

Corporate Governance Report

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**”), 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 Mainboard 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**”).

The REIT Manager has been issued a Capital Markets Services Licence (“**CMS Licence**”) by the Monetary Authority of Singapore (“**MAS**”) under the licensing regime for REIT managers under the SFA to conduct REIT management activities.

FH-BT is a business trust constituted in Singapore by a trust deed dated 20 June 2014, and 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 are wholly-owned subsidiaries of Frasers Property Limited (“**Frasers Property**”).

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.

The Managers ensure that the business of FHT is carried on and conducted in a proper and efficient manner adhering to the principles and guidelines of the Code of Corporate Governance 2012 (the “**CG Code**”) and other applicable laws and regulations, including the listing rules of SGX-ST, the Code on Collective Investment Schemes (the “**Code on CIS**”), the BTA and the SFA.

The Managers are committed to high standards of corporate governance in the business and operations of FHT for the benefit of the holders of the Stapled Securities. This corporate governance report provides an insight on the Managers’ corporate governance framework and practices in compliance with the principles and guidelines of the CG Code. Deviations from the CG Code are explained.

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BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Each of REIT Manager and the Trustee-Manager have their own Board of Directors. The Board of Directors of each of the REIT Manager and the Trustee-Manager comprise the same persons.

The Trustee-Manager has general powers of management over the business and assets of FH-BT and its main responsibility is to manage FH-BT's assets and liabilities for the benefit of the holders of FH-BT units as a whole.

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 unit holders only, subject to: (i) the FH-BT units remaining stapled to the FH-REIT units and (ii) the Directors of the Trustee-Manager and the Trustee-Manager acting in the best interests of all holders of Stapled Securities (the "**Stapled Securityholders**") as a whole.

The key roles of the Board of Directors of the Trustee-Manager ("**Trustee-Manager Board**") are to:

- guide the corporate strategy and directions of the Trustee-Manager;
- ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise;
- oversee the proper conduct of the Trustee-Manager; and
- ensure that measures relating to corporate governance, financial regulations and other required policies are in place and enforced.

(More 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 131 to 137 of this Annual Report.)

In connection with the activation of FH-BT on 19 October 2016 to act as master lessee of "Novotel Melbourne on Collins" under the Melbourne Master Lease Agreement, the Trustee-Manager had established an audit, risk and compliance committee for the Trustee-Manager (the "**Trustee-Manager ARC Committee**") on 17 October 2016. The composition of the Trustee-Manager ARC Committee is identical to the composition of the existing audit, risk and compliance committee of the REIT Manager (the "**REIT Manager ARC Committee**", and together with the Trustee-Manager ARC Committee, the "**ARC Committees**").

The REIT Manager has general powers of management over the assets of FH-REIT. Its main responsibility is to manage FH-REIT's assets and liabilities for the benefit of the holders of FH-REIT units as a whole and to formulate the business plans in relation to FH-REIT's properties.

The Board of Directors of the REIT Manager (the "**REIT Manager Board**") oversees the business affairs of FH-REIT and the REIT Manager, and assumes responsibility for their strategic direction and plans. In carrying out its responsibilities, the REIT Manager Board is involved strategically in the establishment of performance objectives for both FH-REIT and the REIT Manager, financial planning, budget creation and monitoring, material operational initiatives, investment and asset enhancement initiatives, financial and operational performance reviews, the establishment of risk management practices and risk monitoring, and establishment and monitoring of corporate governance and compliance practices.

The REIT Manager Board is assisted in its financial reporting, corporate governance and risk management responsibilities by the REIT Manager ARC Committee. A nominating and remuneration committee ("**REIT Manager NR Committee**") also assists the REIT Manager Board in succession planning, reviewing independence of directors and reviewing the REIT Manager's remuneration policy and practices.

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The Board of Directors of each of the Managers (the “**Boards**”) meet at least once every quarter and on such other occasions that necessitate their involvement. The Managers’ constitutions allow for such meetings to be conducted via telephone, video conference or any other form of electronic or instantaneous communication. Where required, time is set aside after scheduled Board meetings for discussions amongst the members of the Boards without the presence of the management team of the Managers (the “**Management**”), in line with the guidelines of the CG Code, as this facilitates a more effective check on Management.

The number of REIT Manager Board, Trustee-Manager Board, REIT Manager ARC Committee, Trustee-Manager ARC Committee, REIT Manager NR Committee and Trustee-Manager NR Committee meetings held for the financial year ended 30 September 2018 (“**FY2018**”), as well as the attendance of each Board member at these meetings, are set out below.

Directors’ Attendance at REIT Manager’s Board and Board Committee Meetings held during the financial year

Meetings Held in FY2018	Board Meetings	REIT Manager NR Committee Meetings	REIT Manager ARC Committee Meetings
Attendance of Directors at Meetings	6	1	4
Mr Law Song Keng	6	1	4
Mr Chua Phuay Hee	6	NA	NA
Mr Liew Choon Wei	6	1	4
Dr David Wong See Hong	6	1	4
Mr Panote Sirivadhanabhakdi	3	–	NA
Mr Choe Peng Sum	5	NA	NA

Directors’ Attendance at Trustee-Manager’s Board Meetings and Board Committee Meetings held during the financial year

Meetings Held in FY2018	Board Meetings	Trustee-Manager NR Committee Meetings	Trustee-Manager ARC Committee Meetings
Attendance of Directors at Meetings	6	1	4
Mr Law Song Keng	6	1	4
Mr Chua Phuay Hee	6	NA	NA
Mr Liew Choon Wei	6	1	4
Dr David Wong See Hong	6	1	4
Mr Panote Sirivadhanabhakdi	3	–	NA
Mr Choe Peng Sum	5	NA	NA

To ensure that business and operational efficacy is maintained without compromising the standard of corporate governance, a Manual of Authority (“**MOA**”) approved by the REIT Manager Board in consultation with the Chief Executive Officer (“**CEO**”) of the REIT Manager has been implemented. The MOA sets out the levels of authorisation and their respective approval limits for a range of transactions, including but not limited to investments, asset enhancement initiatives, and operating and capital expenditures. Transactions and matters which require the REIT Manager Board’s approval are clearly set out in the MOA. Appropriate delegations of authority and approval sub-limits are also provided at management level to facilitate operational efficiency. The Trustee-Manager has also implemented a similar MOA during FY2018.

The Boards are regularly updated on new laws affecting FHT’s business, as well as changes in applicable regulations. During FY2018, the Boards were briefed on the key changes in the Financial Reporting Standards, and updated on tax regulations in relevant jurisdictions, SGX-ST sustainability reporting requirements and on proposed changes to the Code of Corporate Governance, listing rules of the SGX-ST and amendments to the Code on Collective Investment Schemes.

In addition to talks conducted by relevant professionals, members of the Boards are encouraged to attend relevant courses and seminars so as to keep themselves updated on developments and changes in FHT’s operating environment, to be members of the Singapore Institute of Directors (“**SID**”) and to receive updates and training from SID to stay abreast of relevant developments in financial, legal and regulatory requirements, and the business trends.

A formal letter setting out a director’s duties and obligations to the Managers and the Stapled Securityholders as a whole is issued to each Director. Newly-appointed members of the Boards are required to undergo orientation to familiarise themselves with FHT’s business, strategic plans and objectives, the regulatory environment in which FHT operates and the Managers’ corporate governance practices.

