

# CORPORATE GOVERNANCE

Soilbuild Business Space REIT (“**Soilbuild REIT**”) is a trust constituted by a deed of trust (the “**Trust Deed**”) entered into between SB REIT Management Pte. Ltd., as manager of Soilbuild REIT (the “**Manager**”) and DBS Trustee Limited, as trustee of Soilbuild REIT (the “**Trustee**”).

The Manager is committed to maintaining high standards of corporate governance and business integrity in line with the Code of Corporate Governance 2018 (the “**Code**”). The Manager also ensures that all applicable requirements, laws and regulations are duly complied with, which include, but are not limited to, the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (“**MAS**”) (the “**Property Funds Appendix**”) and the Code on Collective Investment Schemes issued by the MAS, the “**CIS Code**”). Where there are deviations from the principles and guidelines of the Code and relevant regulations, an explanation has been provided in this section.

The Manager was issued a Capital Markets Services Licence (the “**CMS Licence**”) by the MAS pursuant to the SFA on 1 August 2013.

## Roles and Responsibilities of the Manager

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

The Manager will set the strategic direction of Soilbuild REIT and give recommendations to the Trustee on the acquisition, divestment, development and/or enhancement of assets of Soilbuild REIT in accordance with its stated investment strategy.

The Manager has covenanted in the Trust Deed to use its best endeavours to:

- carry on and conduct its business in a proper and efficient manner;
- ensure that Soilbuild REIT’s operations are carried on and conducted in a proper and efficient manner; and
- conduct all transactions with or for Soilbuild REIT on an arm’s length basis and on normal commercial terms.

The Manager will prepare property plans on a regular basis, which may contain proposals and forecasts on gross revenue, property expenses, capital expenditure, leasing targets and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions. The purpose of these plans is to explain the performance of Soilbuild REIT’s properties.

The Manager will also be responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, the Listing Manual of the SGX-ST, the CIS Code (including the Property Funds Appendix), the Singapore Code on Takeovers and Mergers, the Trust Deed, the CMS Licence, the Tax Approval and any tax rulings and all relevant contracts. The Manager will be responsible for all regular communications with Unitholders.

The Manager may require the Trustee to borrow on behalf of Soilbuild REIT (upon such terms and conditions as the Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the Manager considers, among others, that such borrowings are necessary or desirable in order to enable Soilbuild REIT to meet any liabilities or to finance the acquisition of any property. However, the Manager must not direct the Trustee to incur a borrowing if to do so would mean that Soilbuild REIT’s total borrowings and deferred payments will exceed the limit stipulated by the MAS based on the value of its deposited property at the time the borrowing is incurred, taking into account deferred payments (including deferred payments for assets whether to be settled in cash or in Units).

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In the absence of fraud, gross negligence, wilful default or breach of the Trust Deed by the Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered to be done or omitted to be done by it in good faith under the Trust Deed. In addition, the Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may incur as Manager, to have recourse to the Deposited Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, gross negligence, wilful default or breach of the Trust Deed by the Manager.

The Manager may, in managing Soilbuild REIT and in carrying out and performing its duties and obligations under the Trust Deed, with the written consent of the Trustee, appoint any such person to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided always that the Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

The Manager was appointed in accordance with the terms of the 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 a resolution passed by a simple majority of Unitholders present and voting (with no Unitholders being disenfranchised) at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

## BOARD MATTERS

### The Board's Conduct of Affairs

#### Principle 1

**The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.**

The Board is responsible for the overall corporate governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board provides entrepreneurial leadership, makes the strategic decisions and ensures that the necessary financial and human resources are in place for the Manager to meet its objectives. The Board is also responsible for the strategic business direction and risk management of Soilbuild REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance, nomination and review of the Directors and setting and monitoring of corporate culture.

The Board has established a framework for the Manager and Soilbuild REIT, including a system of internal audit and controls and a business risk management process which enables risks to be assessed and managed. The Board has put in place a code of conduct and ethics, set appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company.

The Board is responsible in identifying key stakeholder groups such as Unitholders, lenders, tenants and management team and recognise that their perceptions affect Soilbuild REIT's reputation.

The Board has delegated specific areas of responsibilities to the Audit & Risk Committee ("**ARC**") and Nominating & Remuneration Committee ("**NRC**") to assist it in discharging its responsibilities. The ARC and NRC are governed by their respective written Terms of Reference which have been approved by the Board.

The Manager has adopted a framework of delegated authorisations in its Delegation of Authority ("**DOA**") approved by the Board. The DOA sets out the level of authorisation and their respective approval limits for all business activities which include, but are not limited to, acquisitions, divestments, leasing, operating and capital expenditures. Activities and matters which require the Board's approval, such as financial statements, the annual budget, investment proposals and funding, opening and closing of bank accounts, are clearly set out in the DOA. Appropriate delegations of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

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Each Director must act honestly, with due care and diligence, and in the best interests of Soilbuild REIT. The Board meets regularly, at least once every quarter, to review the business performance and outlook of Soilbuild REIT, as well as to deliberate on business strategy, including any significant acquisitions, disposals, fund raising and development projects of Soilbuild REIT. Ad-hoc meetings are convened as and when warranted by particular circumstances requiring the Board's attention. At Board meetings, the Chairman ensures that adequate time is available for discussion of all agenda items and strategic issues. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The number of meetings of the Manager's Board, ARC and NRC held during the period from 1 January 2019 to 31 December 2019, as well as the attendance of the Directors, are as follows:

Name of Directors	Board Meetings		ARC Meetings		NRC Meetings	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Mr Chong Kie Cheong	7	7	4	4	N.A.	N.A.
Mr Ng Fook Ai Victor	7	7	4	4	2	2
Mr Michael Ng Seng Tat	7	6	4	4	2	2
Mr Lim Chap Huat	7	7	N.A.	N.A.	N.A.	N.A.
Mr Ho Toon Bah (Stepped down with effect from 19 March 2020)	7	7	N.A.	N.A.	N.A.	N.A.
Ms Lim Cheng Hwa	7	7	N.A.	N.A.	2	2

The Manager's Constitution permits Board meetings to be held by way of telephone or video conference or any other electronic means of communication by which all persons participating in the meeting are able, contemporaneously, to hear and be heard by all other participants.

