

# CORPORATE GOVERNANCE

## OUR ROLE

We, as the manager of CMT (Manager), set the strategic direction of CMT and its subsidiaries (CMT Group) and make recommendations to HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CMT (Trustee), on any investment or divestment opportunities for CMT and the enhancement of the assets of CMT in accordance with the stated investment strategy for CMT. The research, evaluation and analysis required for this purpose are coordinated and carried out by us as the Manager.

As the Manager, we have general powers of management over the assets of CMT. Our primary responsibility is to manage the assets and liabilities of CMT for the benefit of the unitholders of CMT (Unitholders). We do this with a focus on generating rental income and enhancing asset value over time so as to maximise returns from the investments, and ultimately the distributions and total returns, to Unitholders.

Our other functions and responsibilities as the Manager include:

- (a) using our best endeavours to conduct CMT's business in a proper and efficient manner;
- (b) preparing annual business plans for review by the directors of the Manager (Directors), including forecasts on revenue, net income, and capital expenditure, explanations on major variances to previous years' financial results, written commentaries on key issues and underlying assumptions on rental rates, operating expenses and any other relevant assumptions;
- (c) ensuring compliance with relevant laws and regulations, including the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST) (Listing Manual), the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS) (including Appendix 6 of the CIS Code (Property Funds Appendix)), the Securities and Futures Act (Chapter 289 of Singapore) (SFA), written directions, notices, codes and other guidelines that MAS may issue from time to time, the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of CMT and Unitholders and the Alternative Investment Fund Managers Directive (AIFMD);
- (d) attending to all regular communications with Unitholders; and
- (e) supervising CapitaLand Retail Management Pte Ltd (Property Manager), the property manager which performs the day-to-day property management functions (including leasing, marketing, promotion, operations coordination and other property management activities) for CMT's properties; with regard to Raffles City Singapore (RCS), which is held by CMT and CapitaLand Commercial Trust (CCT) in the proportions of 40.00% and 60.00% respectively, the Property Manager holds 40.00% interest in CapitaLand (RCS) Property Management Pte. Ltd., which provides property management services to RCS with CapitaLand Commercial Management Pte. Ltd., the property manager of the properties owned by CCT, holding the other 60.00%. As a result of its interest in CapitaLand (RCS) Property Management Pte. Ltd., the Property Manager is able to play a key role in directing the property management function for RCS.

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibilities. CMT's environmental sustainability and community outreach programmes are set out on pages 74 to 99 of this Annual Report.

CMT, constituted as a trust, is externally managed by the Manager. The Manager appoints experienced and well qualified personnel to run its day-to-day operations.

The Manager was appointed in accordance with the terms of the trust deed constituting CMT dated 29 October 2001 (as amended, varied or supplemented from time to time) (Trust Deed). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

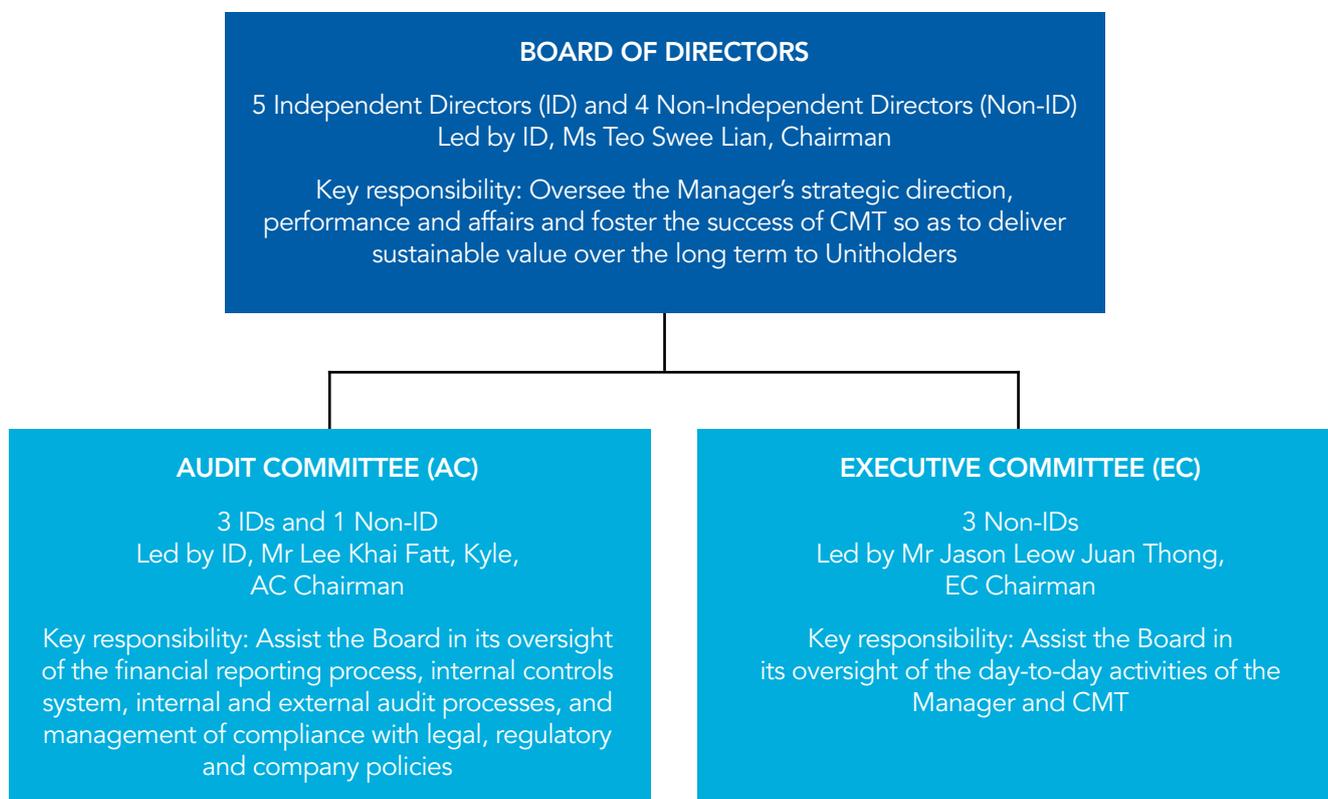
The Manager is a wholly owned subsidiary of CapitaLand Limited (CL) which holds a significant unitholding interest in CMT. CL is a long-term real estate developer and investor, with a vested interest in the long-term performance of CMT. CL's significant unitholding in CMT demonstrates its commitment to CMT and as a result, CL's interest is aligned with that of other Unitholders. The Manager's association with CL provides the following benefits, among other things, to CMT:

- (a) a stable pipeline of property assets through CL's development activities;
- (b) wider and better access to banking and capital markets on favourable terms;
- (c) fund raising and treasury support; and
- (d) access to a bench of experienced management talent.

## OUR CORPORATE GOVERNANCE FRAMEWORK AND CULTURE

The Manager embraces the tenets of good corporate governance, including accountability, transparency and sustainability. It is committed to enhancing long-term Unitholder value and has appropriate people, processes and structure to direct and manage the business and affairs of the Manager with a view to achieving operational excellence and delivering the CMT Group's long-term strategic objectives. The policies and practices it has developed to meet the specific business needs of the CMT Group provide a firm foundation for a trusted and respected business enterprise.

Our corporate governance framework is set out below:



# CORPORATE GOVERNANCE

The Board of Directors (Board) sets the tone from the top and is responsible for the Manager's corporate governance standards and policies, underscoring their importance to the CMT Group.

This corporate governance report (Report) sets out the corporate governance practices for the financial year (FY) 2019 with reference to the Code of Corporate Governance 2018 (Code).

Throughout FY 2019, the Manager has complied with the principles of corporate governance laid down by the Code and also, substantially, with the provisions underlying the principles of the Code. Where there are deviations from the provisions of the Code, appropriate explanations are provided in this Report. This Report also sets out additional policies and practices adopted by the Manager which are not provided in the Code.

CMT has received accolades from the investment community for excellence in corporate governance and corporate governance-related efforts. CMT's awards in FY 2019 are set out below:

- Winner of Singapore Corporate Governance Award, Shareholder Communications Excellence Award and Sustainability Award and joint runner-up for Most Transparent Company Award under the REITs and Business Trusts category at the SIAS 20<sup>th</sup> Investors' Choice Awards 2019.
- Gold for Best Investor Relations and Best Annual Report under the REITs & Business Trusts category at the Singapore Corporate Awards 2019.

In FY 2019, CMT was ranked second in the REIT and Business Trust category on the Singapore Governance and Transparency Index (SGTI) and retained its top 10 ranking in the same category on the Governance Index for Trusts (GIFT). As testament to our commitment to environment, social and corporate governance, CMT was awarded sector leader for Global Real Estate Sustainability Benchmark (GRESB) in the Asia 'Retail – Listed' category and also scored 'A' for public disclosure for GRESB 2019. CMT has been included by SGX in the Fast Track Programme list. The scheme recognises listed companies with good governance standards and compliance practices, and accords prioritised clearance for selected corporate-action submissions.

## BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

#### Board's Duties and Responsibilities

The Board oversees the strategic direction, performance and affairs of the Manager, in furtherance of the Manager's primary responsibility to foster the success of CMT so as to deliver sustainable value over the long term to Unitholders. It provides overall guidance to the management team (Management), led by the Chief Executive Officer (CEO). The Board works with Management to achieve CMT's objectives and long term success and Management is accountable to the Board for its performance. Management is responsible for the execution of the strategy for CMT and the day-to-day operations of CMT's business.

The Board establishes goals for Management and monitors the achievement of these goals. It ensures that proper and effective controls are in place to assess and manage business risks and compliance with requirements under the Listing Manual, the Property Funds Appendix, as well as any other applicable guidelines prescribed by the SGX-ST, MAS or other relevant authorities, and applicable laws. It also sets the disclosure and transparency standards for CMT and ensures that obligations to Unitholders and other stakeholders are understood and met.

The Board has adopted a set of internal controls which establishes financial approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments and this is clearly communicated to Management in writing. The Board has reserved authority to approve certain matters including:

- (a) material acquisitions, investments and divestments;
- (b) issue of new units in CMT (Units);

- (c) income distributions and other returns to Unitholders; and
- (d) matters which involve a conflict of interest for a controlling unitholder or a Director.

Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below the Board's approval limits to Board Committees and Management to optimise operational efficiency.

The Directors are fiduciaries and are collectively and individually obliged at all times to act honestly and objectively in the best interests of CMT. Consistent with this principle, the Board is committed to ethics and integrity of action and has adopted a Board Code of Business Conduct and Ethics (Board Code) which provides that every Director is expected to, among other things, adhere to the highest standards of ethical conduct. All Directors are required to comply with the Board Code. This sets the appropriate tone from the top in respect of the desired organisational culture, and assists the Board in ensuring proper accountability within the Manager. In line with this, the Board has a standing policy that a Director must not allow himself or herself to get into a position where there is a conflict between his or her duty to CMT and his or her own interests. Where a Director has a conflict of interest in a particular matter, he or she will be required to disclose his or her interest to the Board, recuse himself or herself from deliberations on the matter and abstain from voting on the matter. Every Director has complied with this policy, and where relevant, such compliance has been duly recorded in the minutes of meeting or written resolutions.

