

## Corporate Governance

### The Manager

The primary role as the Manager of CMMT is to set the strategic direction of CMMT and make recommendations to the Trustee on the acquisition of new assets and divestment or enhancement of CMMT's assets in accordance with its stated investment strategy. The research, evaluation and analysis required for this purpose are coordinated and carried out by the Manager. The Manager is also responsible for the system of risk management and internal controls for CMMT.

The Manager has general powers of management over the assets of CMMT. The Manager's primary responsibility is to manage the assets and liabilities of CMMT for the benefit of the Unitholders of CMMT. This is done with a focus on generating rental income and enhancing asset values over time so as to maximise the returns from the investments and ultimately, the distribution and total returns to Unitholders.

Other functions and responsibilities of the Manager include:

- (a) Using its best endeavours to conduct CMMT's business in a proper and efficient manner and to conduct all transactions on behalf of CMMT at arm's length.
- (b) Preparing annual property plans for review by the Manager's Directors, including forecasts on revenue, net income and capital expenditure, reasons for major variances in previous years' numbers, written commentaries on key issues and underlying assumptions for rental rates, operating expenses and other relevant assumptions.
- (c) Ensuring compliance with relevant laws and regulations, including but not limited to the Companies Act 1965, the Capital Markets and Services Act 2007 (CMSA), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) (Listing Requirements), the Securities Commission's (SC) Guidelines on Real Estate Investment Trusts (REITs Guidelines), Licensing Handbook, written directions, notices, codes and other applicable guidelines issued by SC and/or Bursa Malaysia from time to time and the tax rulings issued by the Inland Revenue Board of Malaysia on the taxation of CMMT and its Unitholders as well as any updates and amendments to such relevant laws and regulations.
- (d) Attending to all regular communications with Unitholders.
- (e) Supervising Knight Frank Malaysia Sdn. Bhd. and Zaharin Nexcap Property Management Sdn. Bhd. (the Property Managers), which pursuant to the property management agreements, perform the day-to-day property management functions (including leasing, accounting, marketing and promotions, property management and operations) for CMMT's properties namely Gurney Plaza, Sungei Wang Plaza<sup>1</sup>, Tropicana City Mall and Tropicana City Office Tower, The Mines and East Coast Mall.

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibility. CMMT's Sustainability Management section is set out on pages 56 to 60.

CMMT, constituted as a trust, is externally managed by the Manager. The Manager appoints experienced and well qualified individuals to run its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not CMMT.

The Manager was appointed in accordance with the terms of the trust deed dated 7 June 2010 (as amended and restated on 15 September 2015) (the Deed). The Deed outlines certain circumstances under which the Manager can be removed; through a special resolution passed by a majority consisting of not less than three-fourths of the Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Deed, on grounds of a breach of its obligations under the Deed which the Manager failed to remedy despite the request to remedy from the Trustee.

<sup>1</sup> CMMT's interest in Sungei Wang Plaza comprises (i) 205 strata parcels within the mall which represents approximately 61.9% of the aggregate retail floor area of Sungei Wang Plaza, and (ii) 100.0% of the car park bays in Sungei Wang Plaza.

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The Manager is a subsidiary of CapitaLand Limited (CapitaLand) which holds a significant unitholding interest in CMMT. CapitaLand is a long-term real estate developer and investor and has strong inherent interests in the performance of CMMT. CapitaLand's retention of a significant unitholding interest in CMMT ensures its commitment to CMMT and aligns its interests with other Unitholders. The Manager's association with CapitaLand provides the following benefits, amongst other things, to CMMT:

- (a) a stable pipeline of property assets through CapitaLand'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 Culture

Strong corporate governance has always been the priority of the Manager. The Manager recognises that an effective corporate governance culture is critical to the performance and consequently, to the success of CMMT.

The Manager (the Company, and together with CMMT and its subsidiary, the Group) is committed to high standards of corporate governance and transparency in the management of CMMT and operates in the spirit of the Malaysian Code on Corporate Governance 2012 (the Code), wherever applicable, in discharging responsibilities of the Manager in dealings with Unitholders and the other stakeholders. The following paragraphs describe corporate governance policies and practices of the Manager in 2016, with specific references to the Code. They encompass proactive measures adopted by the Manager to best safeguard the Unitholders' interests by avoiding situations of conflict and potential conflicts of interest, including prioritising the interests of Unitholders over the Manager's and ensuring that applicable laws and regulations are complied with. For ease of reference, the same provisions referred to in the Code are identified below in italics.