All members of the Board attended the Annual General Meeting held on 29 March 2019.

The Manager issues formal letters upon appointment of new Directors. The formal letter sets out their duties and obligations and acquaints them with their responsibilities as Directors of the Manager. Newly-appointed Board members are briefed on the business which includes strategic directions, corporate governance policies and procedures of the Manager and Soilbuild REIT, the applicable laws and regulations, and their statutory duties and responsibilities as Directors. The Directors will receive regular training, particularly on relevant new laws and regulations through presentations and workshops. The Manager encourages the Directors to attend training courses from the Singapore Institute of Directors ("SID"), so as to keep up-to-date with changes in financial, legal and regulatory requirements and the business environment in order to enhance their performance as Board or ARC members. The costs of arranging and funding the training of the Directors will be borne by the Manager. Any new director with no prior experience as a director of a listed company shall undergo training in the roles and responsibilities of a listed company director.

During the year, Directors attended training sessions organised by Members of the Reit Association of Singapore (REITAS), SID and KPMG Singapore Risk Consulting covering topics such as "What independent directors need to know when acquiring overseas properties", "Auditing and disrupting technologies impact on internal audit", "Blockchain for Directors", "Data analytics and artificial intelligence for Directors" and "Overview of Singapore Corporate Governance Changes".

# CORPORATE GOVERNANCE

## BOARD COMPOSITION AND GUIDANCE

### Principle 2

**The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

The composition of the Board is determined using the following principles:

- The Chairman of the Board should be a Non-Executive Director of the Manager;
- The Board should comprise Directors with a broad range of commercial experience including expertise in funds management, legal matters, audit and accounting and the property industry; and
- At least one-third of the Board should comprise Independent Directors.

The Board comprised six Non-Executive Directors in FY2019, three of whom are independent. Mr Ho Toon Bah subsequently stepped down with effect from 19 March 2020. This composition complies with the Code's requirement that at least one-third of the Board should comprise independent directors if the Chairman is an independent director and at least half of the Board should comprise independent directors if the Chairman is not an independent director. This enables the Management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It also enables the Board to interact and work with the Management through a robust exchange of ideas and views to help shape the strategic process.

The Board has set a board diversity policy, including qualitative and quantitative objectives where appropriate. A soft copy of the board diversity policy can be found on our website at [www.soilbuildreit.com/corporate-governance.html](http://www.soilbuildreit.com/corporate-governance.html). The current composition of the Board provides an appropriate balance and diversity of skills, gender, experience, talent and knowledge relevant to Soilbuild REIT. The NRC examines the composition of the Board annually to ensure that the Board has the appropriate mix of expertise and experience. All independent directors provide a confirmation of independence quarterly. The NRC also reviews the existing directorships annually and recommends changes in appointment of directors whenever any director is deemed to be not independent. The independent directors are appointed up to a maximum period of nine years. Independent Directors meet on an ad-hoc basis to discuss matters such as potential related party transactions.

As at 31 December 2019, the Board members were:

#### **Independent Directors**

Mr Chong Kie Cheong (Chairman)

Mr Ng Fook Ai Victor

Mr Michael Ng Seng Tat

#### **Non-Executive Directors**

Mr Lim Chap Huat

Mr Ho Toon Bah (Stepped down with effect from 19 March 2020)

Ms Lim Cheng Hwa

The profiles of the Directors and other relevant information may be found on pages 14 to 15 of this Annual Report.

The Board has three Independent Directors. The criterion of independence is based on the definition given in the Code. A Director is considered independent if he has no relationship with the Manager and Soilbuild REIT, its related companies, its 5% shareholders and/or Unitholders ("**substantial shareholders/unitholders**") or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interest of the Manager and Soilbuild REIT and is independent from any business relationship with the Manager and Soilbuild REIT.

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In FY2019, the Chairman is an Independent Director and half the Board comprises Independent Directors. With effect from 19 March 2020, Mr Ho Toon Bah stepped down from the Board and more than half the Board comprises Independent Directors. This allows the Directors to engage in robust deliberations with Management and provide external, diverse and objective insights into issues brought before the Board. Further, the segregation of the roles of the Chairman and the Chief Executive Officer (“CEO”) ensures that Management discharges its duties with integrity as well as an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.

Each of the Independent Directors had carried out an assessment on whether there were any relationships or circumstances which may impact their independent status and had either made a negative declaration or disclose such relationships or circumstances as applicable.

The NRC and the Board are of the view that its Independent Directors are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Directors’ independent business judgement.

The NRC is of the view that its current composition is adequate and comprises persons who as a group, provide the necessary core competencies, balance and diversity of skills, experience and knowledge to Soilbuild REIT. The NRC reviews the balance and diversity of skills, experience, gender, age and knowledge required by the Board and the size of the Board which would facilitate decision making on an annual basis and is of the view that its current Board size and composition is appropriate taking into consideration the nature and scope of Soilbuild REIT’s operations.

The Board also meets regularly to discuss on business matters, without the presence of the Management. The chairman of such meetings provides feedback to the Board and/or Chairman of the Board as appropriate.

Directors exercise their judgment independently and objectively in the interest of Soilbuild REIT and the Manager. The NRC reviews and assesses annually the independence of its directors based on the definitions and guidelines of independence set out in the Code of Corporate Governance and Securities and Futures (Licensing and Conduct of Business) Regulations (“SFLCB Regulations”). Under the SFLCB Regulations, a director is considered to be independent if the director:

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

In its review for FY2019, the NRC has endorsed in its recommendation to the Board that the following directors are independent for FY2019:

Mr Chong Kie Cheong	Independent
Mr Ng Fook Ai Victor	Independent
Mr Michael Ng Seng Tat	Independent

As part of its review, the NRC has taken into consideration, *inter alia*, each Independent Director’s declaration of independence, which includes questions relating to his relationship with Soilbuild REIT, the Manager, the Trustee, and Soilbuild REIT’s sponsor, Soilbuild Group Holdings Ltd., whereby, all have declared that there were no relationships or instances that would otherwise deem him not to be independent.