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Principle 2: Board Composition and Guidance

The composition of each of the REIT Manager Board and the Trustee-Manager Board as at 30 September 2018 are as follows:

Mr Law Song Keng	Chairman, Non-Executive	Independent
Mr Chua Phuay Hee	Non-Executive	Independent
Mr Liew Choon Wei	Non-Executive	Independent
Dr David Wong See Hong	Non-Executive	Independent
Mr Panote Sirivadhanabhakdi	Non-Executive	Non-Independent
Mr Choe Peng Sum	Non-Executive	Non-Independent

During FY2018, each of the REIT Manager Board and the Trustee-Manager Board comprises six members, the majority of whom are independent non-executive Directors. All members of the Managers' Boards are non-executive Directors.

Directors exercise their judgement independently and objectively in the interests of all Stapled Securityholders as a whole.

The REIT Manager NR Committee determines the independence of the Directors of the REIT Manager Board annually based on the definitions and the guidelines of independence set out in the CG Code and Regulations 13D to 13H¹ of the Securities and Futures (Licensing and Conduct of Business) Regulations ("**SFLCB Regulations**"). Under the SFLCB Regulations, a director is considered to be independent if the director:

- (i) is independent from the management of the REIT Manager and FH-REIT;
- (ii) is independent from any business relationship with the REIT Manager and FH-REIT;
- (iii) is independent from every substantial shareholder of the REIT Manager and every substantial stapled securityholder of FHT;
- (iv) is not a substantial shareholder of the REIT Manager or a substantial stapled securityholder of FHT; and
- (v) has not served as a director of the REIT Manager for a continuous period of 9 years or longer.

In its review for FY2018, the REIT Manager NR Committee has endorsed in its recommendation to the REIT Manager Board that the following Directors are independent for FY2018:

Mr Law Song Keng	Independent
Mr Chua Phuay Hee	Independent
Mr Liew Choon Wei	Independent
Dr David Wong See Hong	Independent

As part of its review, the REIT Manager NR Committee has taken into consideration, *inter alia*, each Independent Director's declaration of independence, which includes questions relating to his relationship with FH-REIT, the REIT Manager, the Trustee, and FHT's sponsor, Frasers Property, whereby, all have declared that there were no relationships or instances that would otherwise deem him not to be independent.

¹ The SFLCB Regulations were amended by the Securities and Futures (Licensing and Conduct of Business) (Amendment No. 2) Regulations 2018 which came into operation on 8 October 2018. One of the amendments to the SFLCB Regulations was the insertion of Regulations 13D to 13H which relate to board composition and director's independence.

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For the purposes of Regulation 13E(b)(i) of the SFLCB Regulations, the Board of the REIT Manager, after considering the relevant requirements under the SFLCB Regulations, wishes to set out its views in respect of each of the Directors as follows:

The Director:	Mr Law Song Keng ⁽¹⁾	Mr Liew Choon Wei ⁽²⁾	Mr Chua Phuay Hee ⁽³⁾	Dr David Wong See Hong ⁽⁴⁾	Mr Panote Sirivadhanabhakdi ⁽⁵⁾	Mr Choe Peng Sum ⁽⁶⁾
(i) had been independent from the management of the REIT Manager and FH-REIT during FY2018	✓	✓	✓	✓		
(ii) had been independent from any business relationship with REIT Manager and FH-REIT during FY2018					✓	✓
(iii) had been independent from every substantial shareholder of the REIT Manager and every substantial stapled securityholder of FHT during FY2018						
(iv) had not been a substantial shareholder of the REIT Manager or a substantial stapled securityholder of FHT during FY2018	✓	✓	✓	✓		✓
(v) has not served as a Director of the REIT Manager for a continuous period of 9 years or longer as at the last day of FY2018	✓	✓	✓	✓	✓	✓

- (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 Frasers Property which is a substantial stapled securityholder of FHT. As such, during FY2018, 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 Board of the REIT Manager is satisfied that, as at the last day of FY2018, Mr Law Song Keng was able to act in the best interests of all the stapled securityholders of FHT 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 FY2018, Mr Law Song Keng was able to act in the best interests of all the stapled securityholders of FHT as a whole.
- (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 Frasers Property which is a substantial stapled securityholder of FHT. As such, during FY2018, 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 Board of the REIT Manager is satisfied that, as at the last day of FY2018, Mr Liew Choon Wei was able to act in the best interests of all the stapled securityholders of FHT 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 FY2018, Mr Liew Choon Wei was able to act in the best interests of all the stapled securityholders of FHT 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 Frasers Property which is a substantial stapled securityholder of FHT. As such, during FY2018, 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 Board of the REIT Manager is satisfied that, as at the last day of FY2018, Mr Chua Phuay Hee was able to act in the best interests of all the stapled securityholders of FHT 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 FY2018, Mr Chua Phuay Hee was able to act in the best interests of all the stapled securityholders of FHT as a whole.

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- (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 Frasers Property which is a substantial stapled securityholder of FHT. As such, during FY2018, 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 Board of the REIT Manager is satisfied that, as at the last day of FY2018, Dr David Wong See Hong was able to act in the best interests of all the stapled securityholders of FHT 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 FY2018, Dr David Wong See Hong was able to act in the best interests of all the stapled securityholders of FHT as a whole.
- (5) Mr Panote Sirivadhanabhakdi is currently a director and the Group Chief Executive Officer of Frasers Property and a director of other entities within the Frasers Property Group¹ other than the REIT Manager. Frasers Property 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 Group² (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 FY2018, 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 Board of the REIT Manager is satisfied that, as at the last day of FY2018, Mr Panote Sirivadhanabhakdi was able to act in the best interests of all the stapled securityholders of FHT as a whole. As at the last day of FY2018, Mr Panote Sirivadhanabhakdi was able to act in the best interests of all the stapled securityholders of FHT as a whole.
- (6) Mr Choe Peng Sum is currently employed by a related corporation of the REIT Manager and is a director of various subsidiaries and / or associated companies of Frasers Property, which is a substantial shareholder of the REIT Manager and substantial stapled securityholder of FHT. In addition, Mr Choe Peng Sum is a director of the Trustee-Manager. As such, during FY2018, Mr Choe Peng Sum 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 Board of the REIT Manager is satisfied that, as at the last day of FY2018, Mr Choe Peng Sum was able to act in the best interests of all the stapled securityholders of FHT as a whole. As at the last day of FY2018, Mr Choe Peng Sum was able to act in the best interests of all the stapled securityholders of FHT as a whole.

The independence of the Directors of the Trustee-Manager Board is determined by the nominating and remuneration committee of the Trustee-Manager (the “**Trustee-Manager NR Committee**”). (More information on the independence of the Directors of the Trustee-Manager Board 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 138 to 139 of this Annual Report.)

The Boards are of the view that the current size and composition of each of the REIT Manager Board and the Trustee-Manager Board is appropriate for the scope and nature of the operations of the Managers and FHT and facilitates effective decision-making. In line with the CG Code, the Boards are also of the view that the current size of each of the REIT Manager Board and the Trustee-Manager Board is not so large as to be unwieldy. In this regard, the Boards have taken into account the requirements of the businesses of the Managers and FHT and the need to avoid undue disruptions from changes to the composition of the Boards, the ARC Committees, the NR Committees.

Each of the REIT Manager Board and the Trustee-Manager Board considers that its present size, composition and balance between non-executive and independent Directors provides for an appropriate balance and diversity of skills, experience and knowledge of FHT and the Managers, core competencies such as banking, finance, accounting and other relevant industry knowledge, as well as entrepreneurial and management experience, required for the Boards and the REIT Manager ARC Committee, the REIT Manager NR Committee, the Trustee-Manager ARC Committee and the Trustee-Manager NR Committee (the “**Board Committees**”) to be effective. The Boards collectively have the critical skills and expertise needed in the strategic direction and planning of the business of FHT.

¹ “Frasers Property Group” refers to Frasers Property and/or its subsidiaries

² “TCC Group” refers to the companies and entities in the TCC Group which are controlled by Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi.