Furthermore, the Directors have the responsibility to act with due diligence in the discharge of their duties and ensure that they have the relevant knowledge to carry out and discharge their duties as directors, including understanding their roles as executive, non-executive, and independent directors, the business of CMT and the environment in which CMT operates. The Directors are also required to dedicate the necessary effort, commitment and time to their work as directors, and are expected to attend all meetings of the Board, except if unusual circumstances make attendance impractical.

### **Directors' Development**

In view of the increasingly demanding, complex and multi-dimensional role of a director, the Board recognises the importance of continual training and development for its Directors so as to equip them to discharge the duties and responsibilities of their office as Directors to the best of their abilities. The Manager has in place a training framework to guide and support the Manager towards meeting the objective of having a Board which comprises individuals who are competent and possess up-to-date knowledge and skills necessary to discharge their duties and responsibilities. Directors who have no prior experience as a director of an issuer listed on the SGX-ST will be provided with training on the roles and responsibilities of a director of a listed issuer in accordance with the listing rules of the SGX-ST. The costs of training are borne by the Manager.

Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role, duties and responsibilities of a Director). All Directors, upon appointment, also undergo an induction programme which focuses on orientating the Director to CMT's business, operations, strategies, organisation structure, responsibilities of CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Manager (key management personnel), and financial and governance practices. The induction programme may include visits to the CMT Group's properties. Through the induction programme, the new Director also gets acquainted with members of Management which facilitates their interaction at Board meetings.

Following their appointment, the Directors are provided with opportunities for continuing education in areas such as director's duties and responsibilities, changes to regulations and accounting standards, and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members. The Directors may also recommend suitable training and development programmes to the Board. In FY 2019, the training and professional development programmes for the Directors included seminars conducted by experts and senior business leaders on board practices and issues faced by boards. The Directors also regularly receive reading materials on topical matters or subjects as well as updates on regulatory changes and their implications.

# CORPORATE GOVERNANCE

## Board Committees

The Board has established various Board Committees to assist it in the discharge of its functions. These Board Committees are the Audit Committee (AC) and the Executive Committee (EC). The Investment Committee was dissolved with effect from 12 April 2019 and the Board now undertakes all the responsibilities for reviewing and approving proposals on major acquisitions and divestments of CMT Group. The Corporate Disclosure Committee was dissolved with effect from 1 November 2019 and the Board now undertakes all the responsibilities for approving corporate disclosures other than certain non-material and routine disclosures which are delegated to Management for approval.

All the Board Committees have clear written terms of reference setting out their respective composition, authorities and duties, including reporting back to the Board. Each of the Board Committees operates under delegated authority from the Board with the Board retaining overall oversight. The decisions and significant matters discussed at the respective Board Committees are reported to the Board on a periodic basis. The minutes of the Board Committee meetings which record the key deliberations and decisions taken during these meetings are also circulated to all Board members for their information. The composition of the various Board Committees is set out on page 60 and the inside back cover of this Annual Report. The duties and responsibilities of the Board Committees are set out in this Report.

The Board may form other Board Committees from time to time. The composition of each Board Committee is also reviewed as and when there are changes to Board membership. Where appropriate, changes are made to composition of the Board Committees, with a view to ensuring there is an appropriate diversity of skills and experience, and fostering active participation and contributions from Board Committee members.

## Meetings of Board and Board Committees

Board and Board Committee meetings are scheduled prior to the start of each financial year in consultation with the Directors. The Constitution of the Manager (Constitution) permits the Directors to participate in Board and Board Committee meetings via audio or video conference. If a Director is unable to attend a Board or Board Committee meeting, he or she may provide his or her comments to the Chairman or the relevant Board Committee chairman ahead of the meeting and these comments are taken into consideration in the deliberations. The Board and Board Committees may also make decisions by way of written resolutions.

In addition to scheduled meetings, the Board may also hold ad hoc meetings as required by business imperatives. The Directors (excluding the CEO) also meet from time to time without the presence of Management.

At each scheduled Board meeting, the Board is apprised of the following:

- (a) significant matters discussed at the AC meeting which is typically scheduled before the Board meeting;
- (b) AC's recommendation on CMT's periodic and year-end financial results following AC's review of the same;
- (c) decisions made by Board Committees in the period under review;
- (d) updates on the CMT Group's business and operations in the period under review, including market developments and trends, as well as business initiatives and opportunities;
- (e) financial performance, budgetary and capital management related matters in the period under review, including any material variance between any projections in budget or business plans and the actual results from business activities and operations;
- (f) any risk management issues that materially impact CMT's operations or financial performance;
- (g) updates on key Unitholder engagements in the period under review, as well as analyst views and market feedback; and
- (h) prospective transactions which Management is exploring.

This allows the Board to develop a good understanding of the progress of the CMT Group's business as well as the issues and challenges faced by CMT, and also promotes active engagement with Management.

The Manager adopts and practises the principle of collective decisions and therefore, no individual Director influences or dominates the decision-making process. There is mutual respect and trust among the Directors and therefore the

Board benefits from a culture of frank and rigorous discussions. Such discussions conducted on a professional basis contribute to the dynamism and effectiveness of the Board. The Board composition is such that there is diversity in views and perspectives which enriches deliberations and contributes to better decision-making of the Board. At Board and Board Committee meetings, all the Directors actively participate in discussions, in particular, they engage in open and constructive debate and challenge Management on its assumptions and recommendations.

Management provides the Directors with complete, adequate and timely information prior to Board and Board Committee meetings and on an ongoing basis. This enables the Directors to make informed decisions and discharge their duties and responsibilities.

As a general rule, meeting materials are provided to the Directors at least five working days prior to Board and Board Committee meetings, to allow them to prepare for the meetings and to enable discussions to focus on any questions or issues that they may have or identify. Agendas for Board and Board Committee meetings are prepared in consultation with the Chairman and the chairmen of the respective Board Committees. This provides assurance that there is time to cover all relevant matters during the meetings.

In line with the Manager's ongoing commitment to minimise paper wastage and reduce its carbon footprint, the Manager does not provide printed copies of Board and Board Committee meeting materials. Instead, the Directors are provided with tablet devices to enable them to access and review meeting materials prior to and during meetings. This initiative also enhances information security as the meeting materials are made available through a secure channel. The Directors are also able to review and approve written resolutions using the tablet devices.

A total of six Board meetings and four AC meetings were held in FY 2019. The key deliberations and decisions taken at Board and Board Committee meetings are minuted.

A record of the Directors' attendance at Board and Board Committee meetings for FY 2019 is set out on page 61 of this Annual Report. CEO who is also a Director attends all Board meetings. He also attends all AC meetings on an ex officio basis. Other members of Management attend Board and Board Committee meetings as required to brief the Board and Board Committees on specific business matters.

There is active interaction between the Directors and Management during and outside Board and Board Committee meetings. The Directors have separate, independent and unfettered access to Management for any information that they may require. The Board and Management share a productive and harmonious relationship, which is critical for good governance and organisational effectiveness.

The Directors also have separate and independent access to the company secretary of the Manager (Company Secretary). The Company Secretary keeps herself abreast of relevant developments. She has oversight of corporate secretarial administration matters and advises the Board and Management on corporate governance matters. The Company Secretary attends Board meetings and assists the Chairman in ensuring that Board procedures are followed. The Company Secretary also facilitates the induction programme for new Directors and oversees professional development administration for the Directors. The appointment and the removal of the Company Secretary is subject to the Board's approval.

The Directors, whether individually or collectively as the Board, are entitled to have access to independent external professional advice where necessary, at the Manager's expense.

## **Principle 2: Board Composition and Guidance**

### **Board Independence**

The Board has a strong independent element as five out of nine directors, including the Chairman, are non-executive IDs. Other than the CEO who is the only executive Director on the Board, non-executive Directors make up the rest of the Board. None of the IDs had served on the Board for nine years or longer. No lead ID is appointed as the Chairman

## CORPORATE GOVERNANCE

is an ID. Profiles of the Directors, their respective Board Committee memberships and roles are set out on pages 25 to 29 of this Annual Report. Key information on the Directors is also available on CMT's website at [www.cmt.com.sg](http://www.cmt.com.sg) (Website).

The Board reviews from time to time the size and composition of the Board and each Board Committee, with a view to ensuring that the size is appropriate in facilitating effective decision-making, and the composition reflects a strong independent element as well as balance and diversity of thought and background. The review takes into account the scope and nature of the CMT Group's operations, and the competition that the CMT Group faces.

The Board assesses annually (and as and when circumstances require) the independence of each Director in accordance with the requirements of the Listing Manual and the guidance in the Code, the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR) and where relevant, the recommendations set out in the Practice Guidance accompanying the Code (Practice Guidance). A Director is considered independent if he or she is independent in conduct, character and judgement and:

- (a) has no relationship with the Manager, its related corporations, its substantial shareholders, CMT's substantial Unitholders (being Unitholders who have interests in voting Units with 5% or more of the total votes attached to all voting Units) or the Manager's officers that could interfere, or be reasonably perceived to interfere with the exercise of his or her independent business judgement in the best interests of CMT;
- (b) is independent from the management of the Manager and CMT, from any business relationship with the Manager and CMT, and from every substantial shareholder of the Manager and every substantial unitholder of CMT;
- (c) is not a substantial shareholder of the Manager or a substantial unitholder of CMT;
- (d) is not employed and has not been employed by the Manager or CMT or their related corporations in the current or any of the past three financial years;
- (e) does not have an immediate family member who is employed or has been employed by the Manager or CMT or their related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Board; and
- (f) has not served on the Board for a continuous period of nine years or longer.

There is a rigorous process to evaluate the independence of each ID. As part of the process:

- (a) each ID provides information of his or her business interests and confirms, annually, that there are no relationships which interfere with the exercise of his or her independent business judgement with a view to the best interests of the Unitholders as a whole, and such information is then reviewed by the Board; and
- (b) the Board also reflects on the respective IDs' conduct and contributions at Board and Board Committee meetings, in particular, whether the relevant ID has exercised independent judgement in discharging his or her duties and responsibilities.

Each ID is required to recuse himself or herself from the Board's deliberations on his or her independence. In appropriate cases, the Board also reviews the independence of an ID as and when there is a change of circumstances involving the ID. In this regard, an ID is required to report to the Manager when there is any change of circumstances which may affect his or her independence.

The Board has carried out the assessment of the independence of its IDs for FY 2019 and the paragraphs below set out the outcome of the assessment. Each of the IDs had recused himself or herself from the Board's deliberations on his or her independence.

### **Ms Teo Swee Lian**

Ms Teo is a non-executive director of Singapore Telecommunications Limited (Singtel) which provides telecommunication services to the CMT Group and CL and its subsidiaries (CL Group). Singtel is also a tenant of some shopping malls in CMT's portfolio. All of these transactions with CMT Group and CL Group are conducted in the ordinary course of business, on arm's length and based on normal commercial terms and market rates. Ms Teo's role in Singtel is non-executive in nature and she is not involved in the business operations of Singtel.

In addition to her directorship in Singtel which is a subsidiary of Temasek Holdings (Private) Limited (Temasek), Ms Teo also serves as a non-executive director of an associated company of Temasek. Temasek is deemed to be a substantial Unitholder through its direct and indirect interest in CL, which is a substantial unitholder of CMT. Ms Teo's role in these corporations is non-executive in nature and she is not involved in the day-to-day conduct of the business of these corporations.

