

# Corporate Governance

## INTRODUCTION

*Frasers Hospitality Trust (“FHT”) is a stapled group comprising Frasers Hospitality Real Estate Investment Trust (“FH-REIT”) and Frasers Hospitality Business Trust (“FH-BT”).*

The units in FH-REIT and the units in FH-BT are stapled together under the terms of a stapling deed dated 20 June 2014 (“**Stapling Deed**”) entered into between Frasers Hospitality Asset Management Pte. Ltd., as manager of FH-REIT (“**REIT Manager**”), Perpetual (Asia) Limited, as trustee of FH-REIT (“**REIT Trustee**”), and Frasers Hospitality Trust Management Pte. Ltd., as trustee-manager of FH-BT (“**Trustee-Manager**”, and together with the REIT Manager, the “**Managers**” and each, the “**Manager**”), to form stapled securities in FHT (“**Stapled Securities**”, and each a “**Stapled Security**”). Each Stapled Security, consisting of one FH-REIT unit and one FH-BT unit, is treated as a single instrument. The Stapled Securities are listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

FH-REIT is a real estate investment trust (“**REIT**”) constituted in Singapore by a trust deed dated 12 June 2014 made between the REIT Manager and the REIT Trustee (as amended and restated by a first amending and restating deed dated 20 June 2014, and as further amended, restated and/or supplemented from time to time) (the “**FH-REIT Trust Deed**”). FH-REIT is a collective investment scheme under the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”).

FH-BT is a business trust constituted in Singapore by a trust deed dated 20 June 2014 (as further amended, restated and/or supplemented from time to time) (the “**FH-BT Trust Deed**”, and together with the FH-REIT Trust Deed and the Stapling Deed, the “**Trust Deeds**”). FH-BT is registered as a business trust under the Business Trusts Act, Chapter 31A of Singapore (the “**BTA**”).

FH-BT was activated on 19 October 2016 to act as master lessee of “Novotel Melbourne on Collins” under a master lease agreement (the “**Melbourne Master Lease Agreement**”) entered into between FH-BT NMCS Operations Pty Ltd (an indirectly wholly-owned subsidiary of FH-BT) and The Trust Company (PTAL) Limited, as trustee for FHT Melbourne Trust 1 (an indirectly wholly-owned sub-trust of FH-REIT). The Melbourne Master Lease Agreement is an internal arrangement within the FHT stapled group.

The Managers comply with the principles of the Code of Corporate Governance 2018 (the “**CG Code**”) in line with their obligations under the listing rules of the SGX-ST (the “**Listing Rules**”). The REIT Manager also complies with the CG Code in accordance with its obligations under the Guidelines to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Guideline No: SFA04-G07) issued by the Monetary Authority of Singapore (“**MAS**”). Even though the CG Code applies to annual reports covering financial years commencing from 1 January 2019, the Managers have elected to early adopt and comply with the amended Rule 710 of the listing manual of the SGX-ST (the “**SGX-ST Listing Manual**”) to describe its corporate governance practices with specific reference to the principles and the provisions of the CG Code. The practices and activities of the Board of Directors of each of the Managers (collectively the “**Boards**”) and the management of the Managers (collectively the “**Management**”) adhere closely to the provisions under the CG Code.

To the extent the practices may vary from any provision of the CG Code, the Managers will explain the reason for the variation and how the practices nevertheless are consistent with the intent of the relevant principle of the CG Code. The Managers are also guided by the voluntary Practice Guidance which was issued to complement the CG Code and which sets out best practices for issuers; as this will build investor and stakeholder confidence in FHT and the Managers. A summary of compliance with the express disclosure requirements in the principles and provisions of the CG Code is set out on pages 119 to 120.

Due to the different legislative and regulatory requirements in relation to a REIT as compared to a business trust, the corporate governance procedures and disclosure requirements in relation to the REIT Manager are different from those in relation to the Trustee-Manager, and where appropriate, we have highlighted them below.

FHT is a signatory to the 2019 Corporate Governance Statement of Support initiated by the Securities Investors Association (Singapore) where FHT has pledged its continued commitment to uphold high standards in corporate governance.

# Corporate Governance

## The Managers

The Managers are wholly-owned subsidiaries of Frasers Property Limited ("**FPL**", and together with its subsidiaries, "**Frasers Property Group**"). Each of the REIT Manager and the Trustee-Manager has general powers of management over the business and assets of FH-REIT and FH-BT, respectively.

As a manager of a REIT, the REIT Manager holds a Capital Markets Services Licence issued by the Monetary Authority of Singapore (the "**MAS**") as required under the licensing regimes for real estate investment trust managers to carry out REIT management activities. The REIT Manager's main responsibility is to manage FH-REIT's assets and liabilities for the benefit of unitholders of FH-REIT. To this end, the REIT Manager is able to set the strategic direction of FH-REIT and make recommendations to the REIT Trustee, on acquisitions, divestments and enhancement of the assets of FHT. The role of the REIT Manager includes the pursuit of a business model that sustains the growth and enhances the value of FH-REIT and is focused on delivering regular and stable distribution to Stapled Securityholders. Other functions and responsibilities of the REIT Manager include preparing annual asset plans, undertaking regular individual asset performance analysis and market research analysis, and managing finance functions relating to FH-REIT (which includes financial and tax reporting, capital management, treasury, and preparation of consolidated budgets). The Trustee-Manager performs similar functions for FH-BT.

The MAS has granted the Trustee-Manager an exemption from compliance with Sections 10(2)(a) and 11(1)(a) of the BTA to act in the best interests of the holders of FH-BT unitholders only, subject to:

- (a) the FH-BT units remaining stapled to the FH-REIT units; and
- (b) the directors of the Trustee-Manager ("**Trustee-Manager Directors**") and the Trustee-Manager acting in the best interests of all holders of the stapled securities ("**Stapled Securityholders**") as a whole.

## The Values of the REIT Manager and the Trustee-Manager

1. Each of the REIT Manager and the Trustee-Manager is committed to upholding and maintaining high standards of corporate governance, corporate transparency and sustainability, and instituting sound corporate practices and controls to facilitate their respective roles in safeguarding and enhancing FHT's asset value so as to maximise returns from investments, and ultimately the total return to Stapled Securityholders. Each of the REIT Manager and the Trustee-Manager believes that a robust and sound governance framework is an essential foundation on which to build, evolve and innovate a business which is sustainable over the long term and one which is resilient in the face of the demands of a dynamic, fast-changing environment.
2. Each of the REIT Manager and the Trustee-Manager adheres to corporate policies, business practices and systems of risk management and internal controls, which are designed to ensure that it maintains consistently high standards of integrity, accountability and governance in FH-REIT and FH-BT (as the case may be) and its own daily operations.
3. Each of the REIT Manager and the Trustee-Manager ensures that the business and practices of FH-REIT and FH-BT (as the case may be) are carried out in a manner that comply with applicable laws, rules and regulations, including the BTA, the SFA, their respective subsidiary legislation, the SGX-ST Listing Manual, the CG Code, the Code on Collective Investment Schemes (the "**CIS Code**") issued by the MAS (including Appendix 6 of the CIS Code, the "**Property Funds Appendix**"), the Trust Deeds, as well as the written directions, notices, codes and other guidelines that the MAS and other regulators may issue from time to time.

The Boards work with Management to ensure that these values underpin its leadership of the REIT Manager and the Trustee-Manager.

The REIT Manager and the Trustee-Manager are staffed by an experienced and well-qualified team who manage the operational matters of FH-REIT and FH-BT (as the case may be). The REIT Manager can be removed by notice in writing given by the REIT Trustee in favour of a corporation appointed by the REIT Trustee under certain circumstances outlined in the FH-REIT Trust Deed, including where the unitholders of FH-REIT, by a resolution duly passed by a simple majority of

# Corporate Governance

unitholders of FH-REIT present and voting (with no unitholder of FH-REIT being disenfranchised) at a unitholders' meeting, decide that the REIT Manager is to be removed. The Trustee-Manager may be removed, by a resolution by the unitholders of FH-BT holding in the aggregate not less than three-fourths of the voting rights of all the unitholders of FH-BT.

## BOARD MATTERS

### The Board

Each of the REIT Manager and the Trustee-Manager has its own Board.

So long as the FH-REIT units remain stapled to the FH-BT units, in order to avoid any conflict between FH-REIT and FH-BT and to act in the best interests of FHT, the Board of FH-REIT ("**REIT Manager Board**") and the Board of FH-BT ("**Trustee-Manager Board**") will comprise the same persons.

The REIT Manager Board is responsible for the overall leadership and oversight of both FH-REIT's and the REIT Manager's business, financial, investment and material operational affairs and performance objectives, and FH-REIT's long-term success. The REIT Manager Board sets the strategic direction of FH-REIT and the REIT Manager and the REIT Manager's approach to corporate governance, including the organisational culture, values and ethical standards of conduct, and works with Management on its implementation across all levels of the organisation.

The key roles of the Trustee-Manager Board are to: (a) guide the corporate strategy and directions of the Trustee-Manager; (b) ensure that senior Management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; (c) oversee the proper conduct of the Trustee-Manager; and (d) ensure that measures relating to corporate governance, financial regulations and other required policies are in place and enforced. Further information on the roles and responsibilities of the Trustee-Manager Board can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 128 to 134.

The Managers also focus on value creation, innovation and sustainability. The Boards, supported by Management, ensure necessary resources are in place for FHT and the Managers to meet their strategic objectives. Through the enterprise-wide risk management framework of FHT and its subsidiaries (the "**Group**"), the Boards establish and maintain a sound risk management framework to effectively monitor and manage risks. The Managers oversee Management to ensure transparency and accountability to key stakeholder groups.

### The Chairman

The chairman of the Board (the "**Chairman**") leads the Board<sup>1</sup>. The Chairman sets the right ethical and behavioural tone and ensures the Board's effectiveness by, among other things, encouraging active and effective engagement, participation by and contribution from all directors of the REIT Manager (also the Trustee-Manager Directors, collectively, the "**Directors**") and facilitating positive relations among and between them and Management. The Chairman promotes a culture of openness at Board meetings and encourages Directors to engage in productive and thorough discussions and constructive debate on strategic, business and other key issues pertinent to the business and operations of the Group, the REIT Manager and the Trustee-Manager, leading to better decision-making and enhanced business performance.

### Role of Management

The Management is led by the Chief Executive Officer (the "**CEO**") of the REIT Manager (also the CEO of the Trustee-Manager). Senior Management, comprising the CEO and the Chief Financial Officer ("**CFO**") of the Managers, (collectively, the "**Key Management Personnel**") are responsible for executing the Boards' strategies and policies, and are accountable to the Boards for the planning, direction, control, conduct and performance of the business operations of the Managers.

<sup>1</sup> In this Corporate Governance Report, references to the "**Board**", "**Chairman**", "**Directors**" and similar words and expressions are intended to mean the Board, Chairman, Directors, etc. of each of the REIT Manager and the Trustee-Manager (save where the context otherwise requires), as during FY2019, the Boards and Management comprised the same persons.

# Corporate Governance

## Division of Responsibilities between the Chairman and the CEO

The Chairman and the CEO are separate persons and the division of responsibilities between the Chairman and the CEO is clearly demarcated. This avoids concentration of power and ensures a degree of checks and balances, an increased accountability, and greater capacity of the Board for independent decision-making. Such separation of roles between the Chairman and the CEO promotes robust deliberations by the Boards and Management on the business activities of FHT.

## Relationships between the Boards and the CEO

None of the members of the Boards and the CEO are related to one another, and none of them has any business relationships among them.

## Board Committees

Each of the REIT Manager Board and the Trustee-Manager Board has formed committees of their respective boards (the “**Board Committees**”) to oversee specific areas, for greater efficiency. Each of the REIT Manager Board and the Trustee-Manager Board has constituted two Board Committees, namely, the Audit, Risk and Compliance Committee (“**ARCC**”), and the Nominating and Remuneration Committee (“**NRC**”).

The ARCC of FH-REIT (“**REIT Manager ARCC**”) and the ARCC of FH-BT (“**Trustee-Manager ARCC**”) as well as the NRC of FH-REIT (“**REIT Manager NRC**”) and the NRC of FH-BT (“**Trustee-Manager NRC**”) comprise the same persons.