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

	Mr Chong Kie Cheong	Mr Ng Fook Ai Victor	Mr Michael Ng Seng Tat	Mr Lim Chap Huat <sup>(1)</sup>	Mr Ho Toon Bah <sup>(1)</sup>	Ms Lim Cheng Hwa <sup>(1)</sup>
(i) had been independent from the management of the Manager and Soilbuild REIT during FY2019	✓	✓	✓			
(ii) had been independent from any business relationship with the Manager and Soilbuild REIT during FY2019	✓	✓	✓			
(iii) had been independent from every substantial shareholder of the Manager and every substantial unitholder of Soilbuild REIT during FY2019	✓	✓	✓			
(iv) had not been a substantial shareholder of the Manager or a substantial unitholder of Soilbuild REIT during FY2019	✓	✓	✓		✓	✓
(v) has not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FY2019	✓	✓	✓	✓	✓	✓

- (1) Each of Mr Lim Chap Huat, Mr Ho Toon Bah and Ms Lim Cheng Hwa is currently or in the immediately preceding financial year employed by a related corporation of the Manager and each of them is or in the immediately preceding financial year, a director of Soilbuild Group Holdings Ltd. and/or its related companies. Soilbuild Group Holdings Ltd. wholly-owns the Manager. Mr Lim Chap Huat wholly owns Soilbuild Group Holdings Ltd. and is a substantial unitholder of Soilbuild REIT. In FY2018 or FY2019, Soilbuild Group Holdings Ltd. and Soilbuild Construction Group Ltd. had made payments to and/or received payments from the REIT Manager, its related corporation, trustee of the REIT and/or an officer of the aforementioned entities. As such, during FY2019, each of them is deemed (a) to have a management relationship with the Manager and Soilbuild REIT; (b) to have a business relationship with the Manager and Soilbuild REIT; and (c) connected to a substantial shareholder of the Manager and substantial unitholder of Soilbuild REIT. The Board of the Manager is satisfied that, as at the last day of FY2019, each of Mr Lim Chap Huat, Mr Ho Toon Bah and Ms Lim Cheng Hwa was able to act in the best interests of all the unitholders of Soilbuild REIT as a whole.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

### Principle 3

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

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the Manager. The Chairman, Mr Chong Kie Cheong, is an Independent Director while the CEO is Mr Roy Teo Seng Wah. The Chairman and the CEO are not related to each other, nor is there any business relationship between them. As the Chairman is an Independent Director, a Lead Independent Director is not separately appointed.

The Chairman is responsible for the overall management of the Board as well as ensuring that the members of the Board and the Management work together with integrity and competence, and that the Board engages the Management in constructive debate on strategy, business operations, enterprise risk and other plans. The CEO has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Manager and Soilbuild REIT.

# CORPORATE GOVERNANCE

## BOARD MEMBERSHIP

### Principle 4

**The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.**

The NRC comprises three Directors, Mr Michael Ng Seng Tat (NRC Chairman), Mr Ng Fook Ai Victor (NRC Member) and Ms Lim Cheng Hwa (NRC Member), the majority of whom, including the NRC Chairman, are independent.

The NRC is responsible for all Board appointments as well as re-appointments and reviews succession plans for the Board and key management personnel (including the Chairman and the CEO). In determining whether to re-nominate a Director, the NRC considers the following:

- whether the Director has given sufficient time and attention to the affairs of the Manager and Soilbuild REIT, in particular, when a Director holds multiple directorships; and
- whether the Director is able to and has been adequately carrying out his/her duties as a Director.

In reviewing and recommending the appointment of new Directors and re-appointment of Directors to the Board, the NRC takes into consideration the current Board mix and size, including diversity of skills, knowledge, experience, gender, age and the suitability of the candidate based on key attributes such as commitment, competence and integrity as well as the candidate's ability to carry out his/her duties as a Director. The search for candidates to be appointed as new Board Members will be conducted through a broad network of recommendations and contacts. All candidates will be carefully evaluated by the NRC to ensure that the recommendations are well supported and objective. In addition, the criteria under the Guidelines on Fit and Proper Criteria issued by the MAS for such appointments and re-appointments will also be taken into consideration. The NRC will ensure the new Directors are aware of their duties and obligations.

The NRC conducts an annual review to assess the independence of each Director, the performance of the Board as a whole and its committees, and the contribution of each Director to the effectiveness of the Board. The NRC is also required to determine whether Directors who hold multiple board representations are able to and have been devoting sufficient time to discharge their duties and responsibilities adequately. The Code requires listed companies to fix the maximum number of board representations on other listed companies that their Directors may hold and to disclose this in their annual report.

The NRC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and/or have other principal commitments.

Details of such directorships and other principal commitments of the Directors may be found on pages 14 to 15. In determining whether each Director is able to devote sufficient time to discharge his or her duties, the Board will take cognizance of the Code requirement, but is of the view that its assessment should not be restricted only to the number of board representations of each Director and their respective principal commitments per se. Holistically, the contributions by the Directors to and during meetings of the Board and relevant Board Committees as well as their attendance at such meetings should also be taken into account. As a guide, Directors should not have in aggregate more than five listed company board representations and other principal commitments.

None of the Directors has an alternate Director.

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## BOARD PERFORMANCE

### Principle 5

**The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.**

The Board has in place a formal process to annually assess the effectiveness of the Board through feedback from individual Directors on areas relating to the Board's effectiveness and competencies.

Each Director is required to complete a Board performance evaluation form. The assessment allows each Director to express his/her personal and confidential evaluation of the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. It provides insights into the functioning of the Board, whilst identifying areas that might need strengthening and development. The review of the Board's performance includes a review of the Board composition, access to information, processes, risk management, board committees, strategic planning, accountability and oversight, and standards of conduct.

The NRC will evaluate the responses and provide its comments and recommendations to the Board on any changes that should be made to help the Board discharge its duties more effectively. The Company Secretary facilitated the Board evaluation process. Accordingly, the annual review of the Board's performance was carried out for the financial year ended 31 December 2019 ("FY2019").

The Board is of the view that the Board and its board committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The Management endeavours to provide the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis to allow the Board to make informed decisions to discharge its duties and responsibilities. All Directors have unrestricted access to the Management and have sufficient time and resources to effectively discharge their oversight function.