The Board has considered the conduct of Ms Teo in the discharge of her duties and responsibilities as a Director, and is of the view that the relationships set out above did not impair her ability to act with independent judgement in the discharge of her duties and responsibilities as a Director. Save for the relationships stated above, Ms Teo does not have any other relationships and is not faced with any of the circumstances identified in the Code, SFR and Listing Manual, or any other relationships which may affect her independent judgement. The Board is therefore of the view that Ms Teo has exercised independent judgement in the discharge of her duties and responsibilities. Based on the above, the Board arrived at the determination that Ms Teo is an ID. Ms Teo will recuse herself from participating in any Board's deliberation on any transactions that could potentially give rise to a conflict of interest.

#### **Mr Lee Khai Fatt, Kyle**

Mr Lee serves as a non-executive director of The Great Eastern Life Assurance Company Limited (Great Eastern), which had purchased STAR\$® under the CapitaStar app (CL's lifestyle and loyalty app) from the CL Group during the course of the year. CL Group has also provided campaign management and marketing services through the CapitaStar app to Great Eastern. Mr Lee's role in Great Eastern is non-executive in nature and he was not involved in the process or negotiations of the sale of STAR\$® by the CL Group to Great Eastern or the provision of campaign management and marketing services through the CapitaStar app by the CL Group to Great Eastern.

The Board has considered the conduct of Mr Lee in the discharge of his duties and responsibilities as a Director, and is of the view that the relationship set out above did not impair his ability to act with independent judgement in the discharge of his duties and responsibilities as a Director. Save for the relationship stated above, Mr Lee does not have any other relationships and is not faced with any of the circumstances identified in the Code, SFR and Listing Manual, or any other relationships which may affect his independent judgement. The Board is therefore of the view that Mr Lee has exercised independent judgement in the discharge of his duties and responsibilities. Based on the above, the Board arrived at the determination that Mr Lee is an ID. Mr Lee will recuse himself from participating in any Board's deliberation on any transactions that could potentially give rise to a conflict of interest.

#### **Mr Gay Chee Cheong**

Mr Gay was a non-executive director of Honestbee Pte. Ltd. (Honestbee) from December 2018 to March 2019. Honestbee had purchased CapitaVouchers from the CL Group in the course of FY 2019 during the period he was a director of Honestbee. Mr Gay's role in Honestbee was non-executive in nature and he was not involved in the process or negotiations of the sale of CapitaVouchers by the CL Group to Honestbee.

Mr Gay also serves as a non-executive director of some related corporations of Temasek. Temasek is deemed to be a substantial Unitholder through its direct and indirect interest in CL, which is a substantial unitholder of CMT. Mr Gay's role in these corporations is non-executive in nature and he is not involved in the day-to-day conduct of the business of these corporations.

The Board has considered the conduct of Mr Gay in the discharge of his duties and responsibilities as a Director, and is of the view that the relationships set out above did not impair his ability to act with independent judgement in the discharge of his duties and responsibilities as a Director. Save for the relationships stated above, Mr Gay does not have any other relationships and is not faced with any of the circumstances identified in the Code, SFR and Listing Manual, or any other relationships which may affect his independent judgement. The Board is therefore of the view that Mr Gay has exercised independent judgement in the discharge of his duties and responsibilities. Based on the above, the Board arrived at the determination that Mr Gay is an ID. Mr Gay will recuse himself from participating in any Board's deliberation on any transactions that could potentially give rise to a conflict of interest.

The Board is of the view that as at the last day of FY 2019, each of Ms Teo, Mr Lee and Mr Gay was able to act in the best interests of all Unitholders in respect of FY 2019.

# CORPORATE GOVERNANCE

## Mr Ng Chee Khern and Mr Fong Kwok Jen

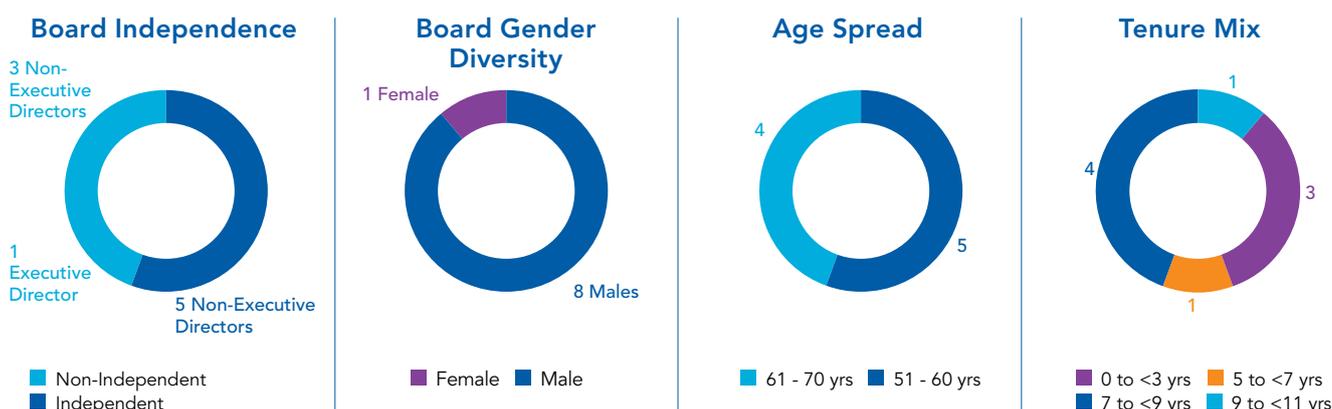
Mr Ng Chee Khern and Mr Fong Kwok Jen do not have any relationships and are not faced with any of the circumstances identified in the Code, SFR and Listing Manual, or any other relationships which may affect their independent judgement. The Board considered whether each of them has demonstrated independence in character and judgement in the discharge of his responsibilities as a Director and concluded that each of them had acted with independent judgement. The Board is therefore of the view that each of Mr Ng and Mr Fong has exercised independent judgement in the discharge of his duties and responsibilities. Based on the above, the Board arrived at the determination that each of Mr Ng and Mr Fong is an ID.

## Board Diversity

The Board embraces diversity and formally adopted a Board Diversity Policy in 2019. The Board Diversity Policy provides for the Board to comprise talented and dedicated Directors with a diverse mix of expertise, experience, perspectives, skills and backgrounds, with due consideration to diversity factors, including but not limited to, diversity in business or professional experience, age and gender.

The Board believes in diversity and values the benefits that diversity can bring to the Board in its deliberations. Diversity enhances the Board's decision-making capability and ensures that the Manager has the opportunity to benefit from all available talent and perspectives.

The Board, in carrying out its duties of determining the optimal composition of the Board in its Board renewal process, identifying possible candidates and making recommendations of board appointments to the Board, considers diversity factors such as age, educational, business and professional backgrounds of its members. Female representation is also considered an important aspect of diversity. The current Board comprises nine members who are corporate and business leaders, and are professionals with varied backgrounds, expertise and experience including in finance, banking, retail management, investment, real estate, legal, accounting and general management. The current Board has one female member, being the Chairman of the Board. For further information on the Board's work in this regard, please refer to "Board Membership" under Principle 4 in this Report.



## Principle 3: Chairman and Chief Executive Officer

The roles and responsibilities of the Chairman and the CEO are held by separate individuals, in keeping with the principles that there be a clear division of responsibilities between the leadership of the Board and Management and that no one individual has unfettered powers of decision-making. The non-executive independent Chairman is Ms Teo Swee Lian, whereas the CEO is Mr Tony Tan Tee Hieong. They do not share any family ties. The Chairman and the CEO enjoy a positive and constructive working relationship between them, and support each other in their respective leadership roles.

The Chairman provides leadership to the Board and facilitates the conditions for the overall effectiveness of the Board, Board Committees and individual Directors. This includes setting the agenda of Board meetings, ensuring that there is sufficient information and time at meetings to address all agenda items, and promoting open and constructive engagement among the Directors as well as between the Board and the CEO on strategic issues.

The Chairman devotes considerable time to understanding the business of CMT, as well as the issues and the competition that CMT faces. She plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO. She also maintains open lines of communication and engages with other members of Management regularly, and acts as a sounding board for CEO on strategic and significant operational matters.

The Chairman also presides over the Annual General Meeting (AGM) each year and other general meetings where she plays a crucial role in fostering constructive dialogue between the Unitholders, the Board and Management.

The CEO has full executive responsibilities to manage the CMT Group's business and to develop and implement policies approved by the Board.

The separation of the roles and responsibilities of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, facilitate robust deliberations on the CMT Group's business activities and the exchange of ideas and views to help shape the strategic process, and ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

As the roles of the Chairman and the CEO are held by separate individuals who are not related to each other, and the Chairman is an ID, no lead ID is appointed.

#### **Principle 4: Board Membership**

The Board undertakes the functions of a nominating committee and therefore, the Manager does not have a separate nominating committee. The Board performs the functions that such a committee would otherwise perform.

The Board is able to undertake the functions of a nominating committee because:

- (a) the Manager is a dedicated manager to CMT and in general, REITs (including CMT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched if the responsibilities of a nominating committee were also undertaken by the Board as the Board would be able to give adequate attention to such issues;
- (b) the focused scope of the business of CMT also means a manageable competency requirement for the Board such that the Board is able to manage the duties of a nominating committee; and
- (c) IDs form at least half of the Board and the Chairman is an ID, which demonstrates that the IDs play a substantive role, and assure the objectivity and independence of the decision-making process concerning nomination. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision-making process. Further, conflict situations are less likely to arise in matters of nomination.

The SGX-ST has also issued a Practice Note which provides that the requirement for the establishment of nominating and remuneration committees under the Listing Manual does not apply to REITs if the REIT complies with regulations made under the SFA relating to board composition of a REIT manager. As the Manager complies with Regulation 13D of the SFR relating to the composition of the Board of the Manager, the Manager is of the opinion that the corporate governance requirements relating to the nominating and remuneration committees have been substantively addressed.

# CORPORATE GOVERNANCE

The Board has a formal and transparent process for the appointment and re-appointment of Directors. All Board appointments are made based on merit and approved by the Board. The Board's scope of duties and responsibilities includes:

- (a) reviewing the size and composition of the Board, the succession plans for Directors, and the structure and membership of the Board Committees;
- (b) reviewing the process and criteria for the evaluation of the performance of the Board, Board Committees and Directors;
- (c) considering annually and, as and when circumstances require, if a Director is independent; and
- (d) reviewing whether a Director has been adequately carrying out his or her duties as a Director.

## Board Composition and Renewal

The Board strives to ensure that there is an optimal blend in the Board of backgrounds, experience and knowledge in business and general management, expertise relevant to the CMT Group's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of the CMT Group. The Board has a few members who have prior working experience in the sector that CMT operates in.

There is a structured process for determining Board composition and for selecting candidates for appointment as Directors. The Board evaluates the Board's competencies on a long term basis and identifies competencies which may be further strengthened in the long term. Board succession planning takes into account the need to maintain flexibility to effectively address succession planning and to ensure that the Manager continues to attract and retain highly qualified individuals to serve on the Board. The process ensures that the Board composition is such that the Board has capabilities and experience which are aligned with CMT's strategy and environment.

The Board supports the principle that Board renewal is a necessary and continual process, both for good governance and for ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of the CMT Group's business.