Minutes of all Board Committee meetings are circulated to the respective Boards so that Directors are aware of and kept updated on the proceedings, matters discussed and decisions made during such meetings, and to enable the Directors to weigh in on any key points under consideration.

AUDIT, RISK AND COMPLIANCE COMMITTEE <sup>(1)</sup>	
MEMBERSHIP	KEY OBJECTIVES
Dr David Wong See Hong, <i>Chairman</i> <sup>(2)</sup> Mr Law Song Keng, <i>Member</i> <sup>(3)</sup> Mr Liew Choon Wei, <i>Member</i>	<ul style="list-style-type: none"> <li>Assist the Boards in fulfilling responsibility for overseeing the quality and integrity of the accounting, auditing, internal controls, risk management and financial practices of the Managers</li> </ul>

### Notes:

- (1) Unless otherwise stated, the information provided herein is as of 30 September 2019.  
 (2) Appointed as chairman of the ARCC of each of the REIT Manager and the Trustee-Manager with effect from 1 April 2019, following the cessation of Mr Law Song Keng's appointment as chairman of the ARCC of each of the REIT Manager and the Trustee-Manager with effect from 1 April 2019.  
 (3) Mr Law Song Keng stepped down as chairman of the ARCC of each of the REIT Manager and the Trustee-Manager with effect from 1 April 2019 and remains as a member of the ARCC of each of the REIT Manager and the Trustee-Manager.

As at 30 September 2019, each of the ARCCs<sup>2</sup> is made up of non-executive Directors, all of whom, including the chairman of the ARCC, are independent Directors. The members of the ARCCs, including the chairman of each of the ARCCs, are appropriately qualified and collectively possess relevant accounting and related financial management expertise or experience. Their collective wealth of experience and expertise enables them to discharge their responsibilities competently.

Under the Terms of Reference of each of the ARCCs, a former partner or director of FHT's existing auditing firm or auditing corporation should not act as a member of the ARCC: (a) within a period of two years commencing on the date of his ceasing to be a partner of the auditing firm or a director of the auditing corporation; and in any case, (b) for as long as he has any financial interest in the auditing firm or auditing corporation. None of the members of the ARCCs is a former partner of FHT's external auditors, KPMG LLP and none of the members of the ARCCs holds any financial interest in FHT's external auditors, KPMG LLP.

<sup>2</sup> In this Corporate Governance Report, references to the “**ARCC**” are intended to mean each of the REIT Manager ARCC and the Trustee-Manager ARCC, and references to the “**NRC**” are intended to mean each of the REIT Manager NRC and the Trustee-Manager NRC (save where the context otherwise requires).

# Corporate Governance

## Audit Functions

The Terms of Reference of the ARCCs provide that some of the key responsibilities of the ARCCs include:

- **External Audit Process:** reviewing and reporting to the Board, the scope, quality, results and performance of the external audit(s), its cost effectiveness and the independence and objectivity of the external auditors. It shall also review the nature and extent of non-audit services performed by external auditors;
- **Internal Audit:** establishing an effective internal audit function which shall be adequately qualified to perform an effective role, adequately resourced, independent of the activities which it audits and able to discharge its duties objectively, and to approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- **Financial Reporting:** reviewing and reporting to the Boards the significant financial reporting issues and judgements so as to ensure the integrity of the respective financial statements of FHT, FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager and any announcements relating to FHT's financial performance, and to review the assurance provided by the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of each of FHT's, FH-REIT's, the REIT Manager's, FH-BT's and/or the Trustee-Manager's respective operations and finances;
- **Internal Controls and Risk Management:** reviewing and reporting to the Board at least annually, its assessment of the adequacy and effectiveness of each of the REIT Manager's and the Trustee-Manager's internal controls for FHT, and FH-REIT and the REIT Manager and FH-BT and the Trustee-Manager (as the case may be), including financial, operational, compliance and information technology controls (including those relating to compliance with existing legislation and regulations), and risk management policies and systems established by Management;
- **Interested Person Transactions:** reviewing interested person transactions<sup>3</sup> and/or interested party transactions<sup>4</sup> (collectively referred to herein as "**Related/Interested Person Transactions**" (save where the context otherwise requires)) entered into from time to time and the internal audit reports to ensure compliance with the applicable legislation, the SGX-ST Listing Manual and/or the Property Funds Appendix (where applicable);
- **Conflicts of Interests:** deliberating on resolutions relating to conflicts of interest situations involving FHT, FH-REIT and/or FH-BT (as the case may be);
- **Whistle-blowing:** reviewing the policy and arrangements by which employees of the REIT Manager and any other persons may, in confidence, safely raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken; and
- **Investigations:** reviewing the findings of internal investigations into any suspected fraud or irregularity, or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority in Singapore, which the ARCCs becomes aware of, and which has or is likely to have a material impact on FHT's operating results or financial position.

In carrying out its role, the ARCCs are empowered to investigate any matter within its Terms of Reference, with full access to, and cooperation by, Management, to seek information they may require from any Director and/or employee of the Managers (as the case may be). The ARCCs also have full discretion to invite any Director or executive officer to attend its meetings, and obtain reasonable resources to enable them to discharge their functions properly. The Chairman of the Board, non-executive Directors, the CEO, the CFO, the head of the internal audit function, representatives of the external auditor(s), or other person with relevant experience and expertise may attend the meetings of the ARCCs at the

<sup>3</sup> Refers to "interested person transactions" under the SGX-ST Listing Manual. In the case of a REIT, the definition of "interested person" refers to the definition of "interested party" used in the Property Funds Appendix. In the case of a business trust, an "**Interested Person**" means (a) a director, CEO, or controlling shareholder of the trustee-manager of the business trust; (b) the trustee-manager or controlling unitholder of the business trust; or (c) an associate of any of the persons or entities in (a) and (b).

<sup>4</sup> Refers to "interested party transactions" under the Property Funds Appendix wherein an "**Interested Party**" means (a) a director, CEO or controlling shareholder of the manager, or the manager, trustee or controlling unitholder of the property fund; or (b) an associate of any director, CEO or controlling shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of the property fund.

# Corporate Governance

invitation of the respective ARCCs. The meetings serve as a forum to review and discuss material risks and exposures of the Managers' businesses and strategies to mitigate risks. The ARCCs meet with internal auditors and external auditors without the presence of Management at least once a year to review various audit matters, including reviewing the audit plans, and evaluating the internal accounting controls, the audit reports and the assistance given by Management to the internal and external auditors. In carrying out its function, the ARCCs may also obtain independent or external legal or other professional advice or appoint external consultants as it considers necessary at the Managers' cost.

Periodic updates on changes in accounting standards and treatment are prepared by external auditors and circulated to members of the ARCCs so that they are kept abreast of such changes and its corresponding impact on the financial statements, if any.

## Risk Management

The ARCCs shall review the framework and processes established by Management to comply with applicable laws, regulations, standards, best practice guidelines and the REIT Manager's and/or the Trustee-Manager's policies and procedures. The ARCCs shall assist the Boards in ensuring that Management maintains a sound system of risk management and internal controls to safeguard the interests of the Managers or the interests of Stapled Securityholders (as the case may be) and the assets of FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager. The ARCCs also assist the Boards in their determination of the nature and extent of significant risks which the Boards are willing to take in achieving the Managers' strategic objectives and the overall levels of risk tolerance and risk policies. Further information on the key activities conducted by the ARCCs can be found in the sections titled "Financial Performance, Reporting and Audit" on pages 107 to 108 and "Governance of Risk and Internal Controls" on pages 109 to 113.

NOMINATING AND REMUNERATION COMMITTEE <sup>(1)</sup>	
MEMBERSHIP	KEY OBJECTIVES
Mr Law Song Keng, <i>Chairman</i> Mr Liew Choon Wei, <i>Member</i> Dr David Wong See Hong, <i>Member</i> Mr Panote Sirivadhanabhakdi, <i>Member</i>	<ul style="list-style-type: none"> <li>Establish a formal and transparent process for appointment and re-appointment of Directors</li> <li>Develop a process for evaluation of the performance and annual assessment of the effectiveness of the Boards as a whole and each of its board committees and individual Directors</li> <li>Review succession plans</li> <li>Assist the Boards in establishing a formal and transparent process for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel</li> <li>Review and recommend to the Boards, for endorsement of the Boards, a general framework of remuneration for the Board and Key Management Personnel and specific remuneration packages for each Director and Key Management Personnel</li> </ul>

**Note:**

(1) Unless otherwise stated, the information provided herein is as of 30 September 2019.

As at 30 September 2019, all the members of the NRCs are non-executive and the majority of whom, including the chairman of each of the NRCs, are independent.

The NRCs are guided by written Terms of Reference approved by the Board which set out the duties and responsibilities of the NRCs. The NRCs' responsibilities, in relation to their functions as a nominating committee, include reviewing the structure, size and composition and independence of the Boards and its Board Committees, reviewing and making recommendations to the Boards on the succession plans for Directors, the Chairman and Key Management Personnel, making recommendations to the Boards on all Board appointments and re-appointments, and determining the independence of Directors. The NRCs also propose for the Boards' approval, the objective performance criteria and process for the evaluation of the effectiveness of the Boards, the Board Committees and individual Directors, and ensures that proper disclosures of such process is made. The NRCs are also responsible for making recommendations to the Boards on training and professional development programmes for the Board and the Directors.

# Corporate Governance

Further information on the main activities of the NRCs, in relation to their functions as a nominating committee, are outlined in the following sections:

- “Training and development of Directors” on pages 96 to 97
- “Board Composition” on pages 97 to 100
- “Directors’ Independence” on pages 99 to 100
- “Board Performance Evaluation” on pages 101 to 102

The NRCs’ responsibilities, in reviewing remuneration matters, include reviewing and recommending to the Boards, a framework of remuneration for the Boards and Key Management Personnel. Pursuant to the MAS Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Notice No: SFA04-N14), the REIT Manager NRC’s responsibilities also include ensuring the remuneration of executive Directors shall not be linked in any way to FH-REIT’s gross revenue.

On an annual basis, the NRCs also review and recommend, for the respective Boards’ approval, the respective Managers’ remuneration and benefits policies and practices (including long-term incentive schemes), and the performance and specific remuneration packages for each Director and Key Management Personnel, in accordance with the approved remuneration policies and processes.

The NRCs also propose, for the respective Boards’ approval, criteria to assist in the evaluation of the performance of Key Management Personnel and (where applicable) reviews the obligations of the Managers arising in the event of the termination of the service agreements of executive Directors and Key Management Personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The NRCs also administer and approve awards under the Restricted Stapled Securities Plan (“**RSSP**”) and/or other long-term incentive schemes to senior executives of the Managers.

In carrying out their review on remuneration matters, the Terms of Reference of the NRCs provide that the NRC shall consider all aspects of remuneration, including Directors’ fees, special remuneration to Directors who render special or extra services to the Managers, salaries, allowances, bonuses, options, unit-based incentives and awards, benefits-in-kind and termination payments, and shall aim to be fair and to avoid rewarding poor performance.

If necessary, the NRCs can seek expert advice on remuneration within the Frasers Property Group Human Resources Department or from external sources. Where such advice is obtained from external sources, the NRCs ensure that existing relationships, if any, between the REIT Manager, the Trustee-Manager and the appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

## Delegation of authority framework

As part of the REIT Manager’s internal controls, the Board has adopted a framework of delegated authorisations in its Manual of Authority (the “**MOA**”). The MOA sets out the levels of authorisation required for particular types of transactions to be carried out, and specifies whether REIT Manager Board approval needs to be sought. It also sets out approval limits for operating and capital expenditure as well as investments, divestments and asset enhancement initiatives.

While day-to-day operations of the business are delegated to Management, in the REIT Manager Board’s exercise of its leadership and oversight of FH-REIT, the MOA contains a schedule of matters specifically reserved for approval by the REIT Manager’s Board. These include approval of annual budgets, financial plans, material transactions, namely, acquisitions, divestments, funding and investment proposals and asset enhancement initiatives.

The Trustee-Manager Board implemented a similar MOA in the financial year ended 30 September 2019 (“**FY2019**”).

# Corporate Governance

## Meetings of the Boards and Board Committees

The Boards meet regularly, at least once every quarter, and also as required by business needs or if the members deem it necessary or appropriate to do so.