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The current composition gives the Boards the ability to consider and make decisions objectively and independently on issues relating to FHT and the Managers with a balanced exchange of views, robust deliberations and debates among members, and provides for effective oversight over Management. Under the current composition, no one individual or group dominates either of the Boards' decisions or their processes.

The composition of each of the REIT Manager Board and the Trustee-Manager Board are reviewed regularly to ensure that each of the Boards has the appropriate size and mix of expertise and experience.

The diversity of skills, expertise and experience of its members bring to each of the REIT Manager Board and the Trustee-Manager Board an independent and objective perspective, thereby enabling balanced and well-considered decisions to be made. There is a strong and independent element on each of the Boards. (More information on the Directors, including their academic and professional qualifications, and directorships held currently and in the preceding three years can be found in the Board of Directors section on pages 44 to 47 of this Annual Report.)

Principle 3: Chairman and Chief Executive Officer

The roles of the Chairman of the Boards and the CEO of the REIT Manager (the latter being also the CEO of the Trustee-Manager) are separate to ensure an appropriate balance of power and authority. The levels of authority and the approval limits under the MOA of the REIT Manager reflects such a separation. This separation of roles promotes greater accountability from Management and allows the Boards to exercise their independence in their oversight of and deliberations with Management. The Chairman, who is an independent and a non-executive director, is not related to the CEO of the REIT Manager and the Trustee-Manager. There is no business relationship between him and the CEO of the REIT Manager and the Trustee-Manager.

The Chairman leads the Boards and ensures their effectiveness by, among other things, steering effective, productive and comprehensive discussions amongst members of the Boards and the Management team on strategic, business and other key issues pertinent to the business and operations of FHT and the Managers. With the full support of the Boards, the company secretary of the REIT Manager and the Trustee-Manager (the "**Company Secretary**") and the Management, the Chairman spearheads the Managers' drive to promote, attain and maintain high standards of corporate governance and transparency.

The CEO has full executive responsibilities over the business direction and operations of the Managers, and is responsible for the execution of the Boards' adopted strategies and policies. The CEO leads the Management team in the management of FHT and is accountable to the Boards for the conduct and performance of the Management team.

Principle 4: Board Membership

The role of each of the REIT Manager NR Committee and the Trustee-Manager NR Committee is to make recommendations to the REIT Manager Board and the Trustee-Manager Board respectively on all board appointments and on relevant matters relating to:

- (a) the review of board succession plans for Directors, in particular, for the Chairman and for the CEO;
- (b) the development of a process for evaluation of the performance of the REIT Manager Board and the Trustee-Manager Board, and their respective Board Committees and Directors;
- (c) the review of training and professional development programs for the REIT Manager Board and the Trustee-Manager Board; and
- (d) the appointment and re-appointment of Directors (including alternate Directors, if applicable). Directors of the REIT Manager Board and the Trustee-Manager Board are not subject to periodic retirement by rotation.

Its responsibilities also include, but are not limited to, the following:

- determining annually, and as and when circumstances require, if a Director is independent, in accordance with the provisions of the CG Code;

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- where a Director has multiple board representations, deciding if the Director is able to and has been adequately carrying out his duties as a Director of the REIT Manager and the Trustee-Manager, taking into consideration the Director's number of listed company board representations and other principal commitments and whether the Director has given sufficient time and attention to the affairs of the REIT Manager and FH-REIT, and of the Trustee-Manager and FH-BT;
- carrying out the process for assessing the effectiveness of the REIT Manager Board and the Trustee-Manager Board as a whole and each of the Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the REIT Manager Board and the Trustee-Manager Board; and
- deciding how the REIT Manager Board's and the Trustee-Manager Board's performance may be evaluated and proposing objective performance criteria to the REIT Manager Board and the Trustee-Manager Board.

Each of the REIT Manager NR Committee and the Trustee-Manager NR Committee (together, the "**NR Committees**") is required to be comprised of three or more members, at least a majority of whom, including the chairman of the NR Committees, should be independent.

The members of the REIT Manager NR Committee are Mr Law Song Keng (Chairman), Mr Liew Choon Wei, Dr David Wong See Hong, and Mr Panote Sirivadhanabhakdi, a majority of whom are independent Directors. The members of the Trustee-Manager NR Committee, which was set up on 16 October 2017, are Mr Law Song Keng (Chairman), Mr Liew Choon Wei, Dr David Wong See Hong, and Mr Panote Sirivadhanabhakdi, a majority of whom are independent Directors.

As at least half of the REIT Manager Board comprises Independent Directors, the REIT Manager will not be voluntarily subjecting any appointment or re-appointment of directors of the REIT Manager to voting by Stapled Securityholders. The Chairman of the REIT Manager Board is presently an Independent Director.

Board appointments on the Trustee-Manager Board and all relevant matters thereto are decided by the Trustee-Manager's NR Committee. (More information on the composition of the Trustee-Manager Board and the requirement that the Directors of the Trustee-Manager Board are the same as the Directors of the REIT Manager Board can be found in the Statement on Composition of the Board of Directors of FH-BT on pages 138 to 139 of this Annual Report.)

Each of the Boards proactively seeks to ensure that the balance and diversity of the Boards maintain an appropriate balance of skill, experience, gender and knowledge required by the Boards, and this is substantially reflected in the diversity of backgrounds and core competencies of the current directors. Such competencies include banking, finance, accounting and other relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. This benefits the Management as it allows them to tap on the broad range of views and perspectives and the breadth of experience of the Directors.

The REIT Manager NR Committee and the Trustee-Manager NR Committee shall make recommendations to the REIT Manager Board and the Trustee-Manager Board respectively on all Board appointments, re-appointments and composition of the REIT Manager Board and the Trustee-Manager Board respectively, taking into account the balance between executive and non-executive Directors, independent and non-independent Directors, as well as the scope and nature of the operations of FHT, the requirements of the business of FHT and the Managers and the need to avoid undue disruptions from changes to the composition of the REIT Manager Board, the Trustee-Manager Board and Board Committees. In relation thereto, the NR Committees shall consider the composition and progressive renewal of the Boards respectively and each Director's competencies, commitment, contribution and performance.

The CG Code requires the REIT Manager Board and the Trustee-Manager Board to determine the maximum number of Board representations on other listed companies that the Directors may hold and disclose it in its annual report. (Details of such directorships held, other principal commitments of and key information on the Managers' Directors are found in the Board of Directors section on pages 44 to 47 of this Annual Report.)

In determining whether each Director is able to devote sufficient time to discharge his duties to FHT, each of the REIT Manager NR Committee and the Trustee-Manager NR Committee has taken cognisance of the CG Code's requirement and does not recommend setting a maximum number of listed company board representations a Director may hold. Each of the REIT Manager NR Committee and the Trustee-Manager NR Committee is of the view that its assessment should not be restricted to the number of listed board representations held by a Director per se. The attendance and contributions by the Directors to and during meetings of the Boards and the relevant Board Committees are holistically assessed and taken into account.

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Principle 5: Board Performance

The Boards have implemented formal processes for assessing the effectiveness of the Boards and the Board Committees, the contribution by each individual Director to the effectiveness of the respective Boards.

For FY2018, an independent external third-party consultant was appointed to facilitate the process of conducting a Board evaluation survey. The survey is designed to provide an evaluation of current effectiveness of the Boards 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. As part of the survey, questionnaires were sent by the external consultant to the Directors to obtain feedback, and interviews were conducted to clarify the responses where required. The areas covered in the questionnaires included: (1) Board performance in shaping and adapting FHT's strategy; (2) Board oversight on FHT's performance and risk and crisis management; (3) Board composition and structure; (4) Board culture and dynamics, including the Board's partnership with Management; (5) Board's role in respect of succession planning for the Board and Management; and (6) the effectiveness of the Board Committees. In addition to the survey, the contributions and performance of each Director would be assessed by the NR Committees as part of their periodic reviews of the composition of the Boards and the various Board Committees.