Board succession planning is carried out through the annual review of the Board's composition as well as when a Director gives notice of his or her intention to retire or resign. The Board seeks to refresh its membership progressively and in an orderly manner, whilst ensuring continuity and sustainability of corporate performance. The Board also has in place guidelines on the tenure of Directors. The guidelines provide that an ID should serve for no more than a maximum of two three-year terms and any extension of tenure beyond six years will be reviewed by the Board on a yearly basis up to a period of nine years (inclusive of the initial two three-year terms served).

The Board may retain external consultants from time to time to assist the Board in identifying suitable candidates for appointment to the Board. Candidates are identified based on the needs of CMT and the relevant skills required, taking into account, among other things, the requirements in the Listing Manual and the Code, as well as the factors in the Board Diversity Policy. The candidates will be assessed against a range of criteria including their demonstrated business sense and judgement, skills and expertise, and market and industry knowledge (and may include elements such as financial, sustainability or other specific competency, geographical representation and business background). The Board also considers the qualities of the candidates, in particular whether they are aligned to the strategic directions and values of CMT. In addition, the Board assesses the candidates' ability to commit time to the affairs of CMT, taking into consideration their other current appointments.

In FY 2019, no alternate director to any Director was appointed. In keeping with the principle that a Director must be able to commit time to the affairs of the Manager, the Board has adopted the principle that it will generally not approve the appointment of alternate directors.

## Board Changes During FY 2019

Ms Teo Swee Lian was appointed as Chairman of the Board with effect from 12 April 2019 following the retirement of Adj Prof Richard R. Magnus as Chairman and Director. On 10 October 2019, Mr Jonathan Yap Neng Tong joined the Board as a non-executive Director and Mr Lim Cho Pin Andrew Geoffrey stepped down from the Board.

### **Review of Directors' Ability to Commit Time**

In view of the responsibilities of a Director, Directors need to be able to devote sufficient time and attention to adequately perform their duties and responsibilities. The Board conducts a review of the other appointments and commitments of each Director on an annual basis and as and when there is a change of circumstances involving a Director which may affect his or her ability to commit time to the Manager. In this regard, Directors are required to report to the Board any changes in their other appointments.

In respect of the Directors' other appointments and commitments, no limit is set as to the number of listed company board appointments. The Board takes the view that the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as his or her individual capacity, whether he or she is in full-time employment, the nature of his or her other responsibilities and his or her near term plan regarding some of the other appointments. A Director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Manager. IDs are also required to consult the Chairman before accepting any invitation for appointment as a director of another entity or offer of a full time executive appointment.

Each of the Directors is required to make his or her own self-assessment and confirm that he or she is able to devote sufficient time and attention to the affairs of the Manager. For FY 2019, all non-executive Directors had undergone the self-assessment and provided the confirmation.

The Board assesses each Director's ability to commit time to the affairs of the Manager annually and, where appropriate, when there is a change of circumstances involving a Director. In conducting the assessment, the Board takes into consideration each Director's confirmation, his or her commitments, attendance record at meetings of the Board and Board Committees, as well as conduct and contributions (including preparedness and participation) at Board and Board Committee meetings.

The Directors' listed company directorships and principal commitments are disclosed on pages 25 to 29 of this Annual Report and their attendance record for FY 2019 is set out on page 61 of this Annual Report. In particular, the CEO does not serve on any listed company board outside of the CMT Group. For FY 2019, the Directors have contributed positively to discussions at Board and Board Committee meetings. Based on the above, the Board has determined that each Director has been adequately carrying out his or her duties as a Director and noted that no Director has a significant number of listed directorships and principal commitments.

### **Principle 5: Board Performance**

The Manager believes that oversight from a strong and effective Board goes a long way towards guiding a business enterprise to achieving success.

Whilst Board performance is ultimately reflected in the long-term performance of the CMT Group, the Board believes that engaging in a regular process of self-assessment and evaluation of Board performance provides an opportunity for the Board to reflect on its effectiveness including the quality of its decisions, and for Directors to consider their performance and contributions. It also enables the Board to identify key strengths and areas for improvement which are essential to effective stewardship and attaining success for CMT.

As part of the Manager's commitment towards improving corporate governance, the Board has approved and implemented a process to evaluate annually the effectiveness of the Board as a whole and that of each of its Board Committees and individual Directors. As part of the process, a questionnaire is sent to the Directors, and the evaluation results are aggregated and reported to the Chairman of the Board. The overall evaluation results are also shared with the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board and individual Directors in the discharge of its and their duties and responsibilities.

# CORPORATE GOVERNANCE

## Board and Board Committees

The evaluation categories covered in the questionnaire include Board composition, Board processes, strategy, performance and governance, access to information and Board Committee effectiveness. As part of the questionnaire, the Board also considers whether the creation of value for Unitholders has been taken into account in the decision-making process. For FY 2019, the outcome of the evaluation was satisfactory and the Directors on the whole provided affirmative ratings across all the evaluation categories.

## Individual Directors

The evaluation categories covered in the questionnaire include Director's duties, contributions, conduct and interpersonal skills, as well as strategic thinking and risk management. For FY 2019, the outcome of the evaluation was satisfactory and each of the Directors on the whole received affirmative ratings across all the evaluation categories.

The Board also recognises that contributions by an individual Director can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and Board Committee meetings.

## Board Evaluation as an Ongoing Process

The Board believes that performance evaluation should be an ongoing process and the Board achieves this by seeking feedback on a regular basis. The regular interactions between the Directors, and between the Directors and Management, also contribute to this ongoing process. Through this process of engaging its members, the Board also benefits from an understanding of shared norms between Directors which also contributes to a positive Board culture. The collective Board performance and the contributions of individual Directors are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering CMT in the appropriate direction, as well as the long-term performance of CMT whether under favourable or challenging market conditions.

## REMUNERATION MATTERS

### Principles 6, 7 and 8: Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure on Remuneration

The Board undertakes the functions of a remuneration committee and therefore, the Manager does not have a separate remuneration committee. The Board performs the functions that such a committee would otherwise perform.

The Board is able to undertake the functions of a remuneration committee because:

- (a) the Manager is a dedicated manager to CMT and in general, REITs (including CMT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched by reason of it undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration matters; and
- (b) the IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role and assure the objectivity and independence of the decision-making process concerning remuneration. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision-making process. Further, conflict situations are less likely to arise in matters of remuneration.

In undertaking this function, the Board considers all aspects of remuneration, including overseeing the design and implementation of the remuneration policy and the specific remuneration packages for each Director and for key management personnel. No Director, however, is involved in any decision of the Board relating to his or her own remuneration.

The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. These policies are in line with the CMT Group's business strategy and the executive compensation framework is based on the key principle of linking pay to performance, which is aligned with the long-term success of CMT. Pay-for-performance is emphasised by linking total remuneration to the achievement of corporate and individual goals and objectives. The Board has access to independent remuneration consultants for advice on remuneration matters as required.

In terms of the process adopted by the Manager for developing and reviewing policies on remuneration and determining the remuneration packages for Directors and key management personnel, the Manager, through an independent remuneration consultant, takes into account compensation benchmarks within the industry, as appropriate, so as to ensure that the remuneration packages payable to Directors and key management personnel are in line with the objectives of the remuneration policies. It also considers the compensation framework of CL as a point of reference. The Manager is a subsidiary of CL which also holds a significant stake in CMT. The association with the CL Group puts the Manager in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities.

In FY 2019, an independent remuneration consultant, Willis Towers Watson, provided professional advice on Board and executive remuneration. Willis Towers Watson is a leading global advisory, broking and solutions company with over 45,000 employees serving more than 140 countries. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors.

### **Remuneration Policy for Key Management Personnel**

The remuneration framework and policy is designed to support the implementation of the CMT Group's strategy and deliver sustainable Unitholder value. The principles governing the Manager's key management personnel remuneration policy are as follows:

#### **Business Alignment**

- Focus on generating rental income and enhancing asset value over time so as to maximise returns from investments and ultimately the distributions and total returns to Unitholders
- Provide sound and structured funding to ensure affordability and cost-effectiveness in line with performance goals
- Enhance retention of key talents to build strong organisational capabilities

#### **Motivate Right Behaviour**

- Pay for performance - align, differentiate and balance rewards according to multiple dimensions of performance
- Strengthen line-of-sight linking rewards and performance

#### **Fair & Appropriate**

- Ensure competitive remuneration relative to the appropriate external talent markets
- Manage internal equity such that remuneration is viewed as fair across the CMT Group
- Significant and appropriate portion of pay-at-risk, taking into account risk policies of the CMT Group, symmetrical with risk outcomes and sensitive to the risk time horizon

#### **Effective Implementation**

- Maintain rigorous corporate governance standards
- Exercise appropriate flexibility to meet strategic business needs and practical implementation considerations
- Facilitate employee understanding to maximise the value of the remuneration programme

### **Remuneration for Key Management Personnel**

Remuneration for key management personnel comprises fixed components, a variable cash component, unit-based components and employee benefits. A significant proportion of key management personnel's remuneration is in the

# CORPORATE GOVERNANCE

form of variable compensation, awarded in a combination of short-term and long-term incentives, in keeping with the principle that the interests of key management personnel align with those of Unitholders and that the remuneration framework links rewards to corporate and individual performance.

## A. Fixed Components:

The fixed components comprise the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund.

## B. Variable Cash Component:

The variable cash component comprises the Balanced Scorecard Bonus Plan (BSBP) that is linked to the achievement of annual performance targets for each key management personnel as agreed at the beginning of the financial year with the Board.

Under the Balanced Scorecard framework, the CMT Group's strategy and goals are translated to performance outcomes comprising both quantitative and qualitative targets in the dimensions of:

- Financial: This includes targets relating to profitability and distributions, capital structure, capital recycling and risk management;
- Execution: This includes targets relating to occupancy rates, operational efficiency and stakeholder engagement;
- Future Growth: This includes targets relating to portfolio reconstitution and assets enhancements; and
- Sustainability: This includes targets relating to talent management, competency development and sustainable corporate practices.

These are cascaded down throughout the organisation, thereby creating alignment across the CMT Group.

After the close of each financial year, the Board reviews the CMT Group's achievements against the targets set in the Balanced Scorecard and determines the overall performance taking into consideration qualitative factors such as the quality of earnings, business environment, regulatory landscape and industry trends.

In determining the payout quantum for each key management personnel under the BSBP, the Board considers the overall business performance and individual performance as well as the affordability of the payout for the Manager.

## C. Unit-based Components:

Unit awards were granted in FY 2019 pursuant to the CapitaLand Mall Trust Management Limited Performance Unit Plan (PUP) and the CapitaLand Mall Trust Management Limited Restricted Unit Plan (RUP) (together, the Unit Plans), approved by the Board. The Manager believes that the Unit-based components of the remuneration for key management personnel serve to align the interests of such key management personnel with that of Unitholders and CMT's long-term growth and value.

The obligation to deliver the Units is expected to be satisfied out of the Units held by the Manager.

To promote the alignment of Management's interests with that of Unitholders in the longer term, senior members of Management are subject to Unit ownership guidelines to instill stronger identification with the longer-term performance and growth of the CMT Group. Under these guidelines, senior members of Management are required to retain a prescribed proportion of the Units received under the Unit Plans.