The following table summarises the number of meetings of the Boards and Board Committees and general meetings held and attended by the Directors in FY2019:

	Board Meetings	Audit, Risk and Compliance Committee Meetings	Nominating and Remuneration Committee Meetings	Annual General Meeting <sup>(5)</sup>
<b>Meetings held in FY2019</b>	5	4	1	1
Mr Law Song Keng	5 (C) <sup>(1)</sup>	4	1 (C) <sup>(1)</sup>	1 (C) <sup>(1)</sup>
Mr Chua Phuay Hee	5			1
Mr Liew Choon Wei	5	4	1	1
Dr David Wong See Hong	5	4 (C) <sup>(1)(2)</sup>	1	1
Mr Panote Sirivadhanabhakdi	3		1	1
Mr Choe Peng Sum <sup>(3)</sup>	4			1
Mr Koh Teck Chuan <sup>(4)</sup>	1			<sup>(4)</sup>

### Notes:

- (1) C refers to chairman
- (2) Dr David Wong See Hong was appointed as chairman of the REIT Manager ARCC as well as the chairman of the Trustee-Manager ARCC with effect from 1 April 2019. Upon such appointment taking effect, Mr Law Song Keng stepped down from his appointment as chairman of the REIT Manager ARCC as well as the chairman of the Trustee-Manager ARCC.
- (3) Mr Choe Peng Sum retired as a Director with effect from 21 May 2019.
- (4) Mr Koh Teck Chuan was appointed as a Director with effect from 21 May 2019.
- (5) There were no extraordinary general meetings held in FY2019.

A calendar of activities is scheduled for the Boards a year in advance.

The Constitutions of both the REIT Manager and the Trustee-Manager provide for Board members who are unable to attend physical meetings to participate through telephone conference, video conference or similar communications equipment.

Directors are provided with Board papers setting out relevant information on the agenda items to be discussed at Board and Board Committee meetings around a week in advance of the meeting (save in cases of urgency), to give Directors sufficient time to prepare for the meeting and review and consider the matters being tabled so that discussions can be more meaningful and productive and Directors have the necessary information to make sound and informed decisions.

Senior members of the Management attend Board meetings, and where necessary, Board Committee meetings, to brief and make presentations to the Directors, provide input and insight into matters being discussed, and respond to queries and take any follow up instructions from the Directors. At least once a year and if required, time is set aside after scheduled Board meetings for discussions amongst the Board without the presence of Management.

Where required by the Directors, external advisers may also be present or available whether at Board and Board Committee meetings or otherwise, and (if necessary), at the Managers' expense where applicable, to brief the Directors and provide their advice.

For matters which require the Boards' and/or Board Committees' decision outside such meetings, Board and/or Board Committee papers will be circulated through the Company Secretary for the Directors' consideration with further discussions taking place between the Directors and Management (if required) before a decision is made.

# Corporate Governance

## Matters discussed by Boards and Board Committees in FY2019

### BOARD

- Strategy
- Business and Operations Update
- Financial Performance
- Governance
- Feedback from Board Committees
- Networking

### Audit, Risk and Compliance Committee

- External and Internal Audit
- Financial Reporting
- Internal Controls and Risk Management
- Related/Interested Person Transactions
- Conflicts of Interests

### Nominating and Remuneration Committee

- Board Composition and Renewal
- Board, Board Committees and Director Evaluations
- Training and Development
- Remuneration Policies and Framework
- Succession Planning

### Board Oversight

Outside of Board and Board Committee meetings, Management also provides Directors with reports on major operational matters, business development activities, financial performance, potential investment opportunities and budgets periodically, as well as such other relevant information on an on-going and timely basis to enable them to discharge their duties and responsibilities properly. Where required or requested by Directors, site visits are also arranged for Directors to have an intimate understanding of the key business operations of each division and to promote active engagement with Management.

Directors are provided with sufficient information to enable them to ensure that they prepare adequately for Board and Board Committee meetings, and devote sufficient time and attention to the affairs of FHT and the Managers. At Board and Board Committee meetings, the Directors actively participate, discuss, deliberate and appraise matters requiring their attention and decision. Where necessary for the proper discharge of their duties, the Directors may seek and obtain independent professional advice at the Managers' expense.

### The Company Secretary

The Company Secretary of the Managers (the "**Company Secretary**"), who is legally trained and familiar with company secretarial practices, is responsible for overseeing compliance with Board and Board Committee procedures, and the relevant guidelines, notices, rules and regulations, including disclosure requirements under the BTA, the SFA, their respective subsidiary legislation, applicable MAS guidelines and notices, the CIS Code, the SGX-ST Listing Manual and the Trust Deeds, and provides advice and guidance on corporate governance practices and processes.

The Company Secretary attends Board and Board Committee meetings and drafts and reviews the minutes of proceedings thereof, and facilitates and acts as a channel of communication for the smooth flow of information to and within the Boards and their various Board Committees, as well as between and with senior Management.

The Company Secretary solicits and consolidates Directors' feedback and evaluation, facilitates induction and orientation programmes for new Directors, and assists with Directors' professional development matters. The Company Secretary also acts as the REIT Manager's and the Trustee-Manager's primary channel of communication with the SGX-ST.

The appointment and removal of the Company Secretary is subject to the approval of the Boards.

### Training and development of Directors

The NRCs are tasked with identifying and developing training programmes for the Boards and Board Committees for the Boards' approval and ensuring that Directors have the opportunity to develop their skills and knowledge.

Upon appointment, each new Director is issued a formal letter of appointment setting out his or her duties and obligations, including his or her responsibilities as fiduciaries and on the policies relating to conflicts of interest. An induction and

# Corporate Governance

orientation programme is also conducted to provide new appointees with information on the business activities, strategic direction, policies and corporate governance practices of the Managers, as well as their statutory and other duties and responsibilities as Directors.

The Directors are continually and regularly updated on FHT's business and the regulatory and industry specific environments in which the entities of the Group operate. The Managers ensures that the Boards are regularly updated on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards which are relevant to or may affect the FHT, FH-REIT, the REIT Manager, FH-BT and/or the Trustee-Manager and such updates may be in writing, by way of briefings held by the Managers' lawyers and external auditors or disseminated by way of presentations and/or handouts. During FY2019, the Directors were updated on (a) changes in Financial Reporting Standards, (b) directors' independence, (c) changes in tax regulations in relevant jurisdictions and (d) recent changes to the CG Code and Listing Rules.

To ensure that the Directors can fulfil their obligations and continually improve the performance of the Boards, all Directors are encouraged to undergo continual professional development during the term of their appointment, and are provided with opportunities to develop and maintain their skills and knowledge at the Managers' expense. The Managers maintain a training record to track Directors' attendance at training and professional development courses.

Directors are encouraged to be members of the Singapore Institute of Directors ("SID") for them to receive updates and training from SID to stay abreast of relevant developments in financial, legal and regulatory requirements and business trends.

## BOARD COMPOSITION

The following table shows the composition of the Board and the various Board Committees as at 30 September 2019:

		Audit, Risk and Compliance Committee	Nominating and Remuneration Committee
Mr Law Song Keng	Chairman, Non-Executive (Independent) Director	•	• (Chairman)
Mr Chua Phuay Hee	Non-Executive (Independent) Director		
Mr Liew Choon Wei	Non-Executive (Independent) Director	•	•
Dr David Wong See Hong	Non-Executive (Independent) Director	• (Chairman)	•
Mr Panote Sirivadhanabhakdi	Non-Executive (Non-Independent) Director		•
Mr Koh Teck Chuan	Non-Executive (Non-Independent) Director		

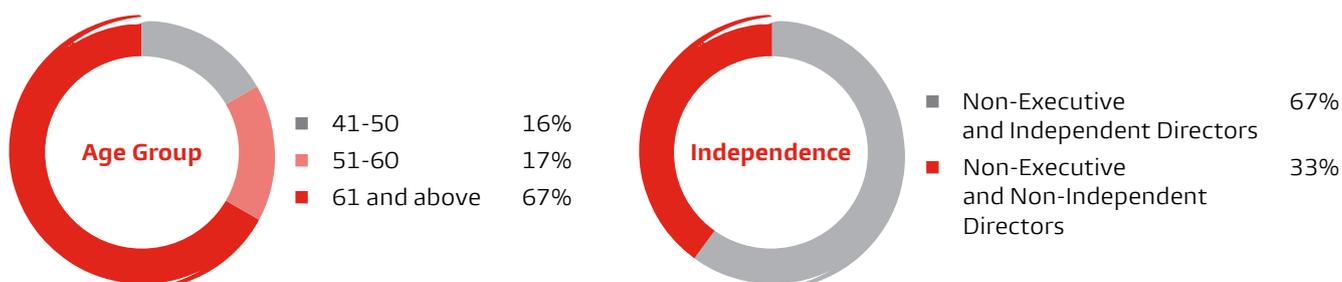
Profiles of each of the Directors can be found at pages 44 to 47.

As at 30 September 2019, all of the Directors are non-executive, majority of whom are independent.

The NRCs have assessed that the current structure, size and composition of each of the REIT Manager Board and the Trustee-Manager Board are appropriate for the scope and nature of FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's operations (as the case may be). No individual or group dominates the REIT Manager Board's and/or the Trustee-Manager Board's decision-making process or has unfettered powers of decision-making. The NRCs are of the opinion that the Directors, with their diverse backgrounds and experience (including core competencies and expertise and experience in wide-ranging fields which include banking, accounting and finance, and real estate, coupled with relevant industry knowledge, entrepreneurial and management experience), provide the appropriate balance and mix of skills, knowledge, experience, competencies and other aspects of diversity that fosters constructive debate and ensures the effectiveness of the Boards and the Board Committees. The Boards concur with the views of the NRCs.

# Corporate Governance

Board Composition in terms of Age Group, Independence and Tenure (as at 30 September 2019)



## Tenure as at 30 September 2019

	Number of Years as a Director
Non-Executive, Independent Directors	5.3
Non-Executive, Non-Independent Directors	0.3 to 5.3

Directors are not subject to periodic retirement by rotation. Under their Terms of Reference, the NRCs are tasked with reviewing the succession plans for Directors, the Chairman and Key Management Personnel.

Under the NRCs' Terms of Reference, NRCs are tasked with making recommendations to the Boards on all Board appointments and re-appointments, taking into account, among other things, the scope and nature of the operations of the Group, the requirements of the business, whether Directors who have multiple board representations are able to carry out and have been carrying out their duties as Directors and whether the Directors have given sufficient time and attention to the affairs of FHT, FH-REIT and the REIT Manager, and/or FH-BT and the Trustee-Manager (as the case may be). The process for the selection, appointment and re-appointment of Directors also takes into account the composition and progressive renewal of the Board and Board Committees, each Director's experience, education, expertise, judgment, personal qualities and general and sector specific knowledge in relation to the needs of the Board as well as whether the candidates will add diversity to the Board and whether they are likely to have adequate time to discharge their duties. The NRCs consider a range of different channels to source and screen candidates for Board appointments, depending on the requirements, including tapping on existing networks of contacts and recommendations. Instead of prescribing a maximum number of directorships and/or other principal commitments that each Director may have, the NRCs adopt a holistic assessment of each Director's individual capacity and circumstances to carry out his or her duties, taking into consideration not only the number of other board and other principal commitments held by each Director, but also the nature and complexity of such commitments.

## Board Diversity Policy

The Boards have adopted, with the recommendation of the respective NRCs, board diversity policies for FH-REIT and FH-BT. The NRCs will monitor and implement this policy, and will take the principles of the policy into consideration when determining the optimal composition of the Board, the appointment and re-appointment of Directors and when recommending any proposed changes to the Board. On the recommendation of its respective NRC, the Boards may set certain measurable objectives/specific diversity targets, with a view to achieving an optimal Board composition, and these objectives/specific diversity targets may be reviewed by the NRCs from time to time to ensure their appropriateness.

The Boards view diversity at the Board level as an essential element for driving value in decision-making and proactively seeks as part of their diversity policy, to maintain an appropriate balance of expertise, skills and attributes among the Directors. This is reflected in the diversity of backgrounds and competencies of the Directors, whose competencies range from banking, accounting and finance and real estate, coupled with relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. This is beneficial to FHT, the REIT Manager, the Trustee-Manager and Management as decisions by and discussions with the Boards would be enriched by the broad range of views and perspectives and the breadth of experience of the Directors.