In the process, the findings and recommendations of the consultant which include feedback from Directors would be considered, and the necessary follow up actions would be taken with a view to improving the overall effectiveness of the Boards in fulfilling their role and meeting their responsibilities to the Stapled Securityholders. Based on the NR Committees' review, the Boards and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Boards.

Principle 6: Access to Information

It is the Management's commitment that the Boards and the Board Committees are provided with complete, timely and adequate information, both prior to Boards and Board Committees meetings and on an ongoing basis so as to allow the Boards and Board Committee members to discharge their duties. Prior to each meeting of the Boards and Board Committees, papers on matters to be discussed are sent to members of the Boards and Board Committees ahead of such meetings, so that such matters may be considered and discussed thoroughly and fully, prior to the making of any decision. The Management may be requested to attend meetings of the Boards so as to be at hand to answer any questions or contribute to any discussions. Presentations are made by Management at the meetings of the Boards to facilitate deliberations and discussions.

For matters which require the Boards' decision outside such meetings, board papers will be circulated through the Company Secretary for the Boards' consideration, with discussions and clarifications taking place between members of the Boards and Management, where required, before approval is granted.

Directors, whether as a group or individually, may at their discretion and where necessary, seek and obtain independent professional advice in the furtherance of their duties. Any expenses and costs associated thereto are borne by the Managers, subject to the costs being approved by the Chairman in advance as being reasonable.

Directors have separate and independent access to Management and the Company Secretary. The Company Secretary attends all meetings of the Boards and advises the Boards on relevant corporate governance issues, facilitates orientation programmes for the new Directors and assists with their professional development as required. The Company Secretary ensures compliance with the procedures of the Boards and the relevant rules and regulations. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow between the Boards and Management. Direct communication between the CEO, the Chairman and members of the Boards are encouraged by the Boards, and each of the Boards may at its discretion communicate with Management if it so wishes.

Corporate Governance Report

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The remuneration of directors, the CEO and employees of the Managers are paid by the REIT Manager and Trustee-Manager from the fees received from FH-REIT and FH-BT respectively, and not by FH-REIT and/or FH-BT, as the case may be.

The REIT Manager NR Committee was redesignated on 16 September 2016 to include the roles and responsibilities of a remuneration committee. The Trustee-Manager NR Committee was set up on 16 October 2017.

The composition of each of the REIT Manager NR Committee and the Trustee-Manager NR Committee has been set out under Principle 4 on page 103 of this Annual Report. Majority of the REIT Manager NR Committee and the Trustee-Manager NR Committee are independent Directors.

Each of the REIT Manager NR Committee and the Trustee-Manager NR Committee has written terms of reference setting out the scope and authority in performing the functions of a remuneration committee, which include, among others, the following matters:

- reviewing the remuneration framework for the relevant Board and the key executive officers of the REIT Manager and the Trustee-Manager;
- reviewing the disclosures in FHT's annual report on the REIT Manager's and the Trustee-Manager's remuneration policies respectively, level and mix of remuneration, and the procedure for setting remuneration; and
- ensuring that the remuneration of executive directors of the REIT Manager shall not be linked in any way to FH-REIT's gross revenue.

The NR Committees are responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration and for determining the remuneration packages of individual Directors and key management executives of the Managers ("**Key Management Executives**"). The NR Committees assist the Boards to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate talent without being excessive. The NR Committees recommend a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind) and the specific remuneration packages for each Director to the REIT Manager Board and the Trustee-Manager Board for endorsement. The NR Committees also review the remuneration of the CEO and the Key Management Executives of the REIT Manager and the Trustee-Manager.

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

The NR Committees, in performing the functions of a remuneration committee and in accordance with the REIT Manager NR Committee's and the Trustee-Manager NR Committee's written terms of reference respectively, will support the Boards in determining and reviewing the remuneration policies and practices of the Managers.

Corporate Governance Report

Policies in respect of Directors' Remuneration

The remuneration of non-executive Directors takes into account their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings.

Directors are paid a basic fee and attendance fees for attending Board meetings. Non-executive Directors who perform services through Board Committees are paid additional basic and attendance fees for such services. No Director decides his own fees. Directors' fees are paid in cash and are reviewed periodically to benchmark such fees against the amounts paid by other major listed REITs in Singapore.

The directors' fees for FY2018 are shown in the table below.

Director	FY 2018 SGD
Mr Law Song Keng (Chairman of Board, REIT Manager NR Committee, REIT Manager ARC Committee, Trustee-Manager ARC Committee and Trustee-Manager NR Committee)	175,000
Mr Chua Phuay Hee (Member)	54,000
Mr Liew Choon Wei (Member, REIT Manager NR Committee, REIT Manager ARC Committee, Trustee-Manager ARC Committee and Trustee-Manager NR Committee)	87,500
Dr David Wong See Hong (Member, REIT Manager NR Committee, REIT Manager ARC Committee, Trustee-Manager ARC Committee and Trustee-Manager NR Committee)	87,500
Mr Panote Sirivadhanabhakdi ⁽¹⁾ (Member, REIT Manager NR Committee and Trustee-Manager NR Committee)	55,500
Mr Choe Peng Sum ⁽¹⁾ (Member)	52,500

Note:

(1) Director's fees are paid to Mr Panote Sirivadhanabhakdi's employing company, Frasers Property Corporate Services Pte. Ltd.. Director's fees were paid to Mr Choe Peng Sum's employing company being Frasers Property Corporate Services Pte. Ltd. from 1 Oct 2017 to 31 Dec 2017, Fraser Hospitality Pte. Ltd. from 1 Jan 2018 to 31 Jul 2018, and Frasers Hospitality International Pte. Ltd from 1 Aug 2018 to 30 Sept 2018.

None of the Directors of the REIT Manager Board and the Trustee-Manager Board has entered or proposed to enter into service agreements with the REIT Manager and the Trustee-Manager or any subsidiary or any subsidiary entity of FHT which provides benefits upon termination of employment, retirement and post-employment benefits.

Remuneration Policy for Management

The Managers' remuneration framework comprises fixed and variable components, which include short-term and long-term incentives. The Managers link executive remuneration to FHT performance and individual performance. The performance of FHT is measured based on pre-set financial and non-financial indicators. Individual performance is measured via employee's annual appraisal based on indicators such as core values, competencies and key result areas. The potential of the employee is also taken into consideration.

Fixed Component

The fixed component in the Managers' remuneration framework is structured to reward employees for their role performed, and is benchmarked against relevant industry market data.

It comprises base salary, fixed allowances and any statutory contribution.

Variable Component

The variable component in the Managers' remuneration framework is structured to 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 relevant performance period and approved by the NR Committees.

Corporate Governance Report

1. Short Term Incentive Plans

The short term incentive plans aim to incentivise excellence in performance in the short term.

All Key Management Executives are assessed using a balanced scorecard with pre-agreed financial and non-financial Key Performance Indicators (“**KPIs**”). The financial KPIs are based on REIT performance. Each financial KPI has 3 levels of targets, namely threshold, target and stretch. Non-financial KPIs may include measures on People, Corporate Governance, etc. These targets are established prior to each financial year.

At the end of the financial year, the achievements are measured against the pre-agreed targets and the final short term incentives of each Key Management Executive are determined.

The NR Committees recommend the final short term incentives that are awarded to the CEO and Key Management Executives for Boards’ endorsement, taking into consideration any other relevant circumstances.