Board meetings for each quarter are scheduled in advance to facilitate Directors' individual administrative arrangements in respect of ongoing commitments. Board papers are generally circulated five days in advance of each meeting and include background or explanatory information to enable the Directors to make informed decisions. Such information includes minutes of the previous meetings as well as financial and operational matters requiring the Board's attention or approval.

The Management is required to provide complete and timely information to the Board on the affairs and issues of Soilbuild REIT that require the Board's decision as well as ongoing reports relating to the financial and operational performance of Soilbuild REIT.

The CEO keeps Board members abreast of key developments affecting Soilbuild REIT as well as material transactions so that the Board is kept fully aware of the affairs of Soilbuild REIT.

All Directors have separate and independent access to the Management, the Company Secretary, as well as the internal and external auditors at all times. The Company Secretary attends all Board meetings and ensure that all Board procedures and the requirements of the Companies Act, Cap. 50 and the Listing Manual of the SGX-ST are followed. The appointment and removal of the Company Secretary is a matter for the Board as a whole to decide.

The Manager has in place procedures to enable Directors, whether as a group or individually, to obtain independent professional advice, as and when necessary, in furtherance of their duties. The appointment of such independent professional advisors is subject to approval by the Board. Any expenses and costs associated thereto will be borne by the Manager.



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## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

#### Principle 6

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

All fees and remuneration payable to the Directors, key executive officers and staff of the Manager are paid by the Manager and not by Soilbuild REIT.

The Manager adopts the principle that remuneration matters should be sufficiently structured and benchmarked against good market practices to attract qualified talent to grow and manage its business.

The Manager has established the NRC which comprises three Directors, the majority of whom, including the Chairman, are independent.

The NRC has clear Terms of Reference and its primary duty and responsibility is to recommend to the Board a framework of remuneration for the Board and key executive officers, the Directors' fees for each Director as well as the specific remuneration package for each key executive officer including the CEO. The NRC is also responsible for recommending the annual targets which are measurable to drive the performance of Soilbuild REIT and the Manager.

The NRC reviews the Manager's obligations arising in the event of termination of the directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses. The NRC has access to expert advice from external consultants where required. During the year under review, no external consultant was hired.

#### *Directors' Remuneration*

The structure of Directors' fees for Non-Executive and Independent Directors comprises a base fee for serving as a Director and additional fees for serving on Board Committees. The Directors' fees, take into account the following:

- the financial performance and size of Soilbuild REIT and the Manager;
- the Directors' responsibilities and contributions; and
- the industry practices and norms on remuneration, including the guidelines set out in the Statement of Good Practice issued by the SID.

#### *Key Executive Officers' Remuneration*

The Manager advocates a performance-based remuneration system for key executive officers of the Manager. The remuneration structure is designed with the objectives to retain, reward and motivate the individual to stay competitive and relevant. The principles governing the Manager's remuneration policy for its key executive officers are as follows:

- a) Reward and motivate employees to work towards achieving the strategic goals and business results of Soilbuild REIT and the Manager.
- b) Enhance retention of key talents to build strong organisational capabilities and ensure competitive remuneration relative to the appropriate external talent markets.

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The total remuneration mix of key executive officers comprises fixed annual salary and performance incentives. The fixed annual salary includes base salary and compulsory employer's CPF contribution.

Key Management Personnel are assessed using a balanced scorecard with pre-agreed financial and non-financial key performance indicators ("KPIs"). The financial KPIs are based on the performance of Soilbuild REIT. Non-financial KPIs may include measures on People, Corporate Governance, Sustainability, adherence to Internal Controls and Risk Management or specified projects. These targets are documented in the Annual Business Plan approved by the Board in the fourth quarter of the preceding financial year. Upon finalisation of Soilbuild REIT's full year financial results, the achievements are measured against the pre-agreed targets and the performance incentives of each Key Management Personnel are determined.

The performance incentives are tied to the individual performance and the performance of Soilbuild REIT including measurements such as the DPU and return on equity ("**performance conditions**"), which are aligned to the interests of Unitholders.

Remuneration of Directors and key executive officers of the Manager is paid in cash only. There were no employees of the Manager who were immediate family members of a Director or the CEO during FY2019. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

No compensation is payable to any Director, senior management or staff of the Manager in the form of options in Units or pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement, under the service contracts.

## Level and Mix of Remuneration

### Principle 7

**The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

A significant and appropriate proportion of key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of unitholders and other stakeholders and promotes the long-term success of the Manager.

The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.

Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of Soilbuild REIT and key management personnel to successfully manage Soilbuild REIT for the long term.

## Disclosure on Remuneration

### Principle 8

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

The NRC oversees executive compensation and development of the Management bench strength, so as to build and augment a capable and dedicated management team, and gives guidance on progressive policies which can attract, motivate and retain a pool of talented executives for the present and future growth of the Manager.

Specifically, the NRC:

- establishes compensation policies for key executives;
- approves salary reviews, bonuses and incentives for key executives;
- approves key appointments and reviews succession plans for key positions;
- reviews annually the balance and diversity of skills, experience, gender, age and knowledge required by the Board and the size of the Board which would facilitate decision making; and
- oversees the development of key executives and younger talented executives.

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The Manager advocates a performance-based remuneration system for key executive officers of the Manager. The system is flexible, responsive to the market and based on individual's performance. The remuneration structure is designed to retain, reward and motivate the individual to stay competitive and relevant.

The principles governing the Manager's key management personnel remuneration policy are as follows:

## **Business Alignment**

- Build sustainable value creation and drive wealth-added activities to align with longer term Unitholder interests;
- Provide sound, structured funding to ensure affordability and cost-effectiveness in line with performance goals; and
- 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; and
- Strengthen line-of-sight linking rewards and performance goals.

## **Fair & Appropriate**

- Ensure remuneration is competitive relative to the appropriate external talent markets;
- Manage internal equity so that remuneration systems are viewed as fair; and
- Significant and appropriate portion of pay-at-risk, taking into account risk policies of the Manager, symmetrical with risk outcomes and sensitive to risk time horizon.

## **Effective Implementation**

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

The Board sets the remuneration policies in line with the Manager's business strategy and approves the executive compensation framework based on the key principle of linking pay to performance. The Board has access to independent remuneration consultants as and when required.

In determining the actual quantum of remuneration, the Board had taken into account the extent to which the performance conditions have been met, and is of the view that remuneration is aligned to the performance conditions during FY2019.