### CapitaLand Mall Trust Management Limited Performance Unit Plan

In FY 2019, the Board granted awards which are conditional on targets set for a three-year performance period. A specified number of Units will only be released to the recipients at the end of the qualifying performance period, provided that minimally the threshold target is achieved. An initial number of Units (PUP baseline award) is allocated conditional on the achievement of a pre-determined target in respect of the Relative Total

Unitholder Return (TUR) of the CMT Group measured by the percentile ranking of the CMT Group's TUR relative to the constituent REITs in the FTSE ST REIT Index.

The above performance measure has been selected as a key measurement of wealth creation for Unitholders. The final number of Units to be released will depend on the CMT Group's performance against the pre-determined targets over the three-year qualifying performance period. This serves to align Management's interests with that of Unitholders in the longer term and to deter short-term risk taking. No Units will be released if the threshold target is not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more Units than the PUP baseline award can be delivered up to a maximum of 200% of the PUP baseline award. The recipient will receive fully paid Units at no cost.

For FY 2019, the relevant award for assessment of the performance achieved by the CMT Group is the award granted in FY 2017 where the qualifying performance period was FY 2017 to FY 2019. Based on the Board's assessment that the performance achieved by the CMT Group has partially met the pre-determined performance targets for such performance period, the resulting number of Units released has been adjusted accordingly to reflect the performance level.

In respect of the Unit awards granted under the PUP in FY 2018 and FY 2019, the respective qualifying performance periods have not ended as at the date of this Report.

#### **CapitaLand Mall Trust Management Limited Restricted Unit Plan**

In FY 2019, the Board granted awards which are conditional on targets set for a one-year performance period. A specified number of Units will only be released to recipients at the end of the qualifying performance period, provided that minimally the threshold targets are achieved.

Under the RUP, an initial number of Units (RUP baseline award) is allocated conditional on the achievement of pre-determined targets in respect of the following performance conditions:

- (a) Net property income of the CMT Group; and
- (b) Distribution per Unit of the CMT Group.

The above performance measures have been selected as they are the key drivers of business performance and are aligned to Unitholder value. The final number of Units to be released will depend on the CMT Group's performance against the pre-determined targets at the end of the one-year qualifying performance period. The Units will be released progressively over a vesting period of three years. No Units will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more Units than the RUP baseline award can be delivered up to a maximum of 150% of the RUP baseline award. Recipients will receive fully paid Units at no cost. This ensures alignment between remuneration and sustaining business performance in the longer term.

In respect of the Unit awards granted under the RUP in FY 2019, based on the Board's assessment that the performance achieved by the CMT Group has met the pre-determined performance targets for FY 2019, the resulting number of Units released has been adjusted accordingly to reflect the performance level.

#### **D. Employee Benefits:**

The benefits provided are comparable with local market practices.

At present, there are four key management personnel (including the CEO). Each year, the Board evaluates the extent to which each of the key management personnel has delivered on the corporate and individual goals and objectives, and based on the outcome of the evaluation, approves the compensation for the key management personnel. In such evaluation, the Board considers whether the level of remuneration is appropriate to attract, retain and motivate key management personnel to successfully manage CMT for the long term. The CEO does not attend discussions relating to his performance and remuneration.

## CORPORATE GOVERNANCE

The CEO's remuneration amount in a band of S\$250,000 and the aggregate of the total remuneration of the other key management personnel (excluding the CEO), together with a breakdown of their respective remuneration components in percentage terms, are set out in the Key Management Personnel's Remuneration Table on page 62 of this Annual Report.

While the disclosure of the CEO's exact remuneration amount and the requisite remuneration band for each of the other key management personnel (who are not also Directors or the CEO) would be in full compliance with Provision 8.1 of the Code, the Board has considered carefully and decided that such disclosure would not be in the interests of the Manager due to the intense competition for talents in the industry, as well as the need to balance the confidential and commercial sensitivities associated with remuneration matters. The Manager is of the view that despite this partial deviation from Provision 8.1 of the Code, the disclosures on page 62 of this Annual Report would provide sufficient information to the Unitholders on the Manager's remuneration policies and the level and mix of remuneration accorded to the key management personnel, and enable the Unitholders to understand the link between CMT's performance and the remuneration of the key management personnel. In addition, the remuneration of the key management personnel is not borne by CMT as it is paid out of the fees that the Manager receives (the quantum and basis of which have been disclosed).

Apart from the key management personnel and other employees of the Manager, the Manager outsources various other services to a wholly owned subsidiary of CL (CL Subsidiary). The CL Subsidiary provides the services through its employees and employees of CL Group (together, the Outsourced Personnel). This arrangement is put in place so as to provide flexibility and maximise efficiency in resource management to match the needs of CMT from time to time, as well as to leverage on economies of scale and tap on the management talent of an established corporate group which can offer enhanced depth and breadth of experience. However, notwithstanding the outsourcing arrangement, the responsibility for due diligence, oversight and accountability continues to reside with the Board and Management. In this regard, the remuneration of such Outsourced Personnel, being employees of the CL Subsidiary and CL Group, is not included as part of the disclosure of remuneration of key management personnel of the Manager in this Report.

The Board seeks to ensure that the remuneration of the CEO and other key management personnel is strongly linked to the achievement of business and individual performance targets. The performance targets approved by the Board are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short-term and longer-term quantifiable objectives.

In FY 2019, no termination, retirement or post-employment benefits were granted to Directors, the CEO and other key management personnel. There was also no special retirement plan, 'golden parachute' or special severance package for any of the key management personnel.

In FY 2019, there were no employees of the Manager who were substantial shareholders of the Manager, substantial unitholders of CMT or immediate family members of a Director, the CEO, any substantial shareholder of the Manager or any substantial unitholder of CMT. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

### **Quantitative Remuneration Disclosure under AIFMD**

The Manager is also required under the AIFMD to make quantitative disclosures of remuneration. Disclosures are provided in relation to (a) the staff of the Manager; (b) staff who are senior management; and (c) staff who have the ability to materially affect the risk profile of CMT.

All individuals included in the aggregated figures disclosed are rewarded in line with the Manager's remuneration policies described in this Report.

The aggregate amount of remuneration awarded by the Manager to its staff (including CEO and non-executive Directors) in respect of FY 2019 was approximately S\$3.23 million. This figure comprised of fixed pay of S\$1.60 million, variable pay of S\$1.44 million (including Units issued under the Unit Plans, where applicable) and allowances and benefits-in-kind of S\$0.18 million. There was a total of 14 beneficiaries of the remuneration described above. In

respect of FY 2019, the aggregate amount of remuneration awarded by the Manager to its senior management (which are also members of staff whose actions have a material impact on the risk profile of CMT) was approximately S\$2.10 million, comprising five individuals identified having considered, among others, their roles and decision-making powers.

### Remuneration for Non-Executive Directors

The non-executive Directors' fees for FY 2019, together with a breakdown of the components, are set out in the Non-Executive Directors' Remuneration Table on page 63 of this Annual Report. The CEO who is an executive Director is remunerated as part of the key management personnel of the Manager and does not receive any Director's fees. The non-executive Directors who are employees of the CL Group also do not receive any Directors' fees.

The compensation policy for non-executive Directors is based on a scale of fees divided into basic retainer fees for serving as Director and additional fees for attendance and serving on Board Committees. The framework for the non-executive Directors' fees has remained unchanged from that of the previous financial year.

The compensation package is benchmarked against market, taking into account the effort, time spent and demanding responsibilities on the part of the non-executive Directors in light of the scale, complexity and geographic scope of the CMT Group's business. The remuneration of non-executive Directors is reviewed from time to time to ensure that it is appropriate to attract, retain and motivate the non-executive Directors to provide good stewardship of the Manager.

The non-executive Directors' fees are paid in cash (about 80%) and in the form of Units (about 20%), save that (i) a non-executive Director (not being an employee of the CL Group) who steps down from the Board during a financial year will be paid fees fully in cash; and (ii) Mr Ng Chee Khern's fees are paid fully in cash to a government agency, The Directorship & Consultancy Appointments Council. The Manager believes that the payment of a portion of the non-executive Directors' fees in Units will serve to align the interests of non-executive Directors with the interests of Unitholders and CMT's long-term growth and value. In order to encourage the alignment of the interests of the non-executive Directors with the interests of Unitholders, a non-executive Director is required to hold the number of Units worth at least one year of his or her basic retainer fee or the total number of Units awarded to him or her, whichever is lower, at all times during his or her Board tenure.

## ACCOUNTABILITY AND AUDIT

### Principle 9: Risk Management and Internal Controls

The Manager maintains adequate and effective systems of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard Unitholders' interests and the CMT Group's assets.

The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls systems. The AC assists the Board in carrying out the Board's responsibility of overseeing the risk management framework and policies for CMT Group.

Under its terms of reference, the scope of the AC's duties and responsibilities includes:

- (a) making recommendations to the Board on the Risk Appetite Statement (RAS) for CMT Group;
- (b) assessing the adequacy and effectiveness of the risk management and internal controls systems established by the Manager to manage risks;
- (c) overseeing the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with CMT Group's risk appetite and reports to the Board on its decisions on any material matters concerning the aforementioned;
- (d) making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal controls systems can be made by the Board in the Annual Report in accordance with the Listing Manual and the Code; and

## CORPORATE GOVERNANCE

- (e) considering and advising on risk matters referred to it by the Board or Management, including reviewing and reporting to the Board on any material breaches of the RAS, any material non-compliance with the approved framework and policies and the adequacy of any proposed action.

The Manager adopts an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risks in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually.

As part of the ERM Framework, the Manager undertakes and performs a Risk and Control Self-Assessment (RCSA) annually to identify material risks along with their mitigating measures. The adequacy and effectiveness of the systems of risk management and internal controls are reviewed at least annually by Management, the AC and the Board, taking into account the best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council and the Listing Manual.

The CMT Group's RAS, incorporating the risk limits, addresses the management of material risks faced by the CMT Group. Alignment of the CMT Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms (including key risks indicators set for Management) put in place across the various functions within the Manager.

More information on the Manager's ERM Framework including the material risks identified can be found in the ERM section on pages 64 to 69 of this Annual Report.

The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls (including financial, operational, compliance and IT controls) and risk management systems. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The AC also reviews the adequacy and effectiveness of the measures taken by the Manager on the recommendations made by the internal and external auditors in this respect.

The Board has received assurance from the CEO and the Chief Financial Officer (CFO) of the Manager that the financial records of the CMT Group have been properly maintained and the financial statements for FY 2019 give a true and fair view of the CMT Group's operations and finances. It has also received assurance from the CEO and the relevant key management personnel who have responsibility regarding various aspects of risk management and internal controls that the systems of risk management and internal controls in place for CMT Group are adequate and effective to address the risks (including financial, operational, compliance and IT risks) that the Manager considers relevant and material to the current business environment.

The CEO, the CFO and the relevant key management personnel of the Manager have obtained similar assurances from the respective risk and control owners. In addition, in FY 2019, the Board received quarterly certification by Management on the integrity of financial reporting and the Board provided a negative assurance confirmation to Unitholders as required by the Listing Manual.

Based on the ERM Framework and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and the CFO, the Board is of the opinion that the systems of risk management and internal controls (including financial, operational, compliance and IT controls) are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the CMT Group considers relevant and material to its current business environment as at 31 December 2019. The AC concurs with the Board in its opinion. No material weaknesses in the systems of risk management and internal controls were identified by the Board or the AC in the review for FY 2019.