2. Long Term Incentive Plan

The NR Committees administer the Managers’ long term incentive plan (“**LTI Plan**”), namely, the Restricted Stapled Security Plan (“**RSSP**”)⁽¹⁾.

Note:

(1) The RSSP was approved by the Boards and adopted on 8 December 2017.

Through the LTI Plan, the Managers seek to align directly the interests of CEO, Key Management Executives and senior executives with the interest of the Stapled Securityholders of FHT, and for such employees to participate and share in FHT’s growth and success. It is also intended to retain employees whose contributions are essential to the well-being and growth of the Managers and FHT.

The RSSP is available to selected senior executives of the Managers. Its objectives are to increase the Managers’ flexibility and effectiveness in its continuing efforts to attract, motivate and retain talented senior executives and to reward these executives for the future performance of the FHT. It serves as further motivation to the participants in striving for excellence and delivering long-term shareholder value.

Under the RSSP, the Managers grants Stapled Securities based awards (“**Base Awards**”) with pre-determined performance targets being set over the relevant performance period. The performance period for the RSSP is two years. The pre-set targets are Net Property Income and Distribution per Stapled Security.

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 Base Awards can be delivered, subject to a maximum multiplier of the Base Awards.

The obligation to deliver the Stapled Securities is expected to be satisfied out of the Stapled Securities held by the Managers.

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

The level and mix of remuneration and the remuneration benefits, policies and practices of the Managers, where appropriate, including the long-term incentives will be reviewed by the NR Committees. The NR Committees will ensure that competitive remuneration policies and practices are in place to attract and motivate high-performing executives so as to drive FHT’s business to greater growth, efficiency and profitability.

In its deliberation, the NR Committees will take into consideration industry practices and benchmarks against relevant industry players to ensure that the remuneration and employment conditions are competitive and may, if they consider necessary, engage independent remuneration consultant(s). The mix of fixed and variable components is considered appropriate for the Managers and for each individual employee’s role.

Corporate Governance Report

The NR Committees will exercise broad discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of Stapled Securityholders and promote the long-term success of FHT. The NR Committees will ensure that remuneration policies and incentives are not structured to promote behaviour contrary to the Managers' or FHT's risk profile.

Performance Indicators for Key Management Personnel

As set out above, the Managers' variable remuneration comprise short-term and long-term incentives which takes into account individual performance and FHT's performance.

The Managers have put in place a framework whereby in determining the short-term incentives of the Key Management Executives, both FHT's financial and non-financial performance will be taken into consideration. The financial performance indicators in which the Key Management Executives will be evaluated on comprise (i) Net Property Income and (ii) Distribution per Stapled Security. These performance indicators are quantitative and are objective measures of the Managers' performance. The non-financial performance indicators in which Key Management Executives will be evaluated on include (i) business process, (ii) corporate governance and compliance, (iii) sustainability, (iv) branding, (v) investor relations; and (vi) people development. These qualitative performance indicators will align the Key Management Executive'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 ending 30 September 2018 as set out above. The release of long term incentive awards to the Key Management Executives are conditional upon the performance targets being met. The performance targets of the KPIs align the interests of the Key Management Executives with the long-term growth and performance of the FHT.

The NR Committees will review the short-term and long-term incentives in the Key Management Executive's remuneration package to ensure its compliance with the substance and spirit of the directions and guidelines from the MAS.

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

The remuneration of the CEO in bands of SGD250,000, and a breakdown of the remuneration of the Key Executives (including the CEO) of the Managers in percentage terms, are provided below:

Key Executives' Remuneration for FY2018

Names of CEOs and Key Executives	Salary %	Bonus %	Allowances & Benefits %	Long-term Incentives %	Total %
Between SGD500,001 to SGD750,000					
Eu Chin Fen	44	21	6	29	100
Key Executives (excluding CEO)					
Josephine Lee Woan Chiou ⁽¹⁾					
Colin Low Hsien Yang ⁽²⁾					
Jason Leong Say Boon ⁽³⁾	66 ⁽⁴⁾	12 ⁽⁴⁾	8 ⁽⁴⁾	14 ⁽⁴⁾	100
Mark Rohner					
Sandy Leng Wei Woon					
Aggregate Total Remuneration (including CEO)				SGD1,767,844	

Notes:

- (1) Ms Josephine Lee was the Chief Financial Officer from 1 October 2017 to 8 March 2018, as such, the remuneration disclosed is for the aforementioned period. The remuneration of Ms Valerie Foo, who was appointed acting Chief Financial Officer from 9 March 2018, was borne by Frasers Property and/or its subsidiaries (other than the Managers).
- (2) Mr Colin Low was the Head of Investment from 1 October 2017 to 19 June 2018. As such, the remuneration disclosed is for the aforementioned period.
- (3) For the period as Vice President, Investments, from 20 June 2018 to 30 September 2018.
- (4) Derived based on the aggregation of the respective remuneration components of each of the key executives (excluding the CEO) and represented as percentages against the total remuneration for these key executives.

Corporate Governance Report

Pursuant to MAS' "Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management", REIT managers are required to disclose (i) the remuneration of the CEO and each individual director on a named basis, and (ii) 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 SGD250,000. The Managers have decided (a) to disclose the CEO's remuneration in bands of SGD250,000 (instead of on a quantum basis), (b) not to disclose the remuneration of the other key executives of the Managers in bands of SGD250,000, and (c) to disclose the aggregate remuneration of all key executives of the Managers (including the CEO), for the following reasons:

- (i) competition for talent in the REIT management industry is very keen and the Managers have, in the interests of Stapled Securityholders, opted not to disclose the exact remuneration of its CEO and top five executive officers 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 FHT, it is important that the Managers continue to retain their team of competent and committed staff;
- (iii) due to the confidentiality and sensitivity of staff remuneration matters, the Managers are of the view that such disclosure could be prejudicial to the interests of Stapled Securityholders; and
- (iv) the remuneration of the CEO and key executives of the Managers are paid by the Managers, and there is full disclosure of the total amount of fees paid to the Managers set out in page 190 of this Annual Report.

No employee of the Managers was an immediate family member of a director or the CEO and whose remuneration exceeded SGD50,000 during FY2018.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The REIT Manager prepares the consolidated financial statements of FH-REIT Group and FHT in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("**RAP 7**") issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on CIS issued by the MAS and the provisions of the FH-REIT Trust Deed and the Stapling Deed. RAP 7 requires the accounting principles to generally comply with the recognition and measurement principles of the Singapore Financial Reporting Standards prescribed by the Accounting Standards Council.

The Trustee-Manager prepares the consolidated financial statements of FH-BT Group in compliance with the principles of the Singapore Financial Reporting Standards and the provisions of the BTA and the FH-BT Trust Deed.

The Boards, with the support of Management, are 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 will be made available to the Directors on request. Quarterly and annual financial reports and other material information are disseminated to the Stapled Securityholders through announcements released via SGXNET, FHT's corporate website and where applicable, media releases and analysts' briefings. Such financial reports are reviewed by the Boards before dissemination.

Principle 11: Risk Management and Internal Controls

The Managers have established a sound system of risk management and internal controls comprising procedures and processes to safeguard FHT's assets and the Stapled Securityholders' interests. The REIT Manager ARC Committee and the Trustee-Manager ARC Committee review and report to the REIT Manager Board and Trustee-Manager Board respectively 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.

Corporate Governance Report

Internal Controls

The REIT Manager ARC Committee and the Trustee-Manager ARC Committee, through the assistance of internal and external auditors, reviews and reports to the Boards on the adequacy and effectiveness of the Managers' system of controls, including financial (eg. for capital expenditure, investments and divestments, and borrowings), compliance, operational and information technology controls. In assessing the effectiveness of internal controls, the ARC Committees ensure primarily that key objectives are met, material assets are properly safeguarded, fraud or errors 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 ARC Committees, reviews the adequacy and effectiveness of the REIT Manager's and the Trustee Manager's risk management framework to ensure that robust risk management and mitigating controls are in place. The REIT Manager and the Trustee Manager have adopted an enterprise-wide risk management ("**ERM**") framework to enhance their 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 REIT Manager's ERM framework and progress report is set out on pages 93 and 95 of this Annual Report.

