

Notice No : SFA04-N14
Issue Date : 1 January 2016

NOTICE TO ALL HOLDERS OF A CAPITAL MARKETS SERVICES LICENCE FOR REAL ESTATE INVESTMENT TRUST MANAGEMENT

1 INTRODUCTION

1.1 This Notice is issued pursuant to section 101 of the Securities and Futures Act (Cap. 289) [the “Act”] and applies to all holders of a capital markets services licence for real estate investment trust management [“REIT managers”].

1.2 This Notice sets out requirements relating to the remuneration of directors and executive officers, the composition and duties of the audit committee and the conduct of board meetings.

2 DEFINITIONS

2.1 For the purposes of this Notice —

“associate”

- (a) in relation to any director, chief executive officer, or controlling shareholder of the REIT manager, or controlling unitholder of the REIT (being an individual), means:
 - i) his spouse, child, adopted child, stepchild, sibling or parent;
 - ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
 - iii) any company in which he and his family together (directly or indirectly) have an interest of 30% or more; or
- (b) in relation to the controlling shareholder of the REIT manager, or the REIT manager, the trustee or controlling unitholder of the REIT (being a company) means any other company which is its subsidiary or holding company, or is a subsidiary of such holding company, or one in the equity of which it or such other company or companies taken together (directly or indirectly) have an interest of

30% or more;

"controlling shareholder" means a person who:

- (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company. The Authority may determine that a person who satisfies this paragraph is not a controlling shareholder; or
- (b) in fact exercises control over the company;

"controlling unitholder" means a person who:

- (a) holds directly or indirectly 15% or more of the nominal amount of all voting units in the REIT. The Authority may determine that such a person is not a controlling unitholder; or
- (b) in fact exercises control over the REIT;

"interested party" means:

- (a) the REIT manager or any director, chief executive officer or controlling shareholder of the REIT manager;
- (b) the trustee or controlling unitholder of the REIT; or
- (c) an associate of any person in (a) or (b);

"real estate investment trust" or "REIT" means a collective investment scheme that is:

- (a) authorised under section 286 or recognised under section 287 of the Act; and
- (b) a trust that invests primarily in real estate and real estate-related assets specified by the Authority in the Code on Collective Investment Schemes and all or any of the units which are listed for quotation on an approved exchange;

"related party transaction" means:

- (a) a transaction between the REIT and an interested party; or
- (b) to the extent that the transaction affects the interests of participants of the REIT, a transaction between the REIT manager and its related corporation.

2.2 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in section 2 of the

Act and regulation 2 of the Securities and Futures (Licensing and Conduct of Business) Regulations.

3 DISCLOSURE REQUIREMENTS ON REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

3.1 A REIT manager shall disclose its remuneration policies and its procedure for setting the remuneration of directors and executive officers in the annual report of the REIT.

3.2 Where the remuneration of directors and executive officers are:

- (a) paid in the form of shares or interests in the controlling shareholder or its related companies; or
- (b) linked (directly or indirectly) to the performance of any entity other than the REIT,

the REIT manager shall disclose this and provide an explanation as to why such an arrangement would not result in a misalignment of interest or the mitigating measures instituted to address any potential misalignment in the annual report of the REIT.

3.3 Except as provided in paragraph 3.4, a REIT manager shall disclose, in the annual report of the REIT, the following information:

- (a) the remuneration of its chief executive officer and each individual director on a named basis;
- (b) the remuneration of at least its top five executive officers (which shall not include the chief executive officer and executive officers who are directors), on a named basis, in bands of S\$250,000.

3.4 If a REIT manager does not wish to or is unable to comply with paragraph 3.3, the REIT manager shall provide an explanation for its non-compliance in the annual report of the REIT.

4 ALIGNMENT OF INCENTIVES FOR DIRECTORS AND EXECUTIVE OFFICERS

4.1 A REIT manager shall ensure that the remuneration of its executive directors

shall not be linked to the REIT's gross revenue.

4.2 A REIT manager shall ensure that the fees payable to its non-executive directors shall be a fixed sum (which may be in units of the REIT that it manages).

5 COMPOSITION AND DUTIES OF THE AUDIT COMMITTEE

5.1 A REIT manager shall have an Audit Committee which satisfies the following requirements:

- (a) the Audit Committee shall comprise at least three directors;
- (b) all the members of the Audit Committee shall be non-executive directors;
- (c) the Chairman of the Audit Committee shall be an independent director; and
- (d) at least a majority of the members of the Audit Committee (for which purpose the chairman of the Audit Committee shall be reckoned as a member of the Audit Committee) shall be independent directors.

5.2 The REIT manager shall ensure that its internal controls to address and mitigate potential conflicts of interests are subject to regular reviews by the Audit Committee with respect to their adequacy and effectiveness.

5.3 The REIT manager shall ensure that all related party transactions are subject to review by the Audit Committee.

6 CONDUCT OF BOARD MEETINGS

6.1 The REIT manager shall ensure that all resolutions of its board of directors concerning the REIT must be approved by a majority of its directors, including at least one independent director.

6.2 The REIT manager shall ensure that for matters in which any of its shareholders or subsidiaries has an interest (whether directly or indirectly):

- (a) the nominees appointed by the relevant shareholder or subsidiary to the board of directors shall abstain from voting in such matters; and
- (b) the quorum must comprise a majority of the independent directors.

6.3 The REIT manager shall ensure that for matters in which a director has an

interest:

- (a) the interested director shall abstain from voting in such matters; and
- (b) the quorum must comprise a majority of the directors (excluding such interested directors).