The Board notes that the systems of risk management and internal controls established by the Manager provide reasonable assurance that the CMT Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system

of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

### **Principle 10: Audit Committee**

At present, the AC comprises four non-executive Directors, three of whom (including the chairman of the AC) are IDs. The AC Chairman is a Director other than the Chairman of the Board. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting, auditing and related financial management domains.

The AC does not comprise former partners of CMT's incumbent external auditors, KPMG LLP (a) within a period of two years commencing from the date of their ceasing to be partners of KPMG LLP; or (b) who have any financial interest in KPMG LLP.

The AC has explicit authority to investigate any matter within its terms of reference. Management provides the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or key management personnel to attend its meetings. Similarly, both the internal and external auditors have unrestricted access to the AC.

Under its terms of reference, the AC's scope of duties and responsibilities includes:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of CMT Group and any announcements relating to the CMT Group's financial performance;
- (b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Manager's internal controls (including financial, operational, compliance and IT controls) and risk management systems;
- (c) reviewing the scope and results of the external audit and the independence and objectivity of the external auditors;
- (d) reviewing the adequacy and effectiveness of the Manager's internal audit and compliance functions;
- (e) making recommendations to the Board on the proposals to Unitholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration of the external auditors;
- (f) reviewing and approving processes to regulate transactions between an interested person (as defined in Chapter 9 of the Listing Manual) and/or interested party (as defined in the Property Funds Appendix) (each, an Interested Person) and CMT and/or its subsidiaries (Interested Person Transactions), to ensure compliance with the applicable regulations. The regulations include the requirements that Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of CMT and its minority Unitholders. In respect of any property management agreement which is an Interested Person Transaction, the AC also carries out reviews at appropriate intervals to satisfy itself that the Manager has reviewed the property manager's compliance with the terms of the property management agreement and has taken remedial actions where necessary; and
- (g) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be raised, and independently investigated, for appropriate follow up action to be taken.

The AC undertook a review of the independence of the external auditors, taking into consideration, among other factors, CMT's relationships with the external auditors in FY 2019, as well as the processes and safeguards adopted by the Manager and the external auditors relating to audit independence. Based on the review, the AC is satisfied that the external auditors are independent. The external auditors have also provided confirmation of their independence to the AC. The amount of audit and audit related fees paid or payable to the external auditors for FY 2019 amounted to S\$378,400. The external auditors did not provide any non-audit services in FY 2019.

The AC holds at least four scheduled meetings in a year and met four times in FY 2019. At all scheduled AC meetings in FY 2019, the CEO and the CFO were in attendance. During each of these meetings, among other things, the AC

## CORPORATE GOVERNANCE

reviewed the financial statements including the relevance and consistency of the accounting principles adopted and any significant financial reporting issues. It recommended the financial statements and corresponding announcements to the Board for approval. In FY 2019, the AC also reviewed and assessed the adequacy and effectiveness of the internal controls and risk management systems established by the Manager to manage risks, taking into consideration the outcome of reviews conducted by Management and both the internal and external auditors, as well as the assurances from the CEO and the CFO.

The AC also meets with the external auditors and with the internal auditors, without the presence of Management, at least once a year. In FY 2019, the AC met with the external auditors and internal auditors twice, separately and without Management's presence, to discuss the reasonableness of the financial reporting process, the internal controls and risk management systems, and the significant comments and recommendations by the auditors.

Where relevant, the AC makes reference to the best practices and guidance for audit committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

### **Key Audit Matter**

In the review of the financial statements of CMT Group for FY 2019, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed the valuation of investment properties, being the key audit matter as reported by the external auditors for FY 2019.

The AC considered the valuation methodologies and key assumptions applied by the valuers for investment properties in arriving at the valuations and also evaluated the valuers' objectivity and competency.

In order to provide fresh perspectives to the valuation process, the valuers do not value the same property for more than two consecutive years. This practice has been consistently adhered to over time.

The AC reviewed the outputs from the valuation process of the investment properties and held discussions with Management and the external auditors to review the valuation methodologies, focusing on significant changes in fair value measurement and key drivers of the changes including assessing the reasonableness of the capitalisation rates, discount rates, terminal yield rates and transacted prices adopted by the valuers.

The valuation of investment properties was also an area of focus for the external auditors. The AC considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the key assumptions applied in the valuation of investment properties.

The AC was satisfied with the valuation process, the methodologies used and the valuation of the investment properties.

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements are reported to and discussed with the AC at its meetings. Directors are also invited to attend relevant seminars organised by leading accounting firms which provide updates on changes to accounting standards and key issues relating to accounting standards.

The Manager confirms, on behalf of CMT, that CMT complies with Rules 712 and 715 of the Listing Manual.

### **Internal Audit**

The Manager has in place an internal audit function supported by CL's Internal Audit Department (CL IA). CL IA is independent of the activities it audits. The primary reporting line of CL IA in respect of CMT Group is to the AC. CL IA has unfettered access to the CMT Group's documents, records, properties and employees, including access to the AC, and has appropriate standing with respect to the Manager.

The AC has carried out a review of the internal audit function and is satisfied that the internal audit function performed by CL IA is adequately resourced, effective and independent.

CL IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each year. During FY 2019, the AC reviewed the results of audits performed by CL IA based on the approved audit plan. The AC also reviewed reports on whistle blower complaints reviewed by CL IA to ensure independent and thorough investigation and adequate follow up. The AC also received reports on Interested Person Transactions reviewed by CL IA that they were on normal commercial terms and are not prejudicial to the interests of CMT and its minority Unitholders.

CL IA is adequately resourced and staffed with persons with the relevant qualifications and experience. CL IA is a corporate member of The Institute of Internal Auditors Inc. (IIA), Singapore, which is an affiliate of the IIA with its headquarters in the United States of America (USA). CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by IIA, and has incorporated these Standards into its audit practices.

To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience. For instance, CL IA staff who are involved in IT audits have the relevant professional IT certifications and are also members of the ISACA Singapore Chapter, a professional body administering information systems audit and information security certifications that is headquartered in the USA. The ISACA Information Systems Auditing Standards provide guidance on the standards and procedures to be applied in IT audits. CL IA identifies and provides training and development opportunities for its staff to ensure their technical knowledge and skill sets remain current and relevant.

## **UNITHOLDER RIGHTS AND ENGAGEMENT**

### **Principles 11, 12 and 13: Shareholder Rights and Conduct of General Meetings, Engagement with Shareholders, Managing Stakeholder Relationships**

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions.

#### **General Meetings**

Unitholders are entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through the appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate Unitholder, through its appointed representative). Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two proxy limitation, and are able to appoint more than two proxies to attend, speak and vote at general meetings of CMT.

CMT supports the principle of encouraging Unitholder participation and voting at general meetings. CMT's Annual Report is provided to Unitholders within 120 days from the end of CMT's financial year. Unitholders may download the Annual Report from the Website and printed copies of the Annual Report are available upon request. More than the legally required notice period for general meetings is generally provided. Unitholders will receive the notices of general meetings and may download these notices from the Website. Notices of the general meetings are also advertised in the press and issued on SGXNet. The rationale and explanation for each agenda item which requires Unitholders' approval at a general meeting are provided in the notice of the general meeting or in the accompanying circular (if any) issued to Unitholders in respect of the matter(s) for approval at the general meeting. This enables Unitholders to exercise their votes on an informed basis.

At AGMs, Management makes a presentation to Unitholders to update them on CMT's performance, position and prospects. The presentation materials are made available to Unitholders on the Website and also on SGXNet.

## CORPORATE GOVERNANCE

Unitholders are informed of the rules governing general meetings and are given the opportunity to communicate their views, ask questions and discuss with the Board and Management on matters affecting CMT. Representatives of the Trustee, Directors (including the chairman of the respective Board Committees), key management personnel and the external auditors of CMT, are present for the entire duration of the AGMs to address any queries that the Unitholders may have, including queries about the conduct of CMT's external audit and the preparation and contents of the external auditors' report. Directors and Management also interact with Unitholders after the AGMs.

All Directors attended the general meetings held during their tenure in FY 2019. A record of the Directors' attendance at the general meetings in FY 2019 can be found in their meeting attendance records as set out on page 61 of this Annual Report.

To safeguard the Unitholders' interests and rights, a separate resolution is proposed for each substantially separate matter to be approved at a general meeting.

To ensure transparency in the voting process and better reflect Unitholders' interests, CMT conducts electronic poll voting for all the resolutions proposed at general meetings. One Unit is entitled to one vote. Voting procedures and the rules governing general meetings are explained and vote tabulations are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to Unitholders immediately after each resolution is voted on at the general meetings. The total number of votes cast for or against each resolution and the respective percentages are also announced on SGXNet after the general meetings.

Provision 11.4 of the Code requires an issuer's Constitution to allow for absentia voting at general meetings of shareholders. CMT's Trust Deed currently does not permit Unitholders to vote at general meetings in absentia (such as via mail or email). The Manager will consider implementing the relevant amendments to CMT's Trust Deed to permit absentia voting after it has carried out careful study and is satisfied that the integrity of information and the authentication of the identity of Unitholders through the internet will not be compromised, and after the implementation of legislative changes to recognise remote voting. The Manager is of the view that despite the deviation from Provision 11.4 of the Code, Unitholders nevertheless have opportunities to communicate their views on matters affecting CMT even when they are not in attendance at general meetings. For example, Unitholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings.

Minutes of the general meetings, recording the substantial and relevant comments made, questions raised and answers provided, are prepared and are available to Unitholders for their inspection upon request. Minutes of AGMs are also made available on the Website.

### **Distribution Policy**

CMT's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties by CMT which are determined to be trading gains), with the actual level of distribution to be determined at the Manager's discretion. Distributions are generally paid within 35 market days after the relevant record date.

### **Timely Disclosure of Information**

The Manager is committed to keeping all Unitholders, other stakeholders, analysts and the media informed of CMT's performance and any changes in the CMT Group or its business which would likely to materially affect the price or value of the Units.

The Manager provides Unitholders with periodic and annual financial statements within the relevant periods prescribed by the Listing Manual. These periodic and annual financial statements were reviewed and approved by the Board prior to release to Unitholders by announcement on SGXNet. The releases of periodic and annual financial statements were accompanied by news releases issued to the media and which were also made available on SGXNet. In presenting the periodic and annual financial statements to Unitholders, the Board sought to provide Unitholders with a balanced, clear and comprehensible assessment of CMT and the CMT Group's performance, position and prospects.

In addition to the release of financial statements, the Manager also keeps CMT's Unitholders, stakeholders and analysts informed of the performance and changes in the CMT Group or its business which would likely materially affect the price or value of the Units on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions. This is performed through the release on SGXNet of announcements in compliance with regulatory reporting requirements and news releases for the media, on a timely and consistent basis. These announcements and news releases are also posted on the Website.

The Manager has a formal policy on corporate disclosure controls and procedures to ensure that CMT complies with its disclosure obligations under the Listing Manual. These controls and procedures incorporate the decision-making process and an obligation on internal reporting of the decisions made.

The Manager believes in conducting the business of CMT in ways that seek to deliver sustainable value to Unitholders. Best practices are promoted as a means to build an excellent business for CMT and the Manager's accountability to Unitholders for CMT's performance. Prompt fulfilment of statutory reporting requirements is but one way to maintain Unitholders' confidence and trust in the capability and integrity of the Manager.