The fees received by the Directors are at fixed rates. Directors' fees are reviewed periodically to benchmark such fees against the amounts paid by other listed real estate investment trusts. The structure of Directors' fees takes into account Directors' responsibilities and contributions, as well as industry practices and norms on remuneration, including the guidelines set out in the Statement of Good Practice issued by the Singapore Institute of Directors. No Director decides on his own fees.

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The Directors' fees paid by the Manager to the Board for FY2019 are as follows:

Board members	Membership	S\$'000
Mr Chong Kie Cheong	Chairman, Independent Non-Executive Director and ARC Member	90
Mr Ng Fook Ai Victor	Independent Non-Executive Director, ARC Chairman and NRC Member	75
Mr Michael Ng Seng Tat	Independent Non-Executive Director, ARC Member and NRC Chairman	65
Mr Ho Toon Bah (Stepped down with effect from 19 March 2020)	Non-Executive Director	40
Mr Lim Chap Huat	Non-Executive Director	40
Ms Lim Cheng Hwa	Non-Executive Director and NRC Member	45
		355

The fee structure for the Board is as follows:

Director	Base fee (S\$'000)	Chairman fee (S\$'000)	ARC Committee member fee (S\$'000)	NRC Committee member fee (S\$'000)	Total fees (S\$'000)
Mr Chong Kie Cheong	40	40	10	–	90
Mr Ng Fook Ai Victor	40	30	–	5	75
Mr Michael Ng Seng Tat	40	15	10	–	65
Mr Lim Chap Huat	40	–	–	–	40
Mr Ho Toon Bah (Stepped down with effect from 19 March 2020)	40	–	–	–	40
Ms Lim Cheng Hwa	40	–	–	5	45
<b>Total</b>	<b>240</b>	<b>85</b>	<b>20</b>	<b>10</b>	<b>355</b>

The level and mix of the remuneration of the key management personnel are set out below:

Remuneration band and name of key management personnel	Base/Fixed salary inclusive of Employer CPF	Variable or Performance-related income/bonuses inclusive of Employer CPF	Benefits-in-kind
<u>Above S\$500,000 to S\$750,000</u>			
Mr Roy Teo Seng Wah	68%	30%	2%

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

# CORPORATE GOVERNANCE

After much deliberation, the Board is of the view that full disclosure of (a) the specific remuneration of the CEO (on a named basis) and the top five key executive officers (in bands of S\$250,000), with a breakdown (in percentage or dollar terms) of each key executive officer's remuneration earned through base/fixed salary, variable or performance-related income/bonuses and benefits in kind, and (b) the aggregate total remuneration paid to the top five key executive officers (who are neither Directors nor the CEO) will not be in the best interests of the Manager, Soilbuild REIT or its Unitholders.

In arriving at its decision, the Board has taken into consideration, *inter alia*, the commercial sensitivity and confidential nature of remuneration matters, the competitive nature of the REIT management industry, the competitive business environment in which the Manager operates in, the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place and the negative impact which such disclosure may have on the Manager in attracting and retaining talent for the Manager on a long-term basis. The Board is of the view that the non-disclosure of (a) and (b) above will not be prejudicial to the interests of the Unitholders as sufficient information is provided on the Manager's remuneration framework to enable the Unitholders to understand the link between the remuneration paid to the CEO, Directors and key executive officers, and performance as set out on pages 105 to 109.

Staff remuneration comprises a fixed component in the form of basic salary and a variable component in the form of bonuses. Variable bonus is pegged to the performance of the individual and the performance of Soilbuild REIT which includes measures such as rental reversion, tenant retention, operating cost control and capital management. This clearly aligns staff remuneration with the long-term interests of the Unitholders. There are currently no option schemes or other long-term incentive schemes for Directors and employees as staff cost is borne by the Manager instead of Soilbuild REIT. The level and structure of remuneration is reviewed by the NRC to ensure alignment with Unitholders' interest and risk policies of Soilbuild REIT.

There are no employees of the Manager who are immediate family members of a Director, the CEO or a substantial shareholder of the Manager and whose remuneration exceeds S\$50,000 during FY2019.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

#### Principle 9

**The Board is responsible for the governance of risk and ensure that Management maintains a sound system of risk management and internal controls, to safeguard the interest of the company and its unitholders.**

The Manager has appointed experienced and well-qualified management personnel to handle the day-to-day operations of the Manager and Soilbuild REIT. In assessing business risk, the Board will consider the economic environment and risks relevant to the property industry. It reviews management reports and feasibility studies on individual investment projects prior to approving major transactions. The Management meets regularly to review the operations of the Manager and Soilbuild REIT and discuss any disclosure issues.

The Manager has established an internal control system to ensure that all future Related Party Transactions:

- will be undertaken on normal commercial terms; and
- will not be prejudicial to the interests of Soilbuild REIT and the Unitholders.

As a general rule, the Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria. This may entail:

- obtaining (where practicable) quotations from parties unrelated to the Manager; or
- obtaining two or more valuations from independent professional valuers (in compliance with the Property Funds Appendix).

# CORPORATE GOVERNANCE

The Manager maintains a register to record all Related Party Transactions which are entered into by Soilbuild REIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

For the financial year under review, the CEO and CFO have provided assurances to the Board that to the best of their knowledge, the financial records of the Manager have been properly maintained and the financial statements give a true and fair view of the operations and finances and that an effective risk management and internal control process has been put in place. In addition, the CEO and other key management personnel who are responsible have provided assurances to the Board regarding the adequacy and effectiveness of the Manager's risk management and internal control systems.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Manager's systems of internal controls and risk management, and for reviewing the adequacy, effectiveness and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the Manager's key executives and are reported to the ARC for review.

It should be noted that in the opinion of the Board, such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practice, and the identification and containment of business risk.

## **Comments of the Board on Risk Management and Internal Controls**

The Board, with the concurrence of the ARC, is of the opinion that the Manager's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019 to address financial, operational, compliance and information technology risks and sustainability of Soilbuild REIT, based on the risk management and internal controls framework established and maintained by the Manager, work performed by both internal and external auditors as well as reviews performed by the Management and the ARC.