During FY2018, periodic updates were provided to the REIT Manager ARC Committee on FH-REIT's and the REIT Manager's risk profile. Periodic updates were also provided to the Trustee-Manager ARC Committee with respect to FH-BT and the Trustee-Manager's risk profile. These updates would involve an assessment of FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's key risks by risk categories, their current status, the effectiveness of any mitigating measures taken, and any proposals and action plans 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 FH-REIT, FH-BT, the REIT Manager and the Trustee-Manager have been documented to assist the Board to assess the adequacy and effectiveness of the existing internal controls. The comfort matrix has been 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 ARC Committees. Risk tolerance statements setting out the nature and extent of significant risks which the REIT Manager and the Trustee-Manager are willing to take in achieving its strategic objectives have been formalised and adopted.

The Boards have received assurance from the CEO and the CFO of the Managers that as at 30 September 2018:

- (a) the financial records of FHT have been properly maintained and the financial statements for the financial year ended 30 September 2018 give a true and fair view of FHT's operations and finances;
- (b) the system of internal controls in place for FHT is adequate and effective as at 30 September 2018 to address financial, operational, compliance and information technology risks which the Managers consider relevant and material to FHT's operations; and
- (c) the risk management system in place for FHT is adequate and effective as at 30 September 2018 to address risks which the Managers consider relevant and material to FHT's operations.

Corporate Governance Report

Opinion of the Board on Internal Controls and Risk Management Framework

Based on the internal controls established and maintained by the Managers, reviews performed by internal and external auditors, reviews performed by Management and the ARC Committees and assurances from the CEO and CFO of the Managers, the Boards, with the concurrence of the ARC Committees, are of the opinion that taking into account the nature, scale and complexity of the Managers' operations, the internal controls in place for FHT, including financial, operational, compliance and information technology controls, were adequate and effective as at 30 September 2018 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 assurance from the CEO and the CFO of the Managers, the Boards are of the view that the risk management system in place for FHT was adequate and effective as at 30 September 2018 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 it works to achieve its business objectives.

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 judgement in decision making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

Based on their written terms of reference, the ARC Committees are to monitor and evaluate the effectiveness of the REIT Manager and the Trustee-Manager's respective internal controls, review the quality and reliability of information prepared for inclusion in financial reports, and will be responsible for the nomination of external auditors and review of the adequacy of external audits in respect of cost, scope and performance. They are authorised to investigate any matter in relation thereto whenever they deem necessary.

Each of the ARC Committees has full access to, and has the full cooperation of, Management, with full authority and discretion to invite any Director or employee of the relevant Manager to attend its meetings. The ARC Committees are able to call upon the Managers' resources to enable them to discharge their functions effectively.

The ARC Committees' responsibilities include:

- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the consolidated financial statements of FHT, FH-REIT Group and, as the case may be, FH-BT Group and any formal announcements relating to FH-REIT Group's and FH-BT Group's financial performance;
- reviewing and monitoring the effectiveness of the REIT Manager's and, as the case may be, the Trustee-Manager's internal controls, including financial, operational, compliance, information technology and risk management controls and procedures and reporting findings thereon to the Boards at least annually;
- reviewing the adequacy and effectiveness of the internal audit function, including its resources, audit plans and the scope and effectiveness of the internal audit procedures;
- reviewing, on an annual basis, the independence and objectivity of the external auditors and where the external auditors also provide a substantial volume of non-audit services to FH-REIT Group and, as the case may be, FH-BT Group, keeping the nature and extent of such services under review, and seeking to balance the maintenance of objectivity and value for money; and
- making recommendations to the REIT Manager Board and, as the case may be, the Trustee-Manager Board on the appointment, re-appointment and removal of external auditors and approving the remuneration and terms of engagement of external auditors.

Corporate Governance Report

In performing their functions, the ARC Committees meet with the internal and external auditors at least once on an annual basis without the presence of the executive officers of the Managers. All audit findings and recommendations are presented to the ARC Committees for discussion.

The ARC Committees review the internal and external audit plans for FHT and the Managers and the assistance given by Management to the auditors.

Updates on changes in accounting standards and treatment are prepared by external auditors and will be circulated to members of the ARC Committees periodically.

The composition of each of the ARC Committees is identical and comprises the following non-executive Directors, all of whom are independent:

Mr Law Soon Keng	Chairman
Mr Liew Choon Wei	Member
Dr David Wong See Hong	Member

The Boards are of the view that the members of the ARC Committees collectively possess the accounting and related financial management expertise and experience required for the ARC Committees to discharge their responsibilities and assist the Boards in their oversight over Management in the design, implementation and monitoring of risk management and internal control systems.

In the review of the financial statements for FY2018, the ARC Committees have discussed the following key audit matter identified by the external auditors with Management:

Key audit matter	Review by the ARC Committees
Valuation of properties	The ARC Committees considered the independence and competency of the external valuers, as well as the methodologies applied by them to the valuation of the properties. The ARC Committees reviewed the outcomes of the annual external valuation process and discussed the details of the valuation with the Management and the external auditors. The ARC Committees 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 ARC Committees concur with the basis and conclusions included in the auditors' report with respect to the audit matter.

External Auditors

With effect from the last annual general meeting ("**AGM**") of FHT held on 24 January 2018, KPMG LLP ("**KPMG**") was re-appointed as external auditors of FHT for FY2018. The REIT Manager and Trustee-Manager confirm that they comply with Rules 712 and 715 of the SGX-ST Listing Manual (the "**Listing Manual**") in relation to the appointment of KPMG as the auditor of FHT.

The ARC Committees have conducted a review of all non-audit services provided by KPMG during FY2018 and the corresponding fees and ensured that the fees for such non-audit fees did not impair their audit independence. Based on their review, the ARC Committees were 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 was put at risk. For details of the fees paid to KPMG, please refer to Note 6 to the Financial Statements.

KPMG attended the ARC Committees meetings every quarter for FY2018, and where appropriate has met with the ARC Committees without the presence of Management to discuss their findings, if any.

Corporate Governance Report

Whistle Blowing Policy

A Whistle-Blowing Policy is in place to provide an avenue through which employees and any other persons may report in good faith and in confidence any concerns in financial and other matters, and for independent investigation of such matters and appropriate follow-up action. All whistle-blower complaints will be reviewed by the ARC Committees to ensure that investigations and follow-up actions are carried out, if needed.

Principle 13: Internal Audit

The REIT Manager and the Trustee-Manager have in place an internal audit function (“**IA**”) established within the Frasers Property Group to independently examine and evaluate the activities of the REIT Manager and the Trustee-Manager, focusing on the adequacy and effectiveness of internal controls, risk management and corporate governance processes.

The Frasers Property Group IA (“**Group IA**”) is independent of the activities that it audits. The head of Group IA who is a Certified Fraud Examiner and a Fellow of the Institute of Singapore Certified Accountants (ISCA), CPA Australia and ACCA, reports directly to the Chairman of the ARC Committees.

The head of Group IA and the Singapore-based IA staff are members of the Institute of Internal Auditors, Singapore, and have adopted and complied with the International Standards for the Professional Practice of Internal Auditing (Standards) set by the Institute of Internal Auditors, Inc. To ensure that the internal audits are effectively performed, Group IA recruits and employs suitably qualified staff with the requisite skills and experience. Such staff are also given relevant training and development opportunities to update their technical knowledge and auditing skills. All IA staff received relevant technical training and attended seminars organised by the Institute of Internal Auditors, Singapore or other professional bodies.