# Corporate Governance

## Directors' Independence

The Directors exercise their judgment independently and objectively in the interests of all Stapled Securityholders as a whole. The Directors complete a declaration of independence annually which is reviewed by the NRCs. The NRCs determine annually, and as and when circumstances require, if a Director is independent. Based on the declarations of independence of the Directors, and having regard to the circumstances set forth in Provision 2.1 of the CG Code, Rule 210(5)(d) of the SGX-ST Listing Manual, 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 and Regulations 13D to 13H of the Securities and Futures (Licensing and Conduct of Business) Regulations ("**SFLCB Regulations**"), Regulation 12 of the Business Trust Regulations, the NRCs and the Boards have determined that there are four independent Directors on the Board, namely: Mr Law Song Keng, Mr Chua Phuay Hee, Mr Liew Choon Wei, and Dr David Wong See Hong.

The REIT Manager Board has considered the relevant requirements under the SFLCB Regulations and its views in respect of the independence of each Director is as follows:

The Director:	Mr Law Song Keng <sup>(1)</sup>	Mr Chua Phuay Hee <sup>(3)</sup>	Mr Liew Choon Wei <sup>(2)</sup>	Dr David Wong See Hong <sup>(4)</sup>	Mr Panote Sirivadhanabhakdi <sup>(5)</sup>	Mr Koh Teck Chuan <sup>(6)</sup>
(i) had been independent from the management of the REIT Manager and FH-REIT during FY2019	✓	✓	✓	✓		
(ii) had been independent from any business relationship with the REIT Manager and FH-REIT during FY2019					✓	✓
(iii) had been independent from every substantial shareholder of the REIT Manager and every substantial Stapled Securityholder of FHT during FY2019						
(iv) had not been a substantial shareholder of the REIT Manager or a substantial Stapled Securityholder of FHT during FY2019	✓	✓	✓	✓		✓
(v) has not served as a director of the REIT Manager for a continuous period of nine years or longer as at the last day of FY2019	✓	✓	✓	✓	✓	✓

### Notes:

- (1) Mr Law Song Keng is a director of the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder of FHT. As such, during FY2019, Mr Law Song Keng is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Law Song Keng was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Mr Law Song Keng should be treated as an independent Director of the REIT Manager. As at the last day of FY2019, Mr Law Song Keng was able to act in the best interests of all Stapled Securityholders as a whole.

# Corporate Governance

- (2) Mr Liew Choon Wei is a director of the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder of FHT. As such, during FY2019, Mr Liew Choon Wei is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Liew Choon Wei was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Mr Liew Choon Wei should be treated as an independent Director of the REIT Manager. As at the last day of FY2019, Mr Liew Choon Wei was able to act in the best interests of all Stapled Securityholders as a whole.
- (3) Mr Chua Phuay Hee is a director of the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder of FHT. As such, during FY2019, Mr Chua Phuay Hee is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Chua Phuay Hee was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Mr Chua Phuay Hee should be treated as an independent Director of the REIT Manager. As at the last day of FY2019, Mr Chua Phuay Hee was able to act in the best interests of all Stapled Securityholders as a whole.
- (4) Dr David Wong See Hong is a director of the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder of FHT. As such, during FY2019, Dr David Wong See Hong is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, Dr David Wong See Hong was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Dr David Wong See Hong should be treated as an independent Director of the REIT Manager. As at the last day of FY2019, Dr David Wong See Hong was able to act in the best interests of all Stapled Securityholders as a whole.
- (5) Mr Panote Sirivadhanabhakdi is currently a director and the Group Chief Executive Officer of FPL and a director of other entities within the Frasers Property Group other than the REIT Manager. FPL wholly-owns the REIT Manager and is a substantial Stapled Securityholder of FHT. Mr Panote Sirivadhanabhakdi is also a director of various entities within the TCC Group<sup>5</sup> (which is the controlling shareholder of the Frasers Property Group) and holds 20.0% of the issued share capital of TCC Group Investments Limited, a substantial Stapled Securityholder of FHT. Mr Panote Sirivadhanabhakdi is also the son of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi. In addition, Mr Panote Sirivadhanabhakdi is a director of the Trustee-Manager. As such, during FY2019, Mr Panote Sirivadhanabhakdi is deemed (a) to have a management relationship with the REIT Manager and FH-REIT; (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT; and (c) to be a substantial Stapled Securityholder of FHT. The REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Panote Sirivadhanabhakdi was able to act in the best interests of all Stapled Securityholders as a whole. As at the last day of FY2019, Mr Panote Sirivadhanabhakdi was able to act in the best interests of all Stapled Securityholders as a whole.
- (6) Mr Koh Teck Chuan is currently employed by a related corporation of the REIT Manager and is a director of various subsidiaries and / or associated companies of FPL, which is a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. In addition, Mr Koh Teck Chuan is a director of the Trustee-Manager. As such, during FY2019, Mr Koh Teck Chuan is deemed (a) to have a management relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. The REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Koh Teck Chuan was able to act in the best interests of all Stapled Securityholders as a whole. As at the last day of FY2019, Mr Koh Teck Chuan was able to act in the best interests of all Stapled Securityholders as a whole.

Each of the Directors is a member of each of the REIT Manager Board and the Trustee-Manager Board. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder. As such, during FY2019, each of the Directors is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, each of the Directors was able to act in the best interests of all the Stapled Securityholders as a whole. The REIT Manager Board is of the view that Mr Law Song Keng, Mr Chua Phuay Hee, Mr Liew Choon Wei, and Dr David Wong See Hong should be treated as an independent Director of the REIT Manager. Each of Mr Panote Sirivadhanabhakdi and Mr Koh Teck Chuan was able to act in the best interests of the Stapled Securityholders as a whole as at the last day of FY2019.

Further information on the independence of the Trustee-Manager Directors under the BTA and the related exemption granted by the MAS from the requirement under Regulation 12(1) of the Business Trusts Regulations can be found in the Statement on Composition of the Board of Directors of FH-BT on pages 135 to 136.

The independent Directors lead the way in upholding good corporate governance at the Board level and their presence facilitates the exercise of objective independent judgement on corporate affairs. Their participation and input also ensure that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into account the long-term interests of FHT and its Stapled Securityholders. As of 30 September 2019, none of the independent Directors have been on the Board for more than nine years.

As at least half of the Board comprises independent Directors, the REIT Manager will not be subjecting any appointment or re-appointment of Directors to voting by Stapled Securityholders under Regulation 13D of the SFLCB Regulations.

The Chairman is presently an independent Director.

No alternate directors have been appointed on the Board for FY2019.

<sup>5</sup> "TCC Group" refers to the companies and entities in the TCC Group which are controlled by Mr Chaoron Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi.

# Corporate Governance

## Conflict Policy

To address and manage possible conflicts of interest (including in relation to Directors, officers and employees) that may arise in managing FH-REIT, the REIT Manager has put in place procedures which, among other things, specify that: (a) the REIT Manager shall be dedicated to the management of FH-REIT and will not directly or indirectly manage other REITs; (b) all executive officers will be employed by the REIT Manager; (c) all resolutions in writing of the directors of the REIT Manager (“**REIT Manager Directors**”) in relation to matters concerning FH-REIT must be approved by a majority of the REIT Manager Directors, including at least one director independent from management and business relationships with the REIT Manager; (d) at least a majority of the REIT Manager Board shall comprise REIT Manager independent Directors; (e) on matters where Frasers Property Group has an interest (directly or indirectly), Directors nominated by Frasers Property Group shall abstain from voting. On such matters, the quorum must comprise a majority of the REIT Manager’s independent Director and must exclude nominee Directors of Frasers Property Group; and (f) an interested Director is required to disclose his interest in any proposed transaction with FH-REIT and is required to abstain from voting on resolutions approving the transaction.

Further information on the conflict policy the Trustee-Manager has instituted to deal with conflicts of interest that may arise in managing FH-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 128 to 134.

The Managers do not have a practice of extending loans to Directors, and as at 30 September 2019, there were no loans granted by the Managers to Directors. If there are such loans, each of the Managers will comply with its obligations under the Companies Act (Chapter 50 of Singapore) in relation to loans, quasi-loans, credit transactions and related arrangements to Directors.

## Board Performance Evaluation

Each of the REIT Manager NRC and the Trustee-Manager NRC is tasked with developing a process for the evaluation of the performance and annual assessment of its respective Boards as a whole, each of the Board Committees and individual Directors.

For FY2019, the NRCs recommended and the Board approved the process of conducting a Board evaluation survey facilitated by an independent external consultant, Ernst & Young LLP. The external consultant has no connection with FH-REIT, the REIT Manager, FH-BT and/or the Trustee-Manager or any of the Directors, apart from being the consultant in previous financial year(s).

The survey was designed to provide an evaluation of current effectiveness of each of the REIT Manager Board and the Trustee-Manager Board and to support the Chairman and the Boards to proactively consider what can enhance the readiness of the Boards to address emerging strategic priorities for FHT, FH-REIT and/or FH-BT (as the case may be) as a whole. As part of the survey, questionnaires were sent by the external consultant to the Directors to obtain feedback, and interviews would be conducted to clarify the responses where required. The objective performance criteria covered in the Board evaluation exercise translated into the following key segments in the questionnaires: (a) the Boards’ contribution to the overall development of the Managers’ strategic and performance orientation; (b) Board composition and skills; (c) governance of the Boards and organisation focus; (d) Board functions and dynamics, including the Boards’ internal operations, as well as engagement with key investors, Stapled Securityholders and strategic stakeholders; (e) the Boards’ relations with Management; (f) Boards’ role in respect of Director development and succession planning for the Boards and Management; (g) Director performance; (h) the Boards’ governance in the management of a REIT or a business trust (as the case may be); and (i) the effectiveness of the Board Committees. The responses would be summarised by the external consultant and a report would be submitted to the NRCs. Findings and recommendations of the external consultants which included feedback from Directors would be taken into consideration and any necessary follow-up actions would be undertaken with a view to improving the overall effectiveness of the Boards in fulfilling their roles and meeting their responsibilities to Stapled Securityholders.

# Corporate Governance

In addition to the survey, the contributions and performance of each Director would be assessed by the NRCs as part of its periodic reviews of the composition of the Boards and the various Board Committees. Based on the NRC's review, the Boards and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Boards.

## REMUNERATION MATTERS

The remuneration of the staff of the Managers and Directors' fees are paid by the REIT Manager and the Trustee-Manager from the management fees received from FH-REIT and FH-BT respectively, and not by FH-REIT and FH-BT (as the case may be). With the recommendations of the NRCs, the Boards have put in place a formal and transparent process for developing policies on remuneration of Directors and Key Management Personnel and for fixing the remuneration packages of individual Directors and Key Management Personnel.

### Compensation Philosophy

The Managers seek to incentivise and reward consistent and sustained performance through market competitive, internally equitable, performance-orientated and Stapled Securityholder-aligned compensation programmes. This compensation philosophy serves as the foundation for the Managers' remuneration framework, and guides the Managers' remuneration framework and strategies. In addition, the Managers' compensation philosophy seeks to align the aspirations and interests of its employees with the interests of FHT and its Stapled Securityholders, resulting in the sharing of rewards for both employees and Stapled Securityholders on a sustained basis. The Managers' comprehensive human capital strategy serves to attract, retain and motivate employees. The Managers aim to connect employees' desire to develop and fulfil their aspirations with the growth opportunities afforded by the Managers' strategic vision and corporate initiatives.

### Compensation Principles

All compensation programme design, determination and administration are guided by the following principles:

(a) Pay-for-Performance

The Managers' Pay-for-Performance principle encourages excellence, in a manner consistent with the Managers' core values. The Managers take a total compensation approach, which recognises the value and responsibility of each role, and differentiates and rewards performance through its incentive plans.

(b) Stapled Securityholder Returns

Performance measures for incentives are established to drive initiatives and activities that are aligned with both short-term value creation and long-term Stapled Securityholder wealth creation, thus ensuring a focus on delivering Stapled Securityholder returns.

(c) Sustainable Performance

The Managers believe sustained success depends on the balanced pursuit and consistent achievement of short-term and long-term goals. Hence, variable incentives incorporate a significant pay-at-risk element to align employees with sustainable performance for the Managers.

(d) Market Competitiveness

The Managers aim to be market competitive by benchmarking its compensation levels with relevant comparators accordingly. However, the Managers embrace a holistic view of employee engagement that extends beyond monetary rewards. Recognising each individual as unique, the Managers seek to motivate and develop employees through all the levers available to the Managers through its respective comprehensive human capital platform.

# Corporate Governance

## Engagement of External Consultants

The NRCs may from time to time, and where necessary or required, engage external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Managers to stay competitive in their remuneration packages. During FY2019, Korn Ferry was appointed as the Managers' remuneration consultant. The remuneration consultant does not have any relationship with FHT, the REIT Manager, the Trustee-Manager, its controlling shareholders, its related entities and/or Directors which would affect its independence and objectivity.

## Remuneration Framework

The NRCs review and make recommendations to the Boards on the remuneration framework for the independent Directors and other non-executive Directors and the Key Management Personnel. The remuneration framework is endorsed by the Boards.

The remuneration framework covers all aspects of remuneration including salaries, allowances, performance bonuses, grant of awards of Stapled Securities and incentives for the Key Management Personnel and fees for the independent Directors and other non-executive Directors.

## Remuneration Policy in respect of Management and other employees

The NRCs review the level, structure and mix of remuneration and benefits policies and practices (where appropriate) of the Managers, to ensure that they are appropriate and proportionate to the sustained performance and value creation of FHT and the Managers, taking into account the strategic objectives of FHT and the Managers, and designed to attract, retain and motivate the Key Management Personnel to successfully manage FHT and the Managers for the long-term. The NRCs take into account all aspects of remuneration, including termination terms, to ensure that they are fair.

The remuneration framework comprises fixed and variable components, which include short-term and long-term incentives. When conducting their review of the remuneration framework, the NRCs take into account the performance of FHT and individual performance. The performance of FHT is measured based on pre-set financial and non-financial indicators. Individual performance is measured via the employee's annual appraisal based on indicators such as core values, competencies and key performance indicators.

### *Fixed Component*

The fixed component in the Managers' remuneration framework is structured to remunerate employees for the roles they perform, and is benchmarked against relevant industry market data. It comprises base salary, fixed allowances and any statutory contribution. The base salary and fixed allowances for Key Management Personnel are reviewed annually by NRCs and approved by the Boards.

### *Variable Component*

An appropriate proportion of the remuneration of key executives of the Managers comprises a variable component which is structured so as to link rewards to corporate and individual performance and incentivise sustained performance in both the short and long-term. The variable incentives are measured based on quantitative and qualitative targets, and overall performance will be determined at the end of the year and approved by the NRCs.

#### (1) Short-Term Incentive Plans

The short-term incentive plans ("**STI Plans**") aim to incentivise excellence in performance in the short-term. All Key Management Personnel are assessed through either a balanced scorecard or annual performance review with pre-agreed financial and non-financial key performance indicators ("**KPIs**"). The financial KPIs are based on the performance of FHT. Non-financial KPIs may include measures on People, Corporate Governance, Sustainability or specified projects. These targets are established at the beginning of each financial year. At the end of the financial year, the achievements are measured against the pre-agreed targets and the short-term incentives of each Key Management Personnel are determined.

# Corporate Governance

The NRCs recommend the final short-term incentives that are awarded to the Key Management Personnel for the Boards' approval, taking into consideration any other relevant circumstances.

## (2) Long-Term Incentive Plans

The NRCs administer the Managers' long-term incentive plan, namely, the RSSP. The RSSP was approved by the Boards and adopted on 8 December 2017. Through the RSSP, the Managers seek to foster a greater ownership culture within the Managers by aligning more directly the interests of senior executives (including the CEO) with the interests of Stapled Securityholders and other stakeholders, and for such employees to participate and share in FHT's growth and success, thereby ensuring alignment with sustainable value creation for Stapled Securityholders over the long-term.

The RSSP is available to selected senior executives of the Managers. Its objectives are to increase the Managers' flexibility and effectiveness in its continuous efforts to attract, retain and motivate talented senior executives and to reward these executives for the future performance of FHT and the Managers. The RSSP applies to senior executives who shoulder the responsibility of FHT's future performance and who are able to drive the growth of FHT and the managers through superior performance. It serves as further motivation to the participants in striving for excellence, promoting FHT's and the Managers' long-term success and delivering long-term Stapled Securityholder value.

Under the RSSP, the Managers grant Stapled Security-based awards ("**Initial Awards**") with pre-determined performance targets being set at the beginning of the performance period. The NRCs recommend the Initial Awards granted to Key Management Personnel to the Boards for approval, taking into consideration the executives' individual performance. The performance period for the RSSP is two years. The pre-set targets are net property income and distribution per Stapled Security. Such performance conditions are generally performance indicators that are key drivers of Stapled Securityholders' value creation and aligned to FHT's business objectives. The RSSP awards represent the right to receive fully paid Stapled Securities, their equivalent cash value or a combination thereof, free of charge, provided certain prescribed performance conditions are met. The final number of Stapled Securities to be released ("**Final Awards**") will depend on the achievement of the pre-determined targets at the end of the performance period. If such targets are exceeded, more Stapled Securities than the Initial Awards can be delivered, subject to a maximum multiplier of the Initial Awards. The Final Awards will vest to the participants in three tranches over two years after the two-year performance period. The obligation to deliver the Stapled Securities is expected to be satisfied out of the Stapled Securities held by the Managers.

The NRCs have absolute discretion to decide on the Final Awards, taking into consideration any other relevant circumstances.

## Approach to Remuneration of Key Management Personnel

The Managers advocate a performance-based remuneration system that is highly flexible and responsive to the market, which also takes into account FHT's performance and that of its employees.

In designing the compensation structure, the NRCs seek to ensure that the level and mix of remuneration are competitive, relevant and appropriate in finding a balance between current versus long-term compensation and between cash versus equity incentive compensation.

Executives who have a greater ability to influence outcomes within the Managers have a greater proportion of overall reward at risk. The NRCs exercise broad discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of Stapled Securityholders and other stakeholders and promote the long-term success of FHT.

# Corporate Governance

## Performance Indicators for Key Management Personnel

As set out above, the Managers' variable remuneration comprises short-term and long-term incentives, taking into account both FHT's and individual performance. This is to ensure employee remuneration is linked to performance. In determining short-term incentives, both FHT's financial and non-financial performance as per the balanced scorecard are taken into consideration. The performance targets align the interests of the Key Management Personnel with the long-term growth and performance of FHT and the Managers. The financial performance indicators on which the Key Management Personnel are evaluated comprise (a) FHT's net property income (b) distribution per Stapled Security and (c) Premium to Unit price/NAV per unit versus peers. These performance indicators are quantitative and are objective measures of FHT's performance. The non-financial performance indicators on which Key Management Personnel are evaluated include (i) people development, (ii) corporate governance and compliance, (iii) sustainability, (iv) branding, (v) business process, and (vi) investor relations. These qualitative performance indicators will align the Key Management Personnel's performance with FHT's strategic objectives.

In relation to long-term incentives, the Managers have implemented the RSSP with effect from the financial year ended 30 September 2018 as set out above. The release of long-term incentive awards to Key Management Personnel are conditional upon the performance targets being met. The performance targets of the KPIs align the interests of Key Management Personnel with the long-term growth and performance of FHT. In FY2019, the pre-determined target performance levels for the RSSP grant were met.

Currently, the Managers do not have claw-back provisions which allow them to reclaim incentive components of remuneration from the Key Management Personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss.

## Remuneration Packages of Key Management Personnel

The NRCs review and make recommendations on the specific packages and service terms for the Key Management Personnel for endorsement by the respective Board. The NRCs will review the short-term and long-term incentives in the Key Management Personnel remuneration package to ensure its compliance with the substance and spirit of the directions and guidelines from the MAS.

No Director or Key Management Personnel is involved in deciding his or her remuneration.

The NRCs align the CEO's leadership, through appropriate remuneration and benefit policies, with FHT's and the Managers' strategic objectives and key challenges. Performance targets are also set for the CEO and his performance is evaluated yearly.

## Remuneration Policy in respect of Non-Executive Directors

The remuneration of non-executive Directors has been designed to be appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities, on the Board and Board Committees, and to attract, retain and motivate the Directors to provide good stewardship of FHT.

## Non-Executive Directors do not Receive Bonuses, Options or Stapled Security-Based Incentives and Awards

The Managers engage consultants to review Directors' fees by benchmarking such fees against the amounts paid by listed industry peers. Each non-executive Director's remuneration comprises a basic fee and attendance fees for attending Board and Board Committee meetings. In addition, non-executive Directors who perform additional services in Board Committees are paid an additional fee for such services. The chairman of each Board Committee is also paid a higher fee compared with the members of the respective Board Committees in view of the greater responsibility carried by that office.

# Corporate Governance

## Disclosure of Remuneration of Directors and Key Executives

Information on the remuneration of Directors and key executives of the Managers for FY2019 is set out below.

Directors of the Managers	Remuneration S\$
Mr Law Song Keng	159,000
Mr Chua Phuay Hee	52,500
Mr Liew Choon Wei	86,000
Dr David Wong See Hong	99,000
Mr Panote Sirivadhanabhakdi	57,000
Mr Choe Peng Sum	34,669 <sup>(2)</sup>
Mr Koh Teck Chuan	17,831 <sup>(3)</sup>

### Notes:

- (1) Directors' fees are paid to Frasers Property Corporate Services Pte. Ltd. or each of Mr Panote Sirivadhanabhakdi, Mr Choe Peng Sum and Mr Koh Teck Chuan.  
 (2) Mr Choe Peng Sum retired as a Director with effect from 21 May 2019.  
 (3) Mr Koh Teck Chuan was appointed as a Director with effect from 21 May 2019.

Remuneration of CEO for FY2019	Salary %	Bonus %	Allowances and Benefits %	Long-Term Incentives %	Total %
<b>Between S\$500,001 to S\$750,000</b>					
Ms Eu Chin Fen <sup>(1)</sup>	42	23	5	30	100
<b>Between S\$250,001 to S\$500,000</b>					
Mr Colin Low Hsien Yang <sup>(2)</sup>	18	34 <sup>(3)</sup>	2	46 <sup>(4)</sup>	100
Remuneration of Key Executives of the Managers <sup>(7)</sup> (excluding CEO) for FY2019	Salary %	Bonus %	Allowances and Benefits %	Long-Term Incentives %	Total %
Ms Valerie Foo Meei Foon <sup>(5)</sup>					
Mr Eric Gan Chee Teik					
Mr Mark Rohner <sup>(6)</sup>	68 <sup>(8)</sup>	15 <sup>(8)</sup>	6 <sup>(8)</sup>	11 <sup>(8)</sup>	100
Mr Jason Leong Say Boon					
Ms Sandy Leng Wei Woon					
<b>Aggregate Total Remuneration (including CEO)</b>					<b>S\$2,282,187</b>

### Notes:

- (1) Ms Eu Chin Fen was the CEO from 1 October 2018 to 30 June 2019, as such, the remuneration disclosed is for the aforementioned period.  
 (2) Mr Colin Low was appointed as the CEO on 1 July 2019, as such, the remuneration disclosed is for the period from 1 July 2019 to 30 September 2019.  
 (3) Includes a one-time sign on bonus.  
 (4) Includes a one-time award of long-term incentives as part of sign-on bonus.  
 (5) The remuneration of Ms Valerie Foo Meei Foon, who was appointed acting Chief Financial Officer from 9 March 2018 to 28 January 2019, was borne by Frasers Property Group (other than the Managers).  
 (6) Mr Mark Rohner ceased to be employed by the Managers as of 11 August 2019, as such, the remuneration disclosed is for the period from 1 October 2018 to 11 August 2019.  
 (7) The key executives of the Managers (excluding the CEO) listed in this table are the CFO and the division heads of the Managers.  
 (8) Derived on the aggregation of the respective remuneration components of each key executives (excluding the CEO) and represented as percentages against total remuneration for these key executives.

There are no existing or proposed service agreements entered into or to be entered into by the REIT Manager and/or the Trustee-Manager or any of its respective subsidiaries with Directors, the CEO or other Key Management Personnel which provide for compensation in the form of stock options, or pension, retirement or other similar benefits, or other benefits, upon termination of employment.