For the financial year under review, both the Board and the ARC have not identified any material weaknesses in the internal controls and risk management systems of the Manager.

The Board notes that the risk management and internal controls framework provides reasonable, but not absolute, assurance that the Manager will not be adversely affected by any event that could be reasonably foreseen as it works to achieve its business objectives.

In this regard, the Board also notes that all systems on risk management and internal controls contain inherent limitations and no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

## **Audit & Risk Committee**

### **Principle 10**

#### **The Board has an Audit Committee which discharges its duties objectively.**

The ARC is regulated by a set of written Terms of Reference endorsed by the Board, setting out their duties and responsibilities. The ARC comprises three members, all of whom are Independent Directors. At least two members, including the ARC Chairman have relevant accounting or related financial management expertise or experience.

# CORPORATE GOVERNANCE

The ARC does not comprise former partners or directors of the Manager's existing external auditing firm:

- within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case,
- for as long as they have any financial interest in the auditing firm or auditing corporation.

As at 31 December 2019, the members of the ARC were:

Mr Ng Fook Ai Victor (Chairman)  
Mr Chong Kie Cheong  
Mr Michael Ng Seng Tat

The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of the external auditor and review of the adequacy of external audits in respect of cost, scope and performance.

The ARC's responsibilities also include, among others, the following:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual of the SGX-ST relating to "Interested Person Transactions" and the provisions of the Property Funds Appendix relating to "Interested Party Transactions" (both such types of transactions constituting "**Related Party Transactions**");
- reviewing transactions constituting Related Party Transactions;
- deliberating on conflicts of interest situations involving Soilbuild REIT, including situations where any of the Directors, controlling Unitholders of the Manager and/or their Associates are involved in the management of or have shareholding interests in similar or related business as the Manager, and in such situations, the ARC will monitor the investments by these individuals in Soilbuild REIT's competitors and will make an assessment whether there is any potential conflict of interest;
- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the Management;
- reviewing arrangements by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- reviewing internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- ensuring that the internal audit and accounting function is adequately resourced and has appropriate standing with Soilbuild REIT;
- the appointment, re-appointment or removal of internal auditors (including the review of their fees and scope of work);
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual of the SGX-ST and the Property Funds Appendix;
- reviewing the appointment, re-appointment or removal of external auditors;
- reviewing the remuneration and terms of engagement of the external auditors;

# CORPORATE GOVERNANCE

- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity as well as adequacy and effectiveness of the external auditors and internal audit function;
- meeting with external and internal auditors, without the presence of Management, at least on an annual basis;
- reviewing the system of internal controls including financial, operational and compliance controls and risk management processes at least on an annual basis;
- reviewing the financial statements and the internal audit report including the assurance from the CEO and the CFO on the financial records and financial statements as well as the assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Manager's risk management and internal control systems;
- reviewing and providing their views on all hedging policies and instruments to be implemented by Soilbuild REIT to the Board;
- closely monitoring and reviewing any changes in accounting standards and how such changes could impact on Soilbuild REIT's financial statements and briefing the Directors where relevant;
- reviewing and approving the procedures for the entry into of any foreign exchange hedging transactions and monitoring the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;
- investigating any matters within the ARC's Terms of Reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

The ARC has full access to and co-operation from Management and enjoys full discretion to invite any Director and executive officer of the Manager to attend its meetings. The ARC also has full access to reasonable resources to enable it to discharge its functions properly.

The ARC has conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors of Soilbuild REIT, Ernst & Young LLP. For FY2019, the aggregate amount of audit fees paid and payable by Soilbuild REIT to the external auditor was S\$236,000, comprising non-audit service fees of S\$102,000 and audit service fees of S\$134,000. The re-appointment of the external auditor will be subject to approval by way of ordinary resolution of the Unitholders at Soilbuild REIT's seventh AGM to be held in May 2020.

The ARC is of the view that the non-audit services will not prejudice the independence of the external auditor as the non-audit services comprising mainly Australia tax structuring, taxation related services such as review of quarterly tax declaration forms and distributions to Unitholders, as well as the preparation of annual income tax return does not give rise to a self-review threat.

ARC meetings are generally held after the end of every quarter before the official announcement of results pertaining to that quarter. The ARC has also met with the external and internal auditors separately, without the presence of Management.

The Board is of the view that all the members of the ARC are suitably qualified with finance and real estate backgrounds to assist the Board in the areas of internal controls, financial and accounting matters, compliance and risk management, including oversight over management in the design, implementation and monitoring of risk management and internal control systems.



# CORPORATE GOVERNANCE

The ARC's activities included the responsibilities of the ARC listed above. The external auditor attends the ARC meetings and presents updates of key changes to accounting standards to the ARC as and when the relevant amendments are introduced. The Management and external auditor also keep ARC abreast of issues which have a direct impact on financial statements. In addition, the Management ensures that the Directors are kept up to date with regulatory requirements and accounting standards by enrolling the Directors for courses conducted by accounting firms and the Singapore Institute of Directors.

In appointing the audit firm for Soilbuild REIT, the Board is satisfied that Soilbuild REIT has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST. The Board has assessed the performance of the external auditor based on factors such as the performance and quality of their audit and their independence. The ARC has recommended to the Board that Ernst & Young LLP be nominated for re-appointment as the external auditor for the financial year ending 31 December 2020 at the forthcoming AGM.

## **Significant matters - How the ARC reviewed these matters and what decisions were made**

### *Valuation of investment properties and a property held for sale*

The ARC typically meets with the external auditor several months before the end of the financial year to discuss the year's audit plans and progress, during which significant financial reporting issues including key audit matters are discussed.

For this year, the external auditor has identified the valuation of investment properties and a property held for sale as a key audit matter and has disclosed their audit approach in the auditor's report.

The ARC considered the approach and methodology applied to the valuation models in assessing the valuation of the investment properties and a property held for sale. The ARC reviewed the reasonableness of the assumptions the valuers used in the discounted cash flow method, capitalisation approach and the comparable market value methods in the valuation models.

The ARC and Management have taken into consideration the guidelines in the Code of Collective Investment Scheme, Appendix 6 – Investment: Property Funds issued by MAS in the selection of valuers.

A valuer should:

- a) not be a related corporation of or have a relationship with the manager or any other party whom Soilbuild REIT is contracting with which, in the opinion of the trustee and/or manager, would interfere with the valuer's ability to give an independent and professional valuation of the property;
- b) disclose to the trustee and/or manager any pending business transactions, contracts under negotiation, other arrangements with the manager or any other party whom Soilbuild REIT is contracting with and other factors that would interfere with the valuer's ability to give an independent and professional valuation of the property. The trustee and manager should then take such disclosure into account when deciding whether the person concerned is sufficiently independent to act as the valuer for Soilbuild REIT;
- c) be authorised under any law of the state or country where the valuation takes place to practise as a valuer;
- d) have the necessary expertise and experience in valuing properties of the type in question and in the relevant area; and
- e) not value the same property for more than two consecutive financial years.

The Board accepted the valuation of investment properties after having considered, *inter alia*, the recommendation from the ARC.

# CORPORATE GOVERNANCE

However, given that the assumptions are subjective and are highly susceptible to changes in the business environment, the ARC cautions unitholders against relying solely on the investment property valuations in assessing the financial performance of Soilbuild REIT. This is particularly so as such valuations do not give any assurance that the investment properties will be sold at such prices in the event such a sale is to be effected and more so when such sales are not contemplated as our business strategy. Instead, the ARC advises unitholders to focus on factors such as the net property income, tenant profile, tenancy duration and their changes over the years to assess how well Soilbuild REIT's portfolio has performed.

The internal audit function is outsourced to KPMG Services Pte. Ltd. ("**KPMG**") which is staffed by qualified executives. KPMG adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal auditors report directly to the Chairman of ARC and administratively to the CEO. The ARC reviews and approves the annual internal audit plan and reviews the internal audit reports and activities on an on-going basis. The ARC also reviews and approves the appointment, reappointment of the internal auditor and the remuneration of the internal auditor. The ARC is of the view that the internal auditors have adequate resources to perform its functions and have to the best of its ability, maintained its independence. The ARC also reviews the results of internal audits and the Management's actions in resolving any audit issues reported.

KPMG performed two internal audits on Soilbuild REIT and the Manager in FY2019 covering areas such as property management, procurement and payments, Information Technology general controls, insurance management, treasury and interested person transactions.

The ARC reviews the adequacy, effectiveness and independence of the internal audit function annually through approval of the internal audit plan and review of internal audit reports and is satisfied that the internal audit function is independent, adequately resourced and effective for the FY2019.

## UNITHOLDER RIGHTS AND ENGAGEMENT

### Unitholder Rights and Conduct of General Meetings

#### Principle 11

**The company treats all unitholders fairly and equitably in order to enable them to exercise unitholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives unitholders a balanced and understandable assessment of its performance, position and prospects.**

### Engagement with Unitholders

#### Principle 12

**The company communicates regularly with its unitholders and facilitates the participation of unitholders during general meetings and other dialogues to allow unitholders to communicate their views on various matters affecting the company.**

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

#### Principle 13

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

# CORPORATE GOVERNANCE

The Board is responsible for presenting a balanced and comprehensive assessment of Soilbuild REIT's performance, position and prospects, including interim and other price sensitive public reports. To assist the Board in this regard, the Management provides timely, complete and adequate information to the Board through the most expedient means, including electronic mailing. Management submits monthly management accounts to the Board to enable the Board to make a balanced and informed assessment of Soilbuild REIT's performance, position and prospects.

Price-sensitive information and reports are disseminated to Unitholders through announcements via SGXNET, press releases, Soilbuild REIT website and briefings.

The Board meets quarterly, or more often if necessary, and will review the financial performance of the Manager and Soilbuild REIT against a previously approved budget. The Board will also review the business risks of Soilbuild REIT, examine liability management and act upon any comments from the auditors of Soilbuild REIT.

The Manager facilitates the exercise of ownership rights by all Unitholders through its commitment to the principle of clear and timely communication with the Unitholders to promote better understanding of its business, and to promote a system of effective disclosure to its key stakeholders.

The Manager has a dedicated Investor Relations team that regularly communicates major developments in Soilbuild REIT's businesses and operations to the Unitholders, the media, analysts and its employees. The Manager's disclosure policy requires timely and full disclosure of all material information relating to Soilbuild REIT by way of public releases or announcements through the SGX-ST via SGXNET at first instance and through Soilbuild REIT's website at [www.soilbuildreit.com](http://www.soilbuildreit.com). Where immediate disclosure is not practicable, the relevant announcement is made as soon as possible to ensure that all stakeholders and the general public have equal access to the information.

The Manager communicates with Soilbuild REIT's investors on a regular basis and attends to their queries. The CEO, CFO and senior management of the Manager are present at such communication sessions to answer questions.

Soilbuild REIT will hold its AGM in May 2020. An electronic copy of the Annual Report has been uploaded on Soilbuild REIT's website. Unitholders can access the Annual Report (printed copies are available upon request) at the <https://soilbuildreit.listedcompany.com/ar.html>. The Notice of AGM setting out all items of business to be transacted at the AGM will be published on SGXNET, Soilbuild REIT's website and The Business Times. Unitholders are invited to send in questions before AGM and/or ask questions during AGM. If any Unitholder is unable to attend the AGM, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance. The Manager has also taken measures to cater for the multiple proxy regime, in anticipation of attendance by beneficial Unitholders (e.g. those holding Units through the CPF Investment Scheme) at general meetings.

The Board of Directors, Chairman of the ARC, Chairman of the NRC, senior management of the Manager and the external auditors of Soilbuild REIT will be present to address questions and concerns of the Unitholders at the forthcoming AGM. Separate resolutions are proposed for substantially separate issues at the AGM. Unitholders will be invited to vote on each of the resolutions by poll. The voting result will be screened at the meeting and announced via SGXNET after the meeting. As and when an Extraordinary General Meeting is convened, a notice of meeting will be sent to each Unitholder.

At general meetings and other Unitholders' meetings, the Chairman ensures that there is constructive dialogue between Unitholders, the Board and the Management.