### **Investor Relations**

The Manager has in place an Investor Relations department which facilitates effective communication with Unitholders and analysts. The Manager also maintains the Website which contains information on CMT including but not limited to current and past announcements and news releases, financial statements, investor presentations and Annual Reports.

The Manager actively engages with Unitholders with a view to solicit and understand their views, and has put in place a Unitholders' Communication and Investor Relations Policy to promote regular, effective and fair communications with Unitholders. The Unitholders' Communication and Investor Relations Policy, which sets out the mechanism through which Unitholders may contact the Manager with questions and through which the Manager may respond to such questions, is available on the Website. Unitholders are welcomed to engage with the Manager beyond general meetings and they may do so by contacting the Investor Relations department whose details may be found on the Website via the Manager Contacts channel on the Website.

More information on the Manager's investor and media relations efforts can be found in the Investor & Media Relations section on pages 70 to 71 of this Annual Report.

The Manager also has in place a corporate communications function supported by CL's Group Communications department which works closely with the media and oversees CMT's media communications efforts.

### **Managing Stakeholder Relationships**

The Board's role includes considering sustainability as part of its strategic formulation. The Manager adopts an inclusive approach for CMT by considering and balancing the needs and interests of material stakeholders, as part of the overall strategy to ensure that the best interests of CMT are served. The Manager is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in CMT's business strategies and operations. The Manager has arrangements in place to identify and engage with material stakeholder groups from time to time to gather feedback on the sustainability issues most important to them. Such arrangements include maintaining the Website, which is kept updated with current information, to facilitate communication and engagement with CMT's stakeholders. More details of CMT's sustainability strategy and stakeholder engagement can be found on pages 74 to 93 of this Annual Report.

# CORPORATE GOVERNANCE

## ADDITIONAL INFORMATION

### Executive Committee

In addition to the AC, the Board has also established an EC.

The EC oversees the day-to-day activities of the Manager and that of CMT, on behalf of the Board. The EC is guided by its terms of reference, in particular, the EC:

- (a) approves specific budgets for capital expenditure on development projects, acquisitions and enhancements/upgrading of properties within its approved financial limits;
- (b) reviews management reports and operating budgets; and
- (c) awards contracts for development projects.

The members of the EC also meet informally during the course of the year.

### Dealings with Interested Persons

#### Review Procedures for Interested Person Transactions

The Manager has established internal control procedures to ensure that all Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties, and are not prejudicial to the interests of CMT and Unitholders. In respect of such transactions, the Manager would have to demonstrate to the AC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CMT and Unitholders which may include obtaining (where practicable) third party quotations or obtaining valuations from independent valuers (in accordance with applicable provisions of the Listing Manual and the Property Funds Appendix). The internal control procedures also ensure compliance with Chapter 9 of the Listing Manual and the Property Funds Appendix.

In particular, the procedures in place include the following:

Interested Person Transactions <sup>1</sup>	Approving Authority, Procedures and Disclosure
Below S\$100,000 per transaction	<ul style="list-style-type: none"> <li>• Trustee</li> </ul>
S\$100,000 and above per transaction (which singly, or when aggregated with other transactions <sup>2</sup> with the same Interested Person in the same financial year is less than 3.0% of CMT's latest audited net tangible assets/net asset value)	<ul style="list-style-type: none"> <li>• Trustee</li> <li>• Audit Committee</li> </ul>
Transaction <sup>2</sup> which: <ul style="list-style-type: none"> <li>(a) is equal to or exceeds 3.0% of CMT's latest audited net tangible assets/net asset value; or</li> <li>(b) when aggregated with other transactions<sup>2</sup> with the same Interested Person in the same financial year is equal to or exceeds 3.0% of CMT's latest audited net tangible assets/net asset value</li> </ul>	<ul style="list-style-type: none"> <li>• Trustee</li> <li>• Audit Committee</li> <li>• Immediate announcement</li> </ul>
Transaction <sup>2</sup> which: <ul style="list-style-type: none"> <li>(a) is equal to or exceeds 5.0% of CMT's latest audited net tangible assets/net asset value; or</li> <li>(b) when aggregated with other transactions<sup>2,3</sup> with the same Interested Person in the same financial year is equal to or exceeds 5.0% of CMT's latest audited net tangible assets/net asset value</li> </ul>	<ul style="list-style-type: none"> <li>• Trustee</li> <li>• Audit Committee</li> <li>• Immediate announcement</li> <li>• Unitholders<sup>3</sup></li> </ul>

1 This table does not include the procedures applicable to Interested Person Transactions falling under the exceptions set out in Rules 915 and 916 of the Listing Manual.

2 Any transaction of less than S\$100,000 in value is disregarded.

3 In relation to approval by Unitholders for transactions that are equal to or exceed 5.0% of CMT's latest audited net tangible assets/net asset value (whether singly or aggregated), any transaction which has been approved by Unitholders, or is the subject of aggregation with another transaction that has been approved by Unitholders, need not be included in any subsequent aggregation.

### Role of the Audit Committee for Interested Person Transactions

The Manager's internal control procedures are intended to ensure that Interested Person Transactions are conducted at arm's length, on normal commercial terms and are not prejudicial to CMT and Unitholders' interests.

The Manager maintains a register to record all Interested Person Transactions which are entered into by CMT (and the basis on which they are entered into, including the quotations obtained to support such basis). All Interested Person Transactions are subject to regular periodic reviews by the AC, which in turn obtains advice from CL IA, to ascertain that the guidelines and procedures established to monitor Interested Person Transactions, including the relevant provisions of the Listing Manual and the Property Funds Appendix, as well as any other guidelines which may from time to time be prescribed by the SGX-ST, MAS or other relevant authorities, have been complied with. The review includes an examination of the nature of the transaction and its supporting documents or such other information deemed necessary by the AC. If a member of the AC has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction. In addition, the Trustee also reviews such audit reports to ascertain that the Listing Manual and the Property Funds Appendix have been complied with.

Details of all Interested Person Transactions (equal to or exceeding S\$100,000 each in value) entered into by CMT in FY 2019 are disclosed on pages 250 to 251 of this Annual Report.

### Dealing with Conflicts of Interest

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, key management personnel and employees) may encounter in managing CMT:

- (a) the Manager is a dedicated manager to CMT and will not manage any other REIT or be involved in any other real property business;
- (b) all resolutions at meetings of the Board in relation to matters concerning CMT must be decided by a majority vote of the Directors, including at least one ID;
- (c) in respect of matters in which CL and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by CL and/or its subsidiaries to the Board will abstain from voting. In such matters, the quorum must comprise a majority of IDs and shall exclude such nominee Directors of CL and/or its subsidiaries;
- (d) in respect of matters in which a Director or his or her associates have an interest, whether direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and shall exclude such interested Director(s);
- (e) if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of CMT with an affiliate of the Manager, the Manager is obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of CMT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager is obliged to pursue the appropriate remedies under such agreement; and
- (f) at least one-third of the Board shall comprise IDs.

In respect of voting rights where the Manager would face a conflict between its own interests and that of Unitholders, the Manager shall cause such voting rights to be exercised according to the discretion of the Trustee.

### Dealings in Securities

The Manager has adopted a securities dealing policy for the officers and employees which applies the best practice recommendations in the Listing Manual. Under this policy, Directors and employees of the Manager as well as certain relevant executives of the CL Group (together, the Relevant Persons) are required to refrain from dealing in CMT's securities (i) while in possession of material unpublished price-sensitive information, and (ii) during a prescribed period in accordance with the Listing Manual (Black-out Period) immediately preceding, and up to the time of each announcement of CMT's financial statements during a financial year. Prior to the commencement of each Black-out Period, an email would be sent to all the Relevant Persons to inform them of the duration of the Black-out Period. The Manager also does not deal in CMT's securities during the same Black-out Period. In addition, employees and Capital

# CORPORATE GOVERNANCE

Markets Services Licence Appointed Representatives (CMSL Representatives) of the Manager are required to give a pre-trading notification to the CEO and the Compliance department before any dealing in CMT's securities.

This policy also provides for the Manager to maintain a list of persons who are privy to price-sensitive information relating to the CMT Group as and when circumstances require such a list to be maintained.

Directors and employees of the Manager are also required to refrain from dealing in CMT's securities if they are in possession of unpublished price-sensitive information of CMT arising from their appointment as Directors and/or in the course of performing their duties. As and when appropriate, they would be issued an advisory to refrain from dealing in CMT's securities.

Under this policy, Directors and employees of the Manager are also discouraged from trading on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

A Director is required to notify the Manager of his or her interest in CMT's securities within two business days after (a) the date on which he or she becomes a Director or (b) the date on which he or she acquires an interest in CMT's securities. A Director is also required to notify the Manager of any change in his or her interests in CMT's securities within two business days after he or she becomes aware of such change.

Dealings by the Directors are disclosed in accordance with the requirements in the SFA and the Listing Manual. In FY 2019, based on the information available to the Manager, save as disclosed in accordance with such requirements and other than the awards of Units in part payment of Directors' fees, there were no dealings by the Directors in CMT's securities.

## **Code of Business Conduct**

The Manager adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place.

The policies and guidelines are published on CL Group's intranet, which is accessible by all employees of the Manager.

The policies that the Manager has implemented aim to help to detect and prevent occupational fraud in mainly three ways, as set out below.

First, the Manager offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees. The Manager also provides various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures its employees may face.

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Manager seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

## **Fraud, Bribery and Corruption Risk Management Policy**

In line with its core values, the Manager is committed to doing business with integrity. This is reflected in its longstanding zero tolerance stance against fraud, bribery and corruption. Consistent with this commitment, various policies and guidelines are in place to guide all employees of the Manager to maintain the highest standards of integrity in their work and business dealings. This includes clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, and an annual pledge by all employees of the Manager to uphold the Manager's core values and to not engage in any corrupt or unethical practices. The Manager's zero tolerance policy on bribery and

corruption extends to its business dealings with third parties. Pursuant to this policy, the Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

The Manager's employees adhere to CL's Fraud, Bribery and Corruption Risk Management Policy (FBC Risk Management Policy). The FBC Risk Management Policy reiterates the strong stance against fraud, bribery and corruption, and sets the overarching approach and standards in managing fraud, bribery and corruption risks in an integrated, systematic and consistent manner. The Manager's stance against bribery and corruption is also reiterated by Management during its regular staff communication sessions.

### **Whistle-Blowing Policy**

A whistle-blowing policy and other procedures are put in place to provide the Manager's employees and parties who have dealings with the Manager with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action. The objective of this policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the extent possible, be protected from reprisal. The AC reviews all whistle-blowing complaints at its scheduled meetings. Independent, thorough investigation and appropriate follow up actions are taken. The outcome of each investigation is reported to the AC. All employees of the Manager are informed of this policy which is made available on CL Group's intranet.