# Corporate Governance

Pursuant to MAS Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Notice No: SFA04-N14), REIT managers are required to disclose the remuneration of the CEO and each individual Director on a named basis, and the remuneration of at least the top five executive officers (which shall not include the CEO and executive officers who are Directors), on a named basis, in bands of S\$250,000. The REIT manager may provide an explanation if it does not wish to or is unable to comply with such requirement. The REIT Manager has decided (a) to disclose the CEO's remuneration in bands of S\$250,000 (instead of on a quantum basis), (b) not to disclose exact details of the remuneration of the key executives of the REIT Manager (excluding the CEO) in bands of S\$250,000 and (c) to disclose the aggregate remuneration of all key executives of the REIT Manager (including the CEO), for the following reasons:

- (i) competition for talent in the REIT management industry is very keen and the REIT Manager has, in the interests of Stapled Securityholders, opted not to disclose the exact remuneration of key executives of the Managers (including the CEO) as this may give rise to recruitment and talent retention issues as well as the risk of unnecessary key Management turnover;
- (ii) the composition of the current management team has been stable and to ensure the continuity of business and operations of FH-REIT, it is important that the REIT Manager continues to retain its team of competent and committed staff;
- (iii) due to the confidentiality and sensitivity of staff remuneration matters, the REIT Manager is of the view that such disclosure could be prejudicial to the interests of Stapled Securityholders; and
- (iv) the remuneration of key executives of the Managers (including the CEO) are paid by the REIT Manager and there is full disclosure of the total amount of fees paid to the REIT Manager set out at page 188 of this Annual Report.

As at 30 September 2019, there are no employees within the Managers who is a substantial Stapled Securityholder or who is an immediate family member of a Director, the CEO or a substantial Stapled Securityholder.

## FINANCIAL PERFORMANCE, REPORTING AND AUDIT

The Boards, with the support of Management, is responsible for providing a balanced and understandable assessment of FHT's performance, position and prospects. Financial reports are provided to the Boards on a quarterly basis and monthly accounts are made available to the Directors on request.

The REIT Manager prepares the financial statements of FH-REIT in accordance with the Singapore Financial Reporting Standards (International) prescribed by the Accounting Standards Council, the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the CIS Code and the provisions of the FH-REIT Trust Deed and the Stapling Deed.

The Trustee-Manager prepares the financial statements of FH-BT in accordance with the principles of the Singapore Financial Reporting Standards (International) and the provisions of the BTA and FH-BT Trust Deed.

The Boards releases FHT's quarterly and full year financial results, other price sensitive information and material corporate developments through announcements to the SGX-ST and, where appropriate, press releases, FHT's website, and/or media and analysts' briefings.

# Corporate Governance

## External Audit

The ARCCs conduct an assessment of the external auditors of FHT, and recommends its appointment, re-appointment and removal to the Board. The assessment is based on factors such as the performance and quality of its audit, the cost effectiveness and the independence and objectivity of the external auditors.

At the annual general meeting (“AGM”) held on 22 January 2019, KPMG LLP was re-appointed by Stapled Securityholders as the external auditors of FHT for FY2019. Pursuant to the requirements of the SGX-ST, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current KPMG LLP audit partner for the Group was appointed at the AGM held on 9 December 2015 and has held this appointment for less than five consecutive audits, thereby meeting the requirement.

During FY2019, the ARCCs conducted a review of the scope, quality, results and performance of audit by the external auditors of FHT and its cost effectiveness, as well as the independence and objectivity of the external auditors. They also reviewed all non-audit services provided by the external auditors during the financial year, and the aggregate amount of fees paid and payable to them for such services. Details of fees paid and payable to the external auditors in respect of audit and non-audit services as at 30 September 2019 are set out in the table below:

Fees relating to external auditors as at 30 September 2019	S\$ (Million)
For audit and audit-related services	0.39
For non-audit services	0.27
Total	0.66

The ARCCs have conducted a review of all non-audit services provided by KPMG LLP during the financial year. The ARCCs are satisfied that given the nature and extent of non-audit services provided and the fees for such services, neither the independence nor the objectivity of KPMG LLP is put at risk. KPMG LLP has attended the ARCCs meeting held every quarter for FY2019, and where appropriate, has met with the ARCCs without the presence of Management to discuss their findings, if any.

Each of the REIT Manager and the Trustee-Manager confirms that FH-REIT and FH-BT respectively has complied with Rule 712 of the SGX-ST Listing Manual which requires, amongst others, that a suitable auditing firm should be appointed by the Group having regard to certain factors. Each of FH-REIT and FH-BT has also complied with Rule 715 of the SGX-ST Listing Manual which requires that the same auditing firm of the Group based in Singapore audits its Singapore-incorporated subsidiaries and significant associated companies, and that a suitable auditing firm be engaged for its significant foreign-incorporated subsidiaries and associated companies.

In the review of the financial statements of FHT for FY2019, the ARCCs discussed the following key audit matters identified by the external auditors with Management:

Key audit matter	Review by the ARCCs
Valuation of properties	The ARCCs considered the independence and competency of the external valuers, as well as the methodologies applied by them to the valuation of the properties. The ARCCs reviewed the outcomes of the annual external valuation process and discussed the details of the valuation with the Management and the external auditors. The ARCCs noted that the valuation of properties was an area of focus for the external auditors as a key audit matter in its auditors' report and also noted their assessment of the appropriateness of the valuation models, data and assumptions used. The ARCCs concur with the basis and conclusions included in the auditors' report with respect to the audit matter.

# Corporate Governance

## GOVERNANCE OF RISK AND INTERNAL CONTROLS

The Boards are responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls.

### Enterprise Risk Management and Risk Tolerance

The Managers have established a sound system of risk management and internal controls comprising procedures and processes to safeguard FHT's assets and the interests of FHT and its Stapled Securityholders. The ARCCs review and report to the Boards on the adequacy and effectiveness of such controls, including financial, compliance, operational and information technology controls, and risk management procedures and systems, taking into consideration the recommendations of both internal and external auditors.

### Internal Controls

Each of the ARCCs, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy and effectiveness of the REIT Manager's and/or the Trustee-Manager's (as the case may be) system of controls, including financial, compliance, operational and information technology controls. In assessing the effectiveness of internal controls, each of the ARCCs ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors (if any) in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

### Risk Management

The Boards, through the ARCCs review the adequacy and effectiveness of the Managers' risk management framework to ensure that robust risk management and mitigating controls are in place. The Managers have adopted an enterprise-wide risk management ("ERM") framework to enhance its risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of the ERM process. Financial and operational key risk indicators are in place to track key risk exposures. Apart from the ERM process, key business risks are thoroughly assessed by Management and each significant transaction is comprehensively analysed so that Management understands the risks involved before it is embarked upon. An outline of the Managers' ERM framework and progress report is set out on pages 85 to 87.

Periodic updates are provided to the REIT Manager ARCC and the Trustee-Manager ARCC (as the case may be) on FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's risk profiles. These updates would involve an assessment of FHT's, FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's key risks by risk categories, current status, the effectiveness of any mitigating measures taken, and the action plans undertaken by Management to manage such risks.

In addition to the ERM framework, a comfort matrix of key risks, by which relevant material financial, compliance and operational (including information technology) risks of FHT, FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager have been documented to assist the Boards to assess the adequacy and effectiveness of the existing internal controls. The comfort matrix is prepared with reference to the strategies, policies, processes, systems and reporting processes connected with the management of such key risks and presented to the Boards and the ARCCs. Risk tolerance statements setting out the nature and extent of significant risks which the REIT Manager and/or Trustee-Manager is willing to take in achieving its strategic objectives have been formalised and adopted.

The Boards have received assurance from the CEO and the CFO that as at 30 September 2019:

- (a) the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances;
- (b) the system of internal controls in place for FHT is adequate and effective to address financial, operational, compliance and information technology risks which the Managers consider relevant and material to FHT's operations; and

# Corporate Governance

- (c) the risk management system in place for FHT is adequate and effective to address risks which the Managers consider relevant and material to FHT's operations.

## Boards' Comment on Internal Controls and Risk Management Framework

Based on the internal controls established and maintained by the Managers, work performed by internal and external auditors, reviews performed by Management and the ARCCs, and assurance from the CEO and the CFO, the Boards are of the views that the internal controls in place for FHT were adequate and effective as at 30 September 2019 to address financial, operational, compliance and information technology risks, which the Managers consider relevant and material to FHT's operations.

Based on the risk management framework established and adopted by the Managers, review performed by Management and assurance from the CEO and the CFO, the Boards are of the view that the risk management system in place for FHT was adequate and effective as at 30 September 2019 to address risks which the Managers consider relevant and material to FHT's operations.

The Boards note that the system of internal controls and risk management provides reasonable, but not absolute, assurance that FHT will not be adversely affected by any event that could be reasonably foreseen as the Managers work to achieve their business objectives for FHT. In this regard, the Boards also note that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The ARCCs concur with the Boards' view that as at 30 September 2019, the internal controls of FHT (including financial, operational, compliance and information technology controls) and the risk management system in place for FHT were adequate and effective to address risks which the Managers consider relevant and material to FHT's operations.

## Internal Audit

The internal audit function of each of the REIT Manager and the Trustee-Manager is performed by FPL's internal audit department ("**FPL Group IA**"). FPL Group IA is responsible for conducting objective and independent assessments on the adequacy and effectiveness of the REIT Manager's and the Trustee-Manager's system of internal controls, risk management and governance practices. The Head of the FPL Group IA, who is a Certified Fraud Examiner and a Fellow of the Institute of Singapore Certified Accountants, CPA Australia and ACCA reports directly to the chairman of the ARCCs, and administratively to the Group Chief Executive Officer of FPL or such other officer as may be charged with this responsibility from time to time. The appointment and removal of the FPL Group's internal audit department as the service provider of the Managers, internal audit function requires the approval of the ARCCs. In performing internal audit services, FPL Group IA has adopted and complies with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

As at 30 September 2019, FPL Group IA comprises 23 professional staff. The Head of the FPL Group IA and the Singapore-based FPL Group IA staff are members of The Institute of Internal Auditors, Singapore. To ensure that the internal audit activities are effectively performed, FPL Group IA recruits and employs suitably qualified staff with the requisite skills and experience. Such staff are given relevant training and development opportunities to update their technical knowledge and auditing skills. All staff members of FPL Group IA also receive relevant technical training and attend seminars organised by The Institute of Internal Auditors, Singapore and other professional bodies. FPL Group IA operates within the framework of a set of terms of reference as contained in the Internal Audit Charter approved by the ARCCs. It adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of FHT. The results of the risk assessments determine the level of focus and the review intervals for the various activities audited (i.e. greater focus and appropriate review intervals are set for higher risk activities and material internal controls). FPL Group IA conducts its audit reviews based on internal audit plans approved by the ARCCs. FPL Group IA has unfettered access to all of FHT's and the REIT Manager's and the Trustee-Manager's documents, records, properties and personnel, including access to the ARCC members. All audit reports detailing audit findings and recommendations are provided to Management who would respond with the actions to be taken.

# Corporate Governance

Each quarter, FPL Group IA will submit reports to the ARCCs on the status of the audit plans and on audit findings and actions taken by Management on such findings. Key findings are highlighted at ARCC meetings for discussion. The ARCCs monitor the timely and proper implementation of the required follow-up measures undertaken by Management. Each of the ARCCs is satisfied that for FY2019, the internal audit function is independent, effective and adequately resourced to perform its functions and has appropriate standing within FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager to perform its functions effectively. Quality assurance reviews on FHT's internal audit function are periodically carried out by qualified professionals from an external organisation. The last review was performed in the financial year ended 30 September 2018.

## Related/Interested Person Transactions

In general, in the case of FH-REIT and/or the REIT Manager, transactions between:

- an entity at risk (in this case, the REIT Trustee (acting in its capacity as the trustee of FH-REIT) or any of the subsidiaries or associated companies of FH-REIT); and
- any of the Interested Party, namely, the REIT Manager, the REIT Trustee (acting in its personal capacity), an associate of the REIT Manager or REIT Trustee, a Director, CEO or controlling shareholder of the REIT Manager, a controlling Stapled Securityholder or an associate of any such Director, CEO or controlling shareholder or controlling Stapled Securityholder,

would constitute an interested party transaction.