The Group IA operates within the framework stated in its Terms of Reference as contained in the Internal Audit Charter approved by the ARC Committees. It adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of FHT. Based on risk assessments performed, greater focus and appropriate review intervals are set for higher risk activities, and material internal controls. The audit scope also includes the review of compliance with the policies, procedures and regulatory responsibilities of FHT, REIT Manager and the Trustee-Manager.

During the financial year, Group IA conducted its audit reviews based on the approved internal audit plans. All audit reports detailing audit findings and recommendations are provided to Management who would respond on the actions to be taken. Each quarter, Group IA submits to the ARC Committees a report on the status of the audit plan and on audit findings and actions taken by Management on such findings. Key findings are highlighted at the ARC Committees meetings for discussion and follow-up actions. The ARC Committees monitor the timely and proper implementation of required corrective, preventive or improvement measures undertaken by Management.

Each of the ARC Committees is satisfied that for the financial year, the internal audit function is adequately resourced to perform its functions, and has appropriate standing within FH-REIT, FH-BT, the REIT Manager and the Trustee-Manager to perform its functions effectively.

STAPLED SECURITYHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Stapled Securityholders Rights

The Managers believe in treating all Stapled Securityholders fairly and equitably. It aspires to keep all Stapled Securityholders and the investment community in Singapore and beyond informed of FHT’s activities, including material changes (if any) in FHT’s business which are likely to affect the price or value of its Stapled Securities, in a timely and consistent manner.

Stapled Securityholders are also given the opportunity to participate effectively and vote at the general meetings of FHT, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

Corporate Governance Report

Principle 15: Communication with Unitholders

The Managers are committed to regular, effective and fair communication with all Stapled Securityholders. The Managers have a dedicated investor relations personnel which handles communications with the Stapled Securityholders, the investment community and the media.

During FY2018, the Managers met investors and analysts globally and participated in investor conferences and non-deal roadshows in Bangkok, Seoul, Singapore and Taipei. These are good avenues for the Managers to engage the investment community, raise the profile of FHT and provide updates on FHT's portfolio and financial performance, latest developments, growth strategy and outlook. At the same time, they are also a forum for the Managers to better understand the matters which are key to investors.

Briefings for analysts are generally held in conjunction with the release of FHT's quarterly financial results. To ensure transparency, press releases and presentation slides are released to SGX-ST via SGXNET, and posted on FHT's website at www.frasershospitalitytrust.com. Announcements through FHT's website and the SGXNET are the principal media of communication with Stapled Securityholders.

A signatory to the 2018 Corporate Governance Statement of Support initiated by the Securities Investors Association (Singapore), FHT continued to pledge its commitment to uphold high standards in corporate governance for the fourth consecutive year.

Principle 16: Conduct of Stapled Securityholders' Meetings

A copy of FHT's Annual Report 2018 is sent to all Stapled Securityholders.

At the AGM of FHT to be held on Tuesday, 22 January 2019, Stapled Securityholders will be invited to vote on each of the resolutions by poll, using an electronic voting system. This will allow those who are present or represented at the AGM to vote on a per Stapled Security per vote basis. The voting result will be screened at the AGM and announced via the SGX-ST after the AGM.

As and when an extraordinary general meeting is convened, a circular will be sent to each Stapled Securityholder. The circular will contain details of the matters proposed for Stapled Securityholders' consideration and approval.

Board members and Management are present at FHT's annual and extraordinary general meetings where Stapled Securityholders will have the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. The external auditors are also present to address queries about the conduct of audit and the preparation and content of the auditors' report.

ADDITIONAL INFORMATION

Dealings in Stapled Securities

The REIT Manager and the Trustee-Manager have adopted a dealing policy on securities trading (the "**Dealing Policy**") which provides guidance with regard to dealings in the Stapled Securities by its directors, officers and employees. Directors, officers and employees are prohibited from dealing in the Stapled Securities:

- in line with the Listing Rule 1207(19)(c) on Dealings in Securities, two weeks before the date of announcement of quarterly financial statements and one month before the date of announcement of full-year results ("**Prohibition Period**"); and
- at any time while in possession of unpublished material or price sensitive information. Directors, officers and employees are also directed to refrain from dealing in Stapled Securities on short-term considerations.

Corporate Governance Report

Prior to the commencement of the Prohibition Period, directors, officers and employees will be reminded not to trade during this period or whenever they are in possession of unpublished price sensitive information. Outside of the Prohibition Period, any trades must be reported to the REIT Manager Board and the Trustee-Manager Board within 48 hours. Every quarter, each director, officer or employee is required to complete and submit a declaration form to the compliance officer to report any trades that he/she has 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 ARC Committees. Any non-compliance with the Dealing Policy such as trading within the Prohibition Period will be reported to the ARC Committees for their review and instructions.

Conflicts of Interest

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

- the REIT Manager will not manage any other REIT which invests in the same type of properties as FH-REIT;
- all key executive officers will be employed by the REIT Manager and will not hold executive positions in any other entities;
- all resolutions in writing of the directors of the REIT Manager in relation to matters concerning FH-REIT must be approved by a majority of the directors, including at least one director independent from management and business relationships with the REIT Manager;
- at least a majority of the directors of the REIT Manager shall comprise such independent directors;
- in respect of matters in which a director of the REIT Manager or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors of the REIT Manager and must exclude such interested director;
- in respect of matters in which Frasers Property has an interest, direct or indirect, for example, in matters relating to:
 - potential acquisitions of additional properties or property-related investments by FH-REIT in competition with Frasers Property; and/or
 - competition for tenants between properties owned by FH-REIT and properties owned by Frasers Property, any nominees appointed by Frasers Property to the REIT Manager's Board to represent its interests will abstain from deliberations and voting on such matters. In such matters, the quorum must comprise a majority of the directors of the REIT Manager independent from management and business relationships with the REIT Manager and must exclude nominee directors of Frasers Property;
- Save as to resolutions relating to the removal of the REIT Manager, the REIT Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the holders of FH-REIT's units convened to approve any matter in which the REIT Manager and/or any of its associates has an interest, and for so long as the REIT Manager is the manager of FH-REIT, the controlling shareholders of the REIT Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of the holders of FH-REIT units convened to consider a matter in respect of which the relevant controlling shareholders of the REIT Manager and/or of any of its associates have an interest; and

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- It is also provided in the FH-REIT Trust Deed that if the REIT Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the REIT Trustee for and on behalf of FH-REIT with an Interested Person (as defined in the Listing Manual) and/or, as the case may be, an Interested Party (as defined in the Code on CIS) (collectively, a **"Related Party"**) of the REIT Manager, the REIT Manager shall be obliged to consult with a reputable law firm (acceptable to the REIT Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the REIT Trustee, on behalf of FH-REIT, has a prima facie case against the party allegedly in breach under such agreement, the REIT Manager shall be obliged to take appropriate action in relation to such agreement. The directors of the REIT Manager will have a duty to ensure that the REIT Manager so complies. Notwithstanding the foregoing, the REIT Manager shall inform the REIT Trustee as soon as it becomes aware of any breach of any agreement entered into by the REIT Trustee for and on behalf of FH-REIT with a Related Party of the REIT Manager and the REIT Trustee may take such action as it deems necessary to protect the rights of the holders of FH-REIT units and/or which is in the interests of the holders of FH-REIT units. Any decision by the REIT Manager not to take action against a Related Party of the REIT Manager shall not constitute a waiver of the REIT Trustee's right to take such action as it deems fit against such Related Party.