### **Business Continuity Management**

The Manager has implemented a Business Continuity Management (BCM) programme that puts in place the prevention, detection, response and, business recovery and resumption measures to minimise the impact of adverse business interruptions or unforeseen events on the CMT Group's operations and also has in place a Business Continuity Plan (BCP). Under the BCP, Management has identified the critical business functions, processes and resources, and is able to tap on a pool of CL Group's employees who are trained under a Business Psychological Resilience Programme to provide peer support to colleagues following the occurrence of adverse events. As part of the BCP, periodic desktop exercises and drills, simulating different scenarios, are carried out to stress-test the effectiveness of processes, procedures and escalation protocols. This holistic approach under the BCP serves to ensure organisational and staff preparedness and readiness to deal with adverse business disruptions such as acts of terrorism, cyber attacks, data breaches and epidemics. This approach aims to minimise financial loss to CMT, allow the Manager to continue to function as the manager of CMT and mitigate any negative effects that the disruptions could have on the Manager's reputation, operations and ability to remain in compliance with relevant laws and regulations. The Manager has also acquired insurance policies for the CMT Group on business interruption events.

### **Anti-Money Laundering and Countering the Financing of Terrorism Measures**

As a holder of a Capital Markets Services Licence issued by MAS, the Manager abides by the MAS' guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the Manager are:

- (a) evaluation of risk;
- (b) customer due diligence;
- (c) suspicious transaction reporting;
- (d) record keeping;
- (e) employee and CMSL Representative screening; and
- (f) training.

The Manager has in place a policy on the prevention of money laundering and terrorism financing and remains alert at all times to suspicious transactions. Enhanced due diligence checks are performed on counterparties where there is a suspicion of money laundering or terrorism financing. Suspicious transactions will also be reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

## CORPORATE GOVERNANCE

Under this policy, all relevant records or documents relating to business relations with the CMT Group's customers or transactions entered into must be retained for a period of at least five years following the termination of such business relations or the completion of such transactions.

All prospective employees, officers and CMSL Representatives of the Manager are also screened against various money laundering and terrorism financing information sources and lists of designated entities and individuals provided by MAS. Periodic training is provided by the Manager to its Directors, employees and CMSL Representatives to ensure that they are updated and aware of applicable anti-money laundering and countering of terrorism financing regulations, the prevailing techniques and trends in money laundering and terrorism financing and the measures adopted by the Manager to combat money laundering and terrorism financing.

### Composition of Board Committees in FY 2019

Board Members	Audit Committee	Executive Committee <sup>#</sup>
Adj Prof Richard R. Magnus, C <sup>1</sup>	–	–
Teo Swee Lian, C <sup>2</sup>	–	–
Tony Tan Tee Hieong, CEO	–	M
Tan Kian Chew	–	–
Ng Chee Khern	–	–
Lee Khai Fatt, Kyle	C	–
Fong Kwok Jen	M	–
Gay Chee Cheong	M	–
Jason Leow Juan Thong	–	C
Lim Cho Pin Andrew Geoffrey <sup>3</sup>	M	M
Jonathan Yap Neng Tong <sup>4</sup>	M	M

Denotes: C - Chairman

M - Member

CEO - Chief Executive Officer

# Given the nature and scope of the work of the EC, their business was discussed/transacted primarily through conference call, correspondence and informal meetings.

1 Adj Prof Richard R. Magnus retired as Non-Executive Independent Director and ceased to be Chairman of the Board with effect from 12 April 2019.

2 Ms Teo Swee Lian was appointed as Non-Executive Independent Director and Chairman of the Board with effect from 12 April 2019.

3 Mr Lim Cho Pin Andrew Geoffrey stepped down as Non-Executive Non-Independent Director and ceased to be member of the AC and EC, respectively, with effect from 10 October 2019.

4 Mr Jonathan Yap Neng Tong was appointed as Non-Executive Non-Independent Director and a member of the AC and EC, respectively, with effect from 10 October 2019.

## Attendance Record of Meetings of Unitholders, Board and Board Committees in FY 2019<sup>1</sup>

	Board <sup>6</sup>	Audit Committee	AGM
No. of Meetings Held	6	4	1
<b>Board Members</b>			
Adj Prof Richard R. Magnus <sup>2</sup>	100%	–	100%
Teo Swee Lian <sup>3</sup>	100%	–	N.A.
Tony Tan Tee Hieong	100%	–	100%
Tan Kian Chew	100%	–	100%
Ng Chee Khern	66.67%	–	100%
Lee Khai Fatt, Kyle	100%	100%	100%
Fong Kwok Jen	100%	100%	100%
Gay Chee Cheong	83.33%	100%	100%
Jason Leow Juan Thong	100%	–	100%
Lim Cho Pin Andrew Geoffrey <sup>4</sup>	100%	66.67%	100%
Jonathan Yap Neng Tong <sup>5</sup>	100%	100%	N.A.

N.A.: Not Applicable.

- All Directors are required to attend Board and/or Board Committee meetings called, in person or via audio or video conference, unless required to recuse. Attendance is marked against the Board and Board Committee meetings each Director is required to attend, and the percentage computed accordingly.
- Adj Prof Richard R. Magnus retired as Non-Executive Independent Director and Chairman of the Board with effect from 12 April 2019.
- Ms Teo Swee Lian was appointed as Non-Executive Independent Director and Chairman of the Board with effect from 12 April 2019 (which was after the AGM).
- Mr Lim Cho Pin Andrew Geoffrey stepped down as Non-Executive Non-Independent Director with effect from 10 October 2019. Mr Lim also relinquished his role as member of the AC on the same day.
- Mr Jonathan Yap Neng Tong was appointed as Non-Executive Non-Independent Director and a member of the AC with effect from 10 October 2019 (which was after the AGM).
- Included two ad-hoc Board Meetings.

# CORPORATE GOVERNANCE

## KEY MANAGEMENT PERSONNEL'S REMUNERATION

### Key Management Personnel's Remuneration Table for FY 2019

Remuneration	Components of remuneration			Total
	Salary inclusive of AWS and employer's CPF	Bonus and other benefits inclusive of employer's CPF <sup>1</sup>	Award of Units <sup>2</sup>	
<b>CEO</b>				
<b>Tony Tan Tee Hieong</b>	33%	28%	39%	<b>100%</b>
<b>Remuneration band for CEO: Above S\$1,000,000 to S\$1,250,000</b>				
<b>Key Management Personnel (excluding CEO)</b>				
<b>Tan Lei Keng</b> (for the period from 1 January 2019 to 31 March 2019)				
<b>Chew Sze Yung</b> <sup>3</sup> (for the period from 1 April 2019 to 31 December 2019)				
<b>Lo Mun Wah</b>	50%	30%	20%	<b>100%</b>
<b>Looi Keng</b> <sup>4</sup> (from the period from 1 January 2019 to 30 September 2019)				
<b>Jacqueline Lee Yu Ching</b> <sup>5</sup> (from the period from 1 October 2019 to 31 December 2019)				
<b>Aggregate of total remuneration for key management personnel (excluding CEO): S\$1,430,853</b>				

1 The amounts disclosed include bonuses earned which have been accrued for in FY 2019.

2 The proportion of value of the Unit awards is based on the fair value of the Units comprised in the contingent awards under the CapitaLand Mall Trust Management Limited Restricted Unit Plan (RUP) and CapitaLand Mall Trust Management Limited Performance Unit Plan (PUP) at the time of grant in FY 2019. The final number of Units released under the contingent awards of Units for the RUP and PUP will depend on the achievement of pre-determined targets and subject to the respective vesting period under the RUP and PUP.

3 Ms Chew Sze Yung, Chief Financial Officer, was appointed to succeed Ms Tan Lei Keng with effect from 1 April 2019.

4 The remuneration of Ms Looi Keng, Head of Asset Management, for the period 1 October 2019 to 31 December 2019 was borne by CL and/or its subsidiaries (other than the Manager), to which the Manager outsources the Asset Management functions, among others.

5 The remuneration of Ms Jacqueline Lee, Head of Investment & Portfolio Management, for the period 1 January 2019 to 30 September 2019 was borne by CL and/or its subsidiaries (other than the Manager), to which the Manager outsources the Investment & Portfolio Management functions, among others. The remuneration for the period 1 October 2019 to 31 December 2019 was borne by the Manager.

## Non-Executive Directors' Remuneration Table for FY 2019

	Components of Directors' fees <sup>1,2</sup> (S\$)		
	Cash component	Unit component <sup>2</sup>	Total (S\$)
<b>Non-Executive Directors</b>			
Adj Prof Richard R. Magnus <sup>4</sup>	38,251	0	38,251
Teo Swee Lian <sup>5</sup>	75,876	18,969	94,845
Tan Kian Chew	45,600	11,400	57,000
Ng Chee Khern <sup>6</sup>	53,000	0	53,000
Lee Khai Fatt, Kyle <sup>7</sup>	78,214.40	19,533.60	97,768
Fong Kwok Jen	64,000	16,000	80,000
Gay Chee Cheong	62,160	15,540	77,700
Jason Leow Juan Thong	N.A. <sup>3</sup>	N.A. <sup>3</sup>	N.A. <sup>3</sup>
Lim Cho Pin Andrew Geoffrey <sup>8</sup>	N.A. <sup>3</sup>	N.A. <sup>3</sup>	N.A. <sup>3</sup>
Jonathan Yap Neng Tong <sup>9</sup>	N.A. <sup>3</sup>	N.A. <sup>3</sup>	N.A. <sup>3</sup>
<b>Aggregate of remuneration for Non-Executive Directors: S\$498,564.00</b>			

N.A.: Not applicable

- 1 Inclusive of attendance fees of (a) S\$2,000 (local meeting) and S\$5,000 (overseas meeting) per meeting attendance in person, (b) S\$1,700 per meeting attendance via audio or video conference, (c) S\$1,000 per meeting attendance at project and verification meetings, and (d) S\$500 per meeting attendance via audio or video conference at project and verification meetings. Attendance fees at project and verification meetings are subject to a maximum of S\$10,000 per Director per annum.
- 2 Each non-executive Director (save for non-executive Directors who are employees of CL Group) shall receive up to 20% of his or her Director's fees in the form of Units (subject to truncation adjustments). The remainder of the Director's fees shall be paid in cash. No new Units will be issued for this purpose as these Units will be paid by the Manager from the Units it holds.
- 3 Non-executive Directors who are employees of CL Group do not receive Directors' fees.
- 4 Adj Prof Richard R. Magnus retired as Non-Executive Independent Director and Chairman of the Board with effect from 12 April 2019. Adj Prof Richard R. Magnus also ceased to be Chairman of the Corporate Disclosure Committee (CDC) on the same day. Adj Prof Richard R. Magnus will receive all his Director's fees for FY 2019 in cash.
- 5 Ms Teo Swee Lian was appointed as Non-Executive Independent Director, Chairman of the Board and Chairman of the CDC, respectively, with effect from 12 April 2019. The CDC was dissolved with effect from 1 November 2019.
- 6 All Director's fees payable to Mr Ng Chee Khern, a public officer, will be paid in cash to a government agency, The Directorship & Consultancy Appointments Council.
- 7 Mr Lee Khai Fatt, Kyle was a member of the Investment Committee until its dissolution with effect from 12 April 2019.
- 8 Mr Lim Cho Pin Andrew Geoffrey stepped down as Non-Executive Non-Independent Director with effect from 10 October 2019. Mr Lim also relinquished his role as member of the AC and EC, respectively, on the same day.
- 9 Mr Jonathan Yap Neng Tong was appointed as Non-Executive Non-Independent Director and a member of the AC and EC, respectively, with effect from 10 October 2019.