In general, in the case of FH-BT and/or the Trustee-Manager, transactions between:

- an entity at risk (in this case, the Trustee-Manager (acting in its capacity as the trustee-manager of FH-BT) or any of the subsidiaries or associated companies of FH-BT); and
- any of the Interested Persons, namely, the Trustee-Manager (acting in its personal capacity), a related corporation or related entity of the Trustee-Manager (other than a subsidiary or subsidiary entity of FH-BT), an associated company or associated entity of the Trustee-Manager (other than an associated company or associated entity of FH-BT) (as defined in the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005), a Director, CEO or controlling shareholder of the Trustee-Manager, a controlling Stapled Securityholder or an associate of any such Director, CEO or controlling shareholder or controlling Stapled Securityholder,

would constitute an interested person transaction.

The Managers have established internal processes such that the Boards, with the assistance of the ARCCs, is required to be satisfied that all Related/Interested Person Transactions are undertaken on normal commercial terms, and are not prejudicial to the interests of FHT and Stapled Securityholders. This may entail obtaining (where practicable) quotations from parties unrelated to the Managers, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Appendix). Directors who are interested in any proposed Related/Interested Person Transaction to be entered into by FHT are required to abstain from any deliberations or decisions in relation to that Related/Interested Person Transaction.

All Related/Interested Person Transactions are entered in a register maintained by the each of the REIT Manager and the Trustee-Manager. The Managers incorporate into their internal audit plan a review of the Related/Interested Person Transactions recorded in the register to ascertain that internal procedures and requirements of the SGX-ST Listing Manual and Property Funds Appendix have been complied with. The ARCCs review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related/Interested Person Transactions have been complied with. The review includes the examination of the nature of the Related/Interested Person Transactions and its supporting documents or such other data deemed necessary by the ARCCs. In addition, the REIT Trustee also has the right to review any such relevant internal audit reports to ascertain that the Property Funds Appendix has been complied with.

# Corporate Governance

Any Related/Interested Person Transaction proposed to be entered into by (a) the REIT Trustee for and on behalf of FH-REIT with a Related Person, and/or (b) the Trustee-Manager for and on behalf of FH-BT with an Interested Person, would require the REIT Trustee and/or the Trustee-Manager (as the case may be) to satisfy itself that such Related/Interested Person Transaction is conducted on normal commercial terms, is not prejudicial to the interests of FHT, FH-REIT and/or FH-BT (as the case may be) and its Stapled Securityholders, and is in accordance with all applicable requirements of the SGX-ST Listing Manual, the BTA and/or CIS Code (where applicable) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to business trusts or property funds.

Further, the following procedures will be undertaken by the ARCCs:

- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Interested Parties or Interested Persons (collectively, the **"Related Parties"**) during the same financial year) equal to or exceeding S\$100,000 in value but less than 3.0% of the value of FH-REIT's or FH-BT's net tangible assets (based on the latest audited accounts) will be subject to review by the respective ARCCs at regular intervals;
- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of FH-REIT's or FH-BT's net tangible assets (based on the latest audited accounts) will be subject to the review and prior approval of the ARCCs. Such approval shall only be given if such transaction is on normal commercial terms and not prejudicial to the interests of FH-REIT and/or FH-BT and the minority Stapled Securityholders; and
- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of FH-REIT's and/or FH-BT's net tangible assets (based on the latest audited accounts) will be reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the ARCCs which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and/or the Property Funds Appendix (where applicable), such transaction would have to be approved by Stapled Securityholders at a meeting duly convened.

Save for the transactions described under the sections "Management and Corporate Governance – FH-REIT – Related Transactions – Related Party Transactions in connection with the Setting Up of FH-REIT" and "Management and Corporate Governance – FH-REIT – Related Party Transactions – Future Related Party Transactions" in FHT's Prospectus dated 30 June 2014, FH-REIT will comply with Rule 905 of the Listing Manual by announcing any IPTs in accordance with the Listing Manual if such transaction, by itself or when aggregated with other IPTs entered into with the same interested person during the same financial year, is 3.0% or more of the value of FH-REIT's latest audited net tangible assets.

Save for the transactions described under the sections "Management and Corporate Governance – FH-BT – Interested Person Transactions and Potential Conflicts of Interest – Interested Person Transactions in connection with the Setting Up of FH-BT" in FHT's Prospectus dated 30 June 2014, FH-BT will comply with Rule 905 of the Listing Manual by announcing any IPTs in accordance with the Listing Manual if such transaction, by itself or when aggregated with other IPTs entered into with the same interested person during the same financial year, is 3.0% or more of the value of FH-BT's latest audited net tangible assets.

Information on the measures and procedures put in place by the Trustee-Manager to manage potential IPTs can also be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 128 to 134.

# Corporate Governance

## Whistle-Blowing Policy

The Managers have put in place a whistle-blowing policy (the **"Whistle-Blowing Policy"**). The Whistle-Blowing Policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting, suspected fraud and corruption or other matters may be raised by employees and any other persons in confidence and in good faith, without fear of reprisal. Whistle-blowers may report any matters of concern by email, by post or by calling a hotline, details of which are provided in the Whistle-Blowing Policy, which is available on FHT's website. Any report submitted through this channel would be received by the Head of the FPL Group IA. For employees, the Whistle-Blowing Policy provides assurance that employees will be treated fairly, and protected from reprisals or victimisation for whistle-blowing in good faith.

The improprieties that are reportable under the Whistle-Blowing Policy include: (a) financial or professional misconduct; (b) improper conduct, dishonest, fraudulent or unethical behaviour; (c) any irregularity or non-compliance with laws/regulations or the Managers' policies and procedures, and/or internal controls; (d) violence at the workplace, or any conduct that may threaten health and safety; (e) corruption or bribery; (f) conflicts of interest; and (g) any other improprieties or matters that may adversely affect Stapled Securityholders'/shareholders' interest in, and assets of, FHT, the REIT Manager and/or the Trustee-Manager and the reputation of these entities. The Whistle-Blowing Policy is covered during staff training. All whistle-blowing complaints raised and independently investigated, and if appropriate, an independent investigation committee will be constituted. The outcome of each investigation and any action taken is reported to the ARCCs. The ARCCs review and ensure that independent investigations and any appropriate follow-up actions are carried out.

## STAPLED SECURITYHOLDER MATTERS

The Managers treat all Stapled Securityholders fairly and equitably, and strive to establish and maintain regular interaction and dialogue with Stapled Securityholders to generate awareness and understanding of FHT's strategic business model, competitive strengths, growth strategy, and investment merits, as well as to garner feedback and views for consideration.

### Investor Relations

The Managers pride themselves on their high standards of disclosure and corporate transparency. To enable Stapled Securityholders and the investment community to make informed investment decisions, the Managers endeavour to provide them with fair, relevant, comprehensive and timely information regarding FHT's performance and progress and matters concerning FHT and its business which are likely to materially affect the price of the Stapled Securities and other securities of FHT.

The Managers' dedicated Investor Relations ("**IR**") personnel is tasked with, and focuses on, facilitating communications between FHT and its Stapled Securityholders, as well as with the investment community and the media.

Continuous and informed dialogue between the Managers and Stapled Securityholders is a central tenet of good corporate governance. Regular engagement between these parties promotes greater transparency. Material and other pertinent information such as press releases and presentation slides are released to the SGX-ST via SGXNET and uploaded on FHT's website on a timely basis. They are the principal media of communication between FHT and its Stapled Securityholders. The Head of IR, together with Management, also participates in conferences, roadshows, and other investor meetings to keep the investment community informed of FHT's corporate developments, financial and operational performance and strategies. Analyst briefings, earnings calls and investor luncheons are conducted after the announcement of quarterly results.

Further details on the various activities organised by IR during the year can be found in the Investor Relations section of this Annual Report on pages 82 to 84.

# Corporate Governance

A copy of FHT's Annual Report 2019 has been sent to all Stapled Securityholders. The electronic version is available on FHT's website at <https://fht.frasersproperty.com/publications.html>.

## Conduct of general meetings

The Boards support and encourage active Stapled Securityholder participation at AGMs as they believe that general meetings serve as an opportune forum for Stapled Securityholders to meet the Boards and senior Management, and to interact with them. To encourage participation, FHT's general meetings are held at convenient locations. Stapled Securityholders are given the opportunity to participate effectively and vote at FHT's general meetings, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated prior to the start of the meeting.

At general meetings, the Managers set out separate resolutions on each substantially separate issue. Stapled Securityholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions sought to be passed.

For greater transparency, the Managers have implemented electronic poll voting at general meetings. This entails Stapled Securityholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hands), thereby allowing all Stapled Securityholders present or represented at the meeting to vote on a one Stapled Security, one vote basis. The voting results of all votes cast for, against, or abstaining from each resolution is then screened at the meeting and announced to the SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. The Managers will continue to use the electronic poll voting system at the forthcoming AGM. As the authentication of Stapled Securityholder identity and other related security and integrity issues still remain a concern, the Managers have decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax.

At the AGM, a presentation is made to Stapled Securityholders to update on FHT's financial and operational performance, and prospects. The links to the presentation materials are made available on SGXNET and FHT's website before the commencement of the AGM for the benefit of Stapled Securityholders.

Board members and senior Management are present at each Stapled Securityholders' meeting to respond to any questions from Stapled Securityholders, unless they are unable to attend due to exigencies. Certain external consultants including FHT's external auditors are also present to address queries about the conduct of audit and the preparation and content of the auditors' report.

The minutes of Stapled Securityholders' meetings which capture the attendance of Board members at the meetings, matters approved by Stapled Securityholders, voting results and substantial and relevant comments or queries from Stapled Securityholders relating to the agenda of the general meeting together with responses from the Boards and Management, are prepared by the Managers. These minutes are published on FHT's website as soon as practicable.

## Distributions

Distributions of FHT comprise distributions from FH-REIT and FH-BT.

FH-REIT's distribution policy is to distribute at least 90.0% of its distributable income and such distributions are typically paid on a semi-annual basis.

FH-BT's distribution policy is to distribute as much of its income as practicable, and the declaration and payment of distributions by FH-BT will be at the sole discretion of the Trustee-Manager Board.

For FY2019, FHT made two distributions to Stapled Securityholders.

# Corporate Governance

## STAKEHOLDER ENGAGEMENT

The Boards adopt an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of their overall responsibility to ensure that the best interests of FHT are served.

The conduct of employees of the Managers is governed by the FPL Code of Business Conduct. Its key objectives are to provide clear guidelines on ethics and relationships, in order to safeguard the reputation and interests of Frasers Property Group. The Code of Business Conduct sets out the policies and procedures dealing with various issues such as conflicts of interests, the maintenance of records and reports, equal employment opportunities and sexual harassment. Where applicable/appropriate, the Code of Business Conduct is also made available to other stakeholders such as the Managers' agents, suppliers, business associates and customers.

In order to review and assess the material factors relevant to FHT's business activities, the Managers from time to time proactively engages with various stakeholders (including employees), vendors and tenants, and the investment community, to gather feedback on the sustainability matters which have significant impact to the business and operations of FHT and its stakeholders. Please refer to the Sustainability Report on pages 62 to 81 of this Annual Report, which sets out information on the Managers' arrangements to identify and engage with its material stakeholder groups and to manage its relationships with such groups, and the Managers' strategy and key areas of focus in relation to the management of stakeholder relationships during FY2019.

## POLICY ON DEALINGS IN SECURITIES

The REIT Manager and the Trustee-Manager have adopted a dealing policy on regarding securities trading ("**Dealing Policy**") setting out the procedure for dealings in FHT's securities by its Directors, officers and employees. In compliance with Rule 1207(19) of the SGX-ST Listing Manual on best practices on dealing in securities, the Group issues quarterly reminders to the Directors, officers and employees on the restrictions in dealings in listed securities of the Group during the period commencing (a) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (b) one month before the announcement of full year results, and ending on the date of such announcements ("**Prohibition Period**"). Directors, officers and employees are also reminded not to trade in listed securities of FHT at any time while in possession of unpublished price sensitive information and to refrain from dealing in FHT's securities on short-term considerations. Outside of the Prohibition Period, Directors and the CEO are also required to report their dealings in FHT's securities within two business days.