Information on the measures and procedures put in place by the Trustee-Manager to manage potential conflicts of interest can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 131 to 137 of this Annual Report.

Related Party Transactions

There is no general mandate obtained for interested party transactions as defined in Chapter 9 of the Listing Manual ("**IPTs**" and each an "**IPT**") under Rule 920 of the Listing Manual.

All IPTs in relation to FH-REIT are undertaken on normal commercial terms and the REIT Manager Board, with the assistance of the REIT Manager ARC Committee, ensures that such IPTs are not prejudicial to the interests of FH-REIT and the minority Stapled Securityholders. This may entail obtaining (where practicable) quotations from parties unrelated to the REIT Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Code on CIS).

All IPTs are entered in a register maintained by the REIT Manager, including any quotations from unrelated parties and independent valuations forming the bases on which such IPTs are entered into. The REIT Manager incorporates into its internal audit plan a review of all IPTs recorded in the register. The review includes the examination of the nature of the IPTs and its supporting documents or such other data deemed necessary by the REIT Manager ARC Committee. The REIT Manager ARC Committee reviews the internal audit reports to ascertain that internal procedures and the relevant provisions of the Listing Manual and the Code on CIS are complied with by Management in its dealings on IPTs. The REIT Trustee, in its capacity as trustee of FH-REIT, has the right to review any such relevant internal audit reports to ascertain that the requirements under the Code on CIS have been complied with.

Directors of the REIT Manager who are interested in a proposed IPT to be entered into by FH-REIT are required to abstain from any deliberations or decisions in relation to that IPT.

Any IPT proposed to be entered into between FH-REIT and a Related Party of the REIT Manager or FH-REIT (which includes relevant associates thereof), would require the REIT Trustee to satisfy itself that such IPT is conducted on normal commercial terms, is not prejudicial to the interests of the Stapled Securityholders, and is in accordance with all applicable requirements of the Code on CIS and the Listing Manual. Further, the REIT Trustee has the ultimate discretion under the FH-REIT Trust Deed to decide whether or not to enter into such a transaction.

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Further, the following procedures will be undertaken:

- 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 SGD100,000 in value but less than 3.0% of the value of FH-REIT's net tangible assets (based on the latest audited accounts) will be subject to review by the REIT Manager ARC Committee 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 net tangible assets (based on the latest audited accounts) will be subject to the review and prior approval of the REIT Manager ARC Committee. Such approval shall only be given if such transaction is on normal commercial terms and is consistent with similar types of transactions made by the REIT Trustee with third parties which are unrelated to the REIT Manager; 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 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 REIT Manager ARC Committee 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 the Property Funds Appendix of the Code on CIS, such transaction would have to be approved by the Stapled Securityholders at a meeting duly convened.

Save for the transactions described under the sections "Management and Corporate Governance – FH-REIT – Related Party 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 (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of FH-REIT's latest audited net tangible assets.

Information on the measures and procedures put in place by the Trustee-Manager to manage potential IPTs (including the Trustee-Manager's Internal Control Systems) can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 131 to 137 of this Annual Report.

ADDITIONAL DISCLOSURES ON FEES PAYABLE TO THE REIT MANAGER

Pursuant to the revised Code on CIS which came into effect on 1 January 2016, the methodology and justifications for each type of fees payable to the REIT Manager should be disclosed, where such fees are payable out of the deposited property of FH-REIT (the "FH-REIT Deposited Property").

Base Fee and Performance Fee

For the provision of ongoing management services, which includes an extensive scope of functions including but not limited to investment management, asset management, financing, marketing and investor relations, the REIT Manager is entitled to the following fees (payable in the form of Stapled Securities and/or cash):

- pursuant to Clause 15.1.1 of the FH-REIT Trust Deed, a Base Fee (as defined under Clause 15.1.1(i) of the FH-REIT Trust Deed) 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 FH-REIT Deposited Property; and

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- pursuant to Clause 15.1.2 of the FH-REIT Trust Deed, a Performance Fee (as defined under Clause 15.1.2(i) of the FH-REIT Trust Deed), 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 (as defined in the FH-REIT Trust Deed) 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).

Pursuant to Clauses 15.1.1(v) and 15.1.2(vi) of the FH-REIT Trust Deed, the Base Fee and Performance Fee are payable in the form of cash and/or Stapled Securities (as the REIT Manager may elect). The Base Fee and 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.

In accordance with the revised Code on CIS, crystallisation of the Performance Fee should be no more frequent than once a year. Therefore, with effect from FY2017, the Performance Fee payable to the REIT Manager in the form of Stapled Securities and/or cash will be paid on an annual basis in arrears, subsequent to the end of the applicable financial year.

Rationale and purpose for Base Fee and Performance Fee

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.

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.

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.

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.

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.

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.

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Acquisition Fee and Divestment Fee

In addition, the REIT Manager is also entitled to the following one-off fees for services rendered towards the strategic acquisition or disposal of any property by FH-REIT in deriving long-term returns for its Stapled Securityholders:

- 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):
 - (i) 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 payments³ 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);
 - (ii) the underlying value⁴ 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
 - (iii) 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; and
- 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):
 - (i) 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 payments⁵ in addition to the sale 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);
 - (ii) the underlying value⁶ 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
 - (iii) 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.

³ “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.

⁴ 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.

⁵ “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.

⁶ For example, if FH-REIT sells or divests 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 received by FH-REIT as the sale price and any debt of the special purpose company.

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Rationale and purpose for Acquisition Fee and Divestment Fee

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.

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.

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.

GUIDELINES FOR DISCLOSURE

Guideline	Questions	How has the Company complied?
General	<p>(a) Has the Company complied with all the principles and guidelines of the CG Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the CG Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the CG Code?</p>	<p>Please refer to the disclosures and references in this table for specific deviations from the CG Code.</p> <p>The Managers have adopted alternative corporate governance practices which reflect the fact the Managers themselves are not listed entities but that the entities which they manage, FH-REIT and FH-BT, are listed and managed externally by the Managers.</p>
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Please refer to page 98 in this Annual Report which make reference to the MOA.
Members of the Board		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?</p>	Please refer to pages 101 to 102 in this Annual Report.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<p>No new directors were appointed or re-elected in the financial year.</p> <p>Directors of the Managers are not subject to periodic retirement by rotation</p>

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Guideline	Questions	How has the Company complied?
Members of the Board (cont'd)		
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	Yes.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	Please refer to page 98 in this Annual Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	Please refer to pages 102 to 103 in this Annual Report.
	(b) If a maximum number has not been determined, what are the reasons?	Please refer to pages 102 to 103 in this Annual Report.
	(c) What are the specific considerations in deciding on the capacity of directors?	Please refer to pages 102 to 103 in this Annual Report.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The Board carried out a Board and Board Committees' evaluation exercise.
	(b) Has the Board met its performance objectives?	Yes.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	None.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.

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Guideline	Questions	How has the Company complied?
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	<p>Please refer to pages 106 to 109 in this Annual Report.</p> <p>Please refer to pages 106 to 109 in this Annual Report.</p>
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of SGD250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>Please refer to page 108 in this Annual Report.</p> <p>Please refer to page 108 in this Annual Report.</p>
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds SGD50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>Please refer to pages 106 to 109 in this Annual Report. There are no executive directors on the Boards of the Managers.</p> <p>Please refer to pages 106 to 109 in this Annual Report.</p> <p>Please refer to pages 106 to 109 in this Annual Report.</p>

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Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to page 104 in this Annual Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Please refer to pages 109 to 111 in this Annual Report. Please refer to pages 109 to 111 in this Annual Report.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Please refer to page 191 in this Annual Report. Please refer to page 191 in this Annual Report.
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Please refer to page 114 in this Annual Report. Yes. Please refer to page 114 in this Annual Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable.