of Units, on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions. SPH REIT aims to provide sustainable and progressive dividend payouts.

The Manager provides accurate and timely disclosure of material information on SGXNET. Unitholders are notified in advance of the date of release of SPH REIT's financial results through an announcement via SGXNET. The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of SPH REIT's quarterly key business and operational updates (where applicable) and half-year and full year results. During these briefings, Management will review SPH REIT's most recent developments and performance as well as discuss the business outlook for SPH REIT. In line with the Manager's objective of equal dissemination and transparent communication, briefing materials are simultaneously released on SGXNET and also made available at SPH REIT's website.

In view of the COVID-19 pandemic, SPH REIT's 7th AGM held in FY2020 was, and the forthcoming 8th AGM scheduled for 24 November 2021 ("AGM 2021") will be, held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (COVID-19 Temporary Measures Order). Alternative arrangements relating to attendance at the AGM 2021 including arrangements by which AGM 2021 can be electronically accessed via live audio-visual webcast or live audio-only stream, submission of questions in advance of AGM 2021, addressing of substantial and relevant questions prior to or at AGM 2021 and voting by appointing the chairman of the meeting as proxy at the AGM 2021) are set out in the Manager's notice of AGM 2021 dated 27 October 2021.

The description below sets out SPH REIT's usual practice for general meetings when there are no pandemic risks and the COVID-19 Temporary Measures Order is not in operation.

All Unitholders are entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings. All Unitholders are also informed of the rules, including voting procedures, governing such meetings.

SPH REIT prepares minutes of general meetings, which incorporates comments or queries from Unitholders and responses from the Board and management. These minutes are available on SPH REIT's website through which the Manager communicates and engages with Unitholders.

The Manager has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communications with Unitholders. The investor relations policy sets out the mechanism through which Unitholders may contact the Manager with questions and through which the Manager may respond to such questions.

At general meetings, each distinct issue is proposed as a separate resolution. For greater efficiency and transparency, resolutions are put to the vote by electronic poll voting. Independent scrutineers are appointed to assist the voting process and verify and tabulate votes after each resolution. The results of the electronic poll voting are announced immediately after each resolution has been put to a vote, and the number of votes cast for and against and the respective percentages are displayed in real-time at the general meeting. The outcome of the general meeting is promptly announced on SGXNET after the general meeting.

All Directors and senior management are in attendance at the general meetings to allow Unitholders the opportunity to air their views and ask Directors or Management questions regarding SPH REIT. The external auditors also attend the general meetings to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report.

CORPORATE GOVERNANCE

The Trust Deed does not allow a Unitholder to vote in absentia at general meetings but allows any Unitholder to appoint proxies during his absence, to attend and vote on his behalf at the general meetings. In addition, Unitholders who hold shares through custodial institutions may attend the general meetings as observers.

Additional Information

Sustainability Reporting

The Board has delegated to the ARC the task of overseeing and monitoring the management and reporting of SPH REIT's material environmental, social and governance (ESG) factors. Please refer to the Sustainability Report on pages 72 to 98 of this Annual Report, which sets out information on the Manager's approach in identifying, engaging and managing its relationships with its material stakeholder groups, and the Manager's strategy and key areas of focus in sustainability in its management of stakeholder relationships during FY2021.

Interested Person Transactions

All interested person transactions are undertaken only on normal commercial terms and the ARC reviews significant related party transactions to ensure compliance with the internal control system as well as with relevant provisions of the SGX-ST Listing Manual and CIS Code. In addition, the Trustee also has the right to review such transactions to ascertain compliance with the CIS Code.

In particular, the following procedures are in place:

1. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S\$100,000 in value, but below 3.0% of SPH REIT's net tangible assets, will be subject to review and approval by the ARC;
2. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% but below 5.0% of SPH REIT's net tangible assets, will be subject to the review and approval of the ARC, and SGX announcement requirements under the SGX-ST Listing Manual and CIS Code;
3. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5.0% of SPH REIT's net tangible assets will be subject to review and approval by the ARC which may, as it deems fit, request for advice on the transaction from independent sources or advisors, including the obtaining of valuations from professional valuers, as well as SGX announcement requirements under the SGX-ST Listing Manual and the CIS Code and such transactions would have to be approved by Unitholders at a meeting of Unitholders; and
4. the ARC's approval shall only be given if the transactions are on normal commercial terms and consistent with terms of similar types of transactions undertaken by the Trustee with third parties which are unrelated to the Manager.

The interested person transactions undertaken by the Manager in FY2021 which are subject to disclosure requirements under the SGX-ST Listing Manual can be found on page 206 of this Annual Report.