The Company Secretary prepares minutes of Unitholders' meetings. These minutes were published on Soilbuild REIT's website at <https://soilbuildreit.listedcompany.com/newsroom.html>

Soilbuild REIT's stakeholders also include its tenants, government, regulators, suppliers and the Manager's staff. Engagement efforts with these stakeholders are set out in the Sustainability Report (page 83 of the Annual Report). In addition, the Manager conducts annual tenant satisfaction surveys to obtain tenants' feedback. Details of the customer satisfaction survey are set out in the Sustainability Report (pages 90 to 92 of the Annual Report).

Soilbuild REIT's distribution policy is to distribute at least 90% of its annual distributable income.

# CORPORATE GOVERNANCE

## Review Procedures for Related Party Transactions

The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by Soilbuild REIT. The ARC shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with.

In addition, the following procedures are also undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Soilbuild REIT's net tangible assets will be subject to review by the ARC at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Soilbuild REIT's net tangible assets will be subject to the review and prior approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and not prejudicial to the interests of Soilbuild REIT and its Unitholders and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of Soilbuild REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Where matters concerning Soilbuild REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of Soilbuild REIT with a related party of the Manager (which would include relevant associates thereof) or Soilbuild REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted:

- on normal commercial terms;
- are not prejudicial to the interests of Soilbuild REIT and the Unitholders; and
- are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The Trustee has the discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or Soilbuild REIT. If the Trustee is to sign any contract with a related party of the Manager or Soilbuild REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Appendix (as may be amended from time to time) and the provisions of the Listing Manual relating to Interested Person Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

Aggregate value of Interested Person Transactions entered into during the financial year under review is disclosed on pages 198 to 200.

# CORPORATE GOVERNANCE

## Role of the Audit & Risk Committee for Related Party Transactions

The ARC will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control systems, the relevant provisions of the Listing Manual, and the Property Funds Appendix. The review will include the examination of the nature of the transaction and supporting documents or such other data deemed necessary by the ARC.

If a member of the ARC has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction.

## Dealings in Units

The Board has adopted an internal compliance code of conduct to provide guidance to its Directors, key officers and employees in respect of dealing in the Units.

In general, the policy provides that each Director and the CEO of the Manager is to give notice to the Manager of his acquisition of Units or of changes in the number of Units which he holds or in which he has an interest, within two business days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which he has an interest.

All dealings in Units by the Directors and the CEO will be announced via SGXNET.

The Directors and employees of the Manager are reminded not to deal in Units on short term considerations and are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of Soilbuild REIT's annual results and property valuations, and two weeks before the public announcement of Soilbuild REIT's quarterly results and ending on the date of announcement of the relevant results or, as the case may be, property valuations; and
- at any time while in possession of unpublished material or price sensitive information.

The Directors and employees of the Manager are also prohibited from communicating price-sensitive information to any person and are expected to observe the insider trading laws at all times even when dealing in Units within the permitted trading period.

In addition, the Manager will comply with any relevant disclosure requirements under the SFA. The Manager has also undertaken that it will not deal in the Units during the period commencing two weeks before the announcement via SGXNET of Soilbuild REIT's quarterly results or one month before the full year results, and if applicable, property valuation, and ending on the date of announcement of the relevant results.

## Material Contracts

The Manager has not entered into any material contracts involving the interests of the CEO, each Director or controlling Unitholders and no such material contract is subsisting at the end of FY2019 save for the Interested Person Transactions set out on pages 198 to 200.

## Dealings with Conflicts of Interest

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

- The Manager will not manage any other REIT which invests in the same type of properties as Soilbuild REIT;
- All key executive officers will be working exclusively for the Manager and will not hold other executive positions in other entities;

# CORPORATE GOVERNANCE

- All resolutions in writing of the Directors in relation to matters concerning Soilbuild REIT must be approved by at least a majority of the Directors, including at least one Independent Director;
- At least one third of the Board shall comprise Independent Directors, except that in certain stipulated circumstances, half of the Board shall comprise Independent Directors;
- In respect of matters in which the Sponsor has an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. For such matters, the quorum must comprise a majority of the Independent Directors and must exclude Nominee Directors of the Sponsor;
- It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Soilbuild REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Soilbuild REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors (including its Independent Directors) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of Soilbuild REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party; and
- The Manager will ensure that the Property Manager puts in place the necessary procedures to prevent the unauthorised disclosure or use of confidential information relating to Soilbuild REIT to the Sponsor.

## **Sponsor Non-Compete Undertaking**

For the purpose of any potential conflicts of interest, the Sponsor has provided an undertaking to the Trustee that for so long as:

- (a) the Sponsor and/or any of its related corporations, alone or in aggregate, remains as a controlling shareholder of the manager of Soilbuild REIT; and
- (b) the Sponsor and/or any of its related corporations, alone or in aggregate, remains as a controlling Unitholder of Soilbuild REIT,

the Sponsor will not set up another listed or private fund with the same investment mandate and risk-return profile as Soilbuild REIT.

For the purposes of this undertaking provided by the Sponsor:

- a "controlling shareholder" means a person who (i) holds directly or indirectly 15.0% or more of the total number of issued shares of the company or (ii) in fact exercises control over the company
- a "controlling unitholder" in relation to a REIT means:
  - a person who holds directly or indirectly 15.0% or more of the nominal amount of all voting Units in the REIT; or
  - in fact exercises control over the REIT.

# CORPORATE GOVERNANCE

## **Utilisation of proceeds from equity fund raising**

Soilbuild REIT issued 192,135,040 new units on 19 September 2019 pursuant to a fully underwritten, pro-rata and non-renounceable preferential offering. The proceeds from the issue of the Perpetual Securities were utilised for the acquisition of 25 Grenfell Street acquired on 1 November 2019.

## **WHISTLE-BLOWING POLICY**

The Manager has also put in place a Whistle-Blowing Policy, providing an avenue for its employees and external parties to raise concerns about possible improprieties in matters of financial reporting or other matters in good faith, with the confidence that the relevant persons making the reports will be treated fairly and protected from reprisal. External parties are able to lodge their concerns via Soilbuild REIT's website at [www.soilbuildreit.com](http://www.soilbuildreit.com). All whistle-blower complaints will be reviewed by the ARC to ensure that investigations and follow-up actions are carried out, if needed.

## **RATIONALE OF FEES CHARGED BY THE MANAGER**

The rationale of fees charged by the Manager has been disclosed in note 1 to the financial statements.