Every quarter, each Director, officer and employee is required to complete and submit a declaration form to the designated compliance officer to report any trades he or she made in Stapled Securities in the previous quarter and confirm that no trades were made during the Prohibition Period. A quarterly report will be provided to the ARCCs. Any non-compliance with the Dealing Policy will be reported to the ARCCs for their review and instructions.

In compliance with the Dealing Policy in relation to the Managers, prior approval from the each of the Boards is required before the Managers deals or trades in Stapled Securities. The Managers have undertaken that it will not deal in Stapled Securities:

- (a) during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results and (where applicable) property valuations, and ending on the date of such announcements; or
- (b) whenever it is in possession of unpublished material price sensitive information.

# Corporate Governance

## ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS

Pursuant to the FH-REIT Trust Deed, the REIT Manager is entitled to receive the following fees:

Type of Fee	Computation and Form of Payment	Rationale and Purpose
Base Fee	<p>Pursuant to Clause 15.1.1 of the FH-REIT Trust Deed, the REIT Manager is entitled to receive a Base Fee of 0.3% per annum (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) of the value of the deposited property of FH-REIT ("<b>FH-REIT Deposited Property</b>").</p> <p>The Base Fee is payable quarterly in the form of cash and/or Stapled Securities as the REIT Manager may elect. The Base Fee payable in Stapled Securities will be issued at the volume weighted average price for a Stapled Security for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the FH-REIT Trust Deed) immediately preceding the relevant Business Day.</p>	<p>The primary role of the REIT Manager includes managing and optimising the portfolio of properties held by FH-REIT. The REIT Manager is committed to delivering value to the stakeholders of FHT, in addition to its key responsibilities in managing and maintaining the long-term interests of all Stapled Securityholders.</p> <p>The Base Fee covers the operational and administrative overheads incurred by the REIT Manager for formulating strategies and business plans, monitoring the performance of the assets to optimise the portfolio of properties and implementing proactive measures to enhance the returns from these properties so as to achieve optimal distribution to Stapled Securityholders, ensuring that FH-REIT and its subsidiaries comply with the applicable reporting and regulatory requirements and legislation in each of the countries that FH-REIT operates in.</p> <p>The Base Fee represents the compensation to the REIT Manager for executing its core responsibilities and is based on a percentage of the value of the FH-REIT Deposited Property, which is an appropriate metric that commensurates with the complexity of FH-REIT's operations and the efforts required of the REIT Manager in managing FH-REIT. As the portfolio grows in size and/or geographical diversity, it is expected that the degree and complexity of the REIT Manager's responsibilities will correspondingly increase.</p> <p>The Performance Fee methodology, which is based on Distributable Income, is an objective benchmark and incentivises the REIT Manager to achieve higher income yields for Stapled Securityholders over the long-term through proactive management, which may include but are not limited to asset enhancement initiatives, repositioning or rebranding of a property, re-segmentation of a property's customer base and driving cost efficiencies to improve profit margin.</p>
Performance Fee	<p>Pursuant to Clause 15.1.2 of the FH-REIT Trust Deed, the REIT Manager is entitled to receive a Performance Fee, being a fee not exceeding the rate of 5.5% per annum (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) in arrears of the aggregate of the Distributable Income of FHT and the distributable income of FH-BT in the relevant financial year (calculated before accounting for the Performance Fee payable to the REIT Manager and the performance fee payable to the Trustee-Manager but after accounting for the Base Fee payable to the REIT Manager and the base fee payable to the Trustee-Manager).</p> <p>The Performance Fee is payable in the form of cash and/or Stapled Securities as the REIT Manager may elect. The Performance Fee payable in Stapled Securities will be issued at the volume weighted average price for a Stapled Security for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the FH-REIT Trust Deed) immediately preceding the relevant Business Day.</p>	

# Corporate Governance

Type of Fee	Computation and Form of Payment	Rationale and Purpose
<b>Acquisition Fee</b>	<p>Pursuant to Clause 15.2.1(i) of the FH-REIT Trust Deed, the REIT Manager is entitled to receive an Acquisition Fee (as defined under Clause 15.1.2(i) of the FH-REIT Trust Deed) at the rate of 0.5% for acquisitions from Related Parties as defined in the FH-REIT Trust Deed and 1.0% for all other cases (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) of any of the following as is applicable (subject to no double-counting):</p> <p>(a) the acquisition price of any real estate purchased by FH-REIT, whether directly or indirectly through one or more special purpose vehicles (“SPVs”), plus any other payments<sup>(2)</sup> in addition to the acquisition price made by FH-REIT or its SPV to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of FH-REIT’s interest);</p> <p>(b) the underlying value<sup>(3)</sup> of any real estate which is taken into account when computing the acquisition price payable for the equity interests of any vehicle holding directly or indirectly the real estate, purchased by FH-REIT whether directly or indirectly through one or more SPVs plus any other payments made by FH-REIT or its SPVs to the vendor in connection with the purchase of such equity interests (pro-rated, if applicable to the proportion of FH-REIT’s interest); or</p>	<p>Such fee methodology aligns the interests between the REIT Manager and Stapled Securityholders and also takes into account the Stapled Securityholders’ long-term interests as the REIT Manager receives an amount that is commensurate with the value it delivers to the Stapled Securityholders.</p> <p>Since the listing of FHT on the Mainboard of the SGX-ST, the REIT Manager has received 100% of the Base Fee and Performance Fee in the form of Stapled Securities, further aligning the interests between the REIT Manager and Stapled Securityholders.</p> <p>To continue delivering long-term sustainable distributable income to Stapled Securityholders, the REIT Manager regularly reviews its portfolio of properties and considers the recycling of capital, where appropriate, to optimise its portfolio. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of the acquisition or divestment to FH-REIT’s existing portfolio and future growth expectations. When the transaction is completed, the REIT Manager receives the Acquisition Fee or, as the case may be, the Divestment Fee, based on the acquisition price or sale price respectively.</p> <p>The Acquisition Fee is higher than the Divestment Fee because the time and efforts undertaken in terms of sourcing, evaluating and conducting due diligence, and fund raising for an acquisition, are higher as compared to a divestment.</p> <p>The Acquisition Fee and Divestment Fee payable to the REIT Manager serve as a form of compensation of the time, effort and resources spent by the REIT Manager’s team of skilled and experienced executives in sourcing, evaluating and executing of potential opportunities to acquire new properties or in unlocking the underlying value of existing properties within its asset portfolio to optimise Stapled Securityholders’ returns. The REIT Manager provides these services over and above the provision of ongoing management services with the aim of ensuring income sustainability, achieving the investment objectives of FH-REIT and generating long term benefits for Stapled Securityholders.</p>

# Corporate Governance

Type of Fee	Computation and Form of Payment	Rationale and Purpose
	<p>(c) the acquisition price of any investment purchased by FH-REIT whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate</p>	
<b>Divestment Fee</b>	<p>Pursuant to Clause 15.2.1(ii) of the FH-REIT Trust Deed, the REIT Manager is entitled to receive a Divestment Fee (as defined under Clause 15.1.2(ii) of the FH-REIT Trust Deed) at the rate of 0.5% (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) of each of the following as is applicable (subject to no double-counting):</p> <p>(a) the sale price of any real estate sold or divested by FH-REIT, whether directly or indirectly through one or more SPVs, plus any other payments<sup>(2)</sup> in addition to the sale of price received by FH-REIT or its SPVs from the purchaser in connection with the sale or divestment of the real estate (pro-rated if applicable to the proportion of FH-REIT's interest);</p> <p>(b) the underlying value<sup>(3)</sup> of any real estate which is taken into account when computing the sale price for the equity interests in any vehicle holding directly or indirectly the real estate, purchased by FH-REIT whether directly or indirectly through one or more SPVs, plus any other payments received by the FH-REIT or its SPVs from the purchaser in connection with the sale or divestment of such equity interests (pro-rated, if applicable to the proportion of FH-REIT's interest); or</p> <p>(c) the sale price of any investment sold or divested by FH-REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate</p>	

#### Notes:

- (1) Capitalised terms used in this section shall have the same meanings ascribed to them in the FH-REIT Trust Deed.
- (2) "other payments" refer to additional payments to the vendor of the real estate, for example, where the vendor has already made certain payments for enhancements to the real estate, and the value of the asset enhancements is not reflected in the acquisition price as the asset enhancements are not completed, but "other payments" do not include stamp duty or other payments to third party agents and brokers.
- (3) For example, if FH-REIT acquires a special purpose company which holds real estate, such underlying value would be the value of the real estate derived from the amount of equity paid by FH-REIT as purchase price and any debt of the special purpose company.

# Corporate Governance

## SUMMARY OF COMPLIANCE WITH EXPRESS DISCLOSURES REQUIREMENTS IN PRINCIPLES AND PROVISIONS OF CG CODE

Principles and Provisions of the 2018 Code of Corporate Governance		Page Reference of this Annual Report
<b>Board's Conduct of Affairs</b>		
Provision 1.2	Induction, training and development provided to new and existing Directors	96-97
Provision 1.3	Matters requiring Board approval	94-96
Provision 1.4	Names of Board Committee members, terms of reference of Board Committees, any delegation of Board's authority to make decisions and a summary of each Board Committee's activities	91-94
Provision 1.5	Number of Board and Board Committee meetings and each individual Directors' attendances at such meeting	95
<b>Board Composition and Guidance</b>		
Provision 2.2	The Boards' diversity policy and progress made towards implementation of the policy, including objectives	98
<b>Board Membership</b>		
Provision 4.3	Process for the selection, appointment and re-appointment of Directors to each of the REIT Manager Board and Trustee-Manager Board, including the criteria used to identify and evaluate potential new Directors and channels used in searching for appropriate candidates	98
Provision 4.4	Relationships that independent Directors have with FHT, its related corporations, its substantial Stapled Securityholders or its officers, if any, which may affect their independence, and the reasons why the Boards, having taken into account the views of the respective NRCs, has determined that such Directors are still independent	99-100
Provision 4.5	Listed company directorships and principal commitments of each Director, and where a Director holds a significant number of such directorships and commitments, the NRCs' and Boards' reasoned assessment of the ability of the Director to diligently discharge his or her duties	98
<b>Board Performance</b>		
Provision 5.2	How the assessments of the Boards, its respective Board Committees and each Director have been conducted, including the identity of any external facilitator and its connection, if any, with each of the Managers or any of its Directors	101-102
<b>Procedures for Developing Remuneration Policies</b>		
Provision 6.4	Engagement of any remuneration consultants and their independence	103

# Corporate Governance

<b>Principles and Provisions of the 2018 Code of Corporate Governance</b>		<b>Page Reference of this Annual Report</b>
<b>Disclosure on Remuneration</b>		
Provision 8.1	Policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: <ul style="list-style-type: none"> <li>(a) each individual Director and the CEO; and</li> <li>(b) at least the top five key management personnel (who are not Directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel</li> </ul>	102-107
Provision 8.2	Names and remuneration of employees who are substantial shareholders of the REIT Manager, substantial shareholders of the Trustee-Manager or substantial Stapled Securityholders, or are immediate family members of a Director, the CEO or such a substantial shareholder or substantial Stapled Securityholder, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. The employee's relationship with the relevant director or the CEO or substantial shareholder or substantial Stapled Securityholder should also be stated.	106
Provision 8.3	All forms of remuneration and other payments and benefits, paid by each of the Managers and its respective subsidiaries to directors and key management personnel of each of the Managers	102-107
<b>Risk Management and Internal Controls</b>		
Provision 9.2	Boards' assurance from: <ul style="list-style-type: none"> <li>(a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the stapled group's operations and finances; and</li> <li>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the stapled group's risk management and internal control systems.</li> </ul>	109-110
<b>Stapled Securityholder Rights and Engagement</b>		
<b>Stapled Securityholder Rights and Conduct of General Meetings</b>		
Provision 11.3	Directors' attendance at general meetings of Stapled Securityholders held during the financial year	95
<b>Engagement with Stapled Securityholders</b>		
Provision 12.1	Steps taken by the Managers to solicit and understand the views of Stapled Securityholders	114
<b>Engagement with Stakeholders</b>		
Provision 13.2	Each of the Managers' strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period	115