Conflicts of interest

The Manager has instituted the following procedures to deal with potential conflicts of interest issues:

- (a) The Manager will not manage any other real estate investment trust ("REIT") which invests in the same types of properties as SPH REIT.
- (b) All key executive officers work exclusively for the Manager and do not hold executive positions in other entities.
- (c) At least one-third of the Board comprises independent directors. The Chairman of the Board is an independent director.
- (d) All resolutions of the Directors in relation to matters concerning SPH REIT must be approved by at least a majority of the Directors, including at least one independent Director.
- (e) In respect of matters in which the Sponsor (SPH) and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. For such matters, the quorum must comprise a majority of the independent directors of the Manager and must exclude nominee directors of the Sponsor and/or its subsidiaries. The Manager and the Property Manager (SPH Retail Property Management Services Pte Ltd) are indirect wholly-owned subsidiaries of the Sponsor.
- (f) There is a separation of the roles of CEO and Chairman to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.
- (g) Directors must disclose promptly all interests in a transaction or proposed transaction to fellow Board members.
- (h) The independence of each Director is reviewed upon appointment, and thereafter annually. A Director who has no relationship with the Manager, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment is considered independent.
- (i) The ARC comprises three independent directors. Its Chairman is independent.
- (j) All matters relating to interested person transactions are conducted in accordance with the procedures set out in the section on 'Interested Person Transactions'.

The Trust Deed provides that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of SPH REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of SPH REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager is obliged to pursue the appropriate remedies under such agreement. The Directors of the Manager will have a duty to ensure that the Manager so complies. Notwithstanding the forgoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of SPH REIT with a related party of the Manager, and the Trustee may take such action as it deems necessary to protect the interests of the Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

Fees Payable to the Manager

Pursuant to the CIS Code issued by MAS, the Manager is to disclose the methodology and justifications of fees which are payable out of the deposited property of a property fund.

CORPORATE GOVERNANCE

The Manager is entitled to the following fees:

Base Fee

The Base Fee, which is contained in Clause 15.1.1 of the Trust Deed, is recurring and enables the Manager to cover the operational and administrative expenses incurred in the management of the portfolio. The Base Fee is calculated at a percentage of asset value as the asset value provides an appropriate metric to determine the resources for managing the assets.

Performance Fee

The Performance Fee is contained in Clause 15.1.2 of the Trust Deed. It is based on net property income (“NPI”) and measures the Manager’s ongoing effort on the long-term sustainability of the properties through proactive leasing to retain existing tenants and attract new retailers to optimise tenant mix and rental income, as well as to improve operational efficiencies and manage cost prudently. This aligns the interests of the Manager with Unitholders as the Manager is motivated and incentivised to achieve income stability by ensuring the long-term sustainability of the assets through proactive asset management strategies and asset enhancement initiatives. The focus on sustainability of NPI performance addresses both revenue and cost drivers, and ensures that the Manager takes a long-term, holistic view in carrying out asset management and asset enhancement strategy, instead of taking excessive risks for short-term gains to the detriment of Unitholders.

Acquisition Fee

The Acquisition Fee, which is contained in Clause 15.2.1(i) of the Trust Deed, seeks to motivate the Manager to continually pursue quality, yield-accretive opportunities that will add value to the portfolio and deliver inorganic growth to Unitholders. These activities involve rigorous and disciplined assessment taking into consideration the valuation, yields, value enhancement potential, and continuing performance of each available property. In addition, the Acquisition Fee allows the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking out new acquisition opportunities, including but not limited to, due diligence efforts and man hours spent in evaluating the transaction. The Acquisition Fee for non-Related Parties acquisitions is higher than the Acquisition Fee for Related Parties because there is additional work required to be undertaken in terms of sourcing, evaluating and conducting due diligence for a non-Related Party acquisition.

As required by the CIS Code, where real estate assets are acquired from an interested party, the Acquisition Fee payable to the Manager will be in the form of units which shall not be sold within one year from the date of issuance of the units.

Divestment Fee

The Divestment Fee, which is contained in Clause 15.2.1(ii) of the Trust Deed, seeks to motivate the Manager to review the portfolio for opportunities to unlock the underlying value of its existing properties. The fee compensates the Manager for the time, effort and resources expended in identifying and maximizing the value from potential divestment. The Manager provides these services over and above ongoing management services to enhance the long-term sustainability of existing properties. In addition, the Divestment Fee allows the Manager to recover additional costs and resources incurred by the Manager for the divestment, including but not limited to facilitating due diligence exercises and man hours spent in marketing and maximising the divestment price. The Divestment Fee is lower than Acquisition Fee to ensure fees are commensurate with the resources utilised to complete the transaction. The acquisition process is generally more time consuming than the divestment process as there are many considerations in an acquisition process such as property specifications, price, underlying tenancies and financial strength of the master lessee which are more complex than carrying out a divestment.

As required by the CIS Code, where real estate assets are disposed of to an interested party, the Divestment Fee payable to the Manager will be in the form of units which shall not be sold within one year from the date of issuance of the units.