### **PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

#### *Board's Roles and Responsibilities*

The Board of Directors of the Manager (the Board) oversees the affairs of the Manager in furtherance to the Manager's primary responsibility to manage the assets and liabilities of CMMT for the benefit of Unitholders. Each Director must act honestly, with due care and diligence. Decisions are taken objectively in the interest of CMMT's Unitholders. The Manager has adopted guidelines, details of which are set out on pages 42 to 44 for Related Party Transactions (as defined herein) and dealings with conflicts of interest.

The Board provides leadership to the Chief Executive Officer (CEO) and the management team (Management) of the Manager, and sets the strategic vision, direction and long-term objectives for CMMT. The CEO, assisted by Management, is responsible for the execution of the strategy for CMMT and the day-to-day operation of CMMT'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 the Listing Requirements, REITs Guidelines as well as any other applicable guidelines prescribed by Bursa Malaysia, the SC or other relevant authorities and any other applicable laws. It also sets the disclosure and transparency standards for CMMT and ensures that obligations to Unitholders and other stakeholders are understood and met.

The Board has established various committees to assist it in the discharge of its functions. These committees are the Audit Committee (AC), the Corporate Disclosure Committee (CDC) and the Executive Committee (EXCO). The composition of the various committees is set out under Corporate Information of this Annual Report.

Each of these committees operates under delegated authority from the Board and is governed by its own terms of reference, with the Board retaining overall oversight. The Board may form other committees as dictated by business imperatives. Membership in the various committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective committees.

The Board meets regularly to discuss and review the Manager's key activities, including its business strategies and policies for CMMT. Board meetings are scheduled in advance, and are held at least once every quarter to deliberate on matters of strategic significance for CMMT, including any significant acquisitions and disposals, the annual budget, CMMT's and the Manager's business and financial performance reviews and approval for release of the quarterly and full-year results. Additional Board meetings are held, where necessary, to address significant transactions or issues. The Articles of Association of the Manager permit Board meetings to be held by way of tele-conference and video conference.

The Board's duties and responsibilities are guided by a Board Charter and include:

- (a) approving the Group's broad policies, strategies and objectives;
- (b) approving annual budgets, major funding, including capital management proposals, investment and divestment proposals;
- (c) reviewing at least annually the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls;
- (d) reviewing and approving succession plans for Directors;
- (e) reviewing and approving the appointment of and succession plans for the CEO; and
- (f) reviewing and approving Board compensation.

Specific matters which are reserved for the Board's approval include:

- (a) material acquisitions, investments, disposals, and divestments;
- (b) corporate and financial restructuring;
- (c) share issuance, dividends and other returns to shareholders;
- (d) review of the targets for and assessing the performance of the CEO and reviewing the compensation package for the CEO; and
- (e) matters which involve conflict of interest for a substantial shareholder, major Unitholder or a Director.

The AC is established by the Board from among the Directors of the Manager and comprises four members, all non-executive, the majority of whom (including the Chairman of the AC) are independent.

The AC members have the relevant expertise to discharge the functions of an audit committee. At present, two members of the AC are members of the Malaysian Institute of Accountants. The principal responsibilities of the AC under its terms of reference include the following:

- (a) Monitoring and evaluating the effectiveness of internal control processes (including financial, operational, compliance controls, information technology and risk management policies and systems) by reviewing internal and external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
- (b) Reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of CMMT Group and any announcements relating to CMMT Group's financial performance;
- (c) Reviewing the adequacy and effectiveness of the internal audit function;
- (d) Monitoring the procedures established to regulate Related Party Transactions (as defined herein) including ensuring compliance with applicable provisions of the Listing Requirements and the REITs Guidelines;
- (e) Reviewing the appointment and re-appointment of both internal and external auditors (including remuneration and terms of engagement) before recommending them to the Board for approval and reviewing the adequacy of existing audits in respect of cost, scope and performance;
- (f) Reviewing the scope and results of the audit and its cost effectiveness, the independence and objectivity of the external auditors, non-audit services provided by the external auditors and confirming that they would not, in the AC's opinion, impair the independence of the external auditors; and
- (g) Monitoring the procedures in place to ensure general compliance with applicable legislation, the Listing Requirements and the REITs Guidelines.

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The AC is authorised to investigate any matters within its terms of reference. The AC has full access to and has the co-operation of Management and the internal auditors with full discretion to invite any alternate director, executive officer and employee to attend its meetings. The internal auditors and CMMT's external auditors have unrestricted access to the AC. Reasonable resources have been made available to the AC to enable it to discharge its duties.

The AC meets CMMT's external auditors, without the presence of Management, at least twice a year. In its review of the audited financial statements for FY 2016, the AC discussed with Management and external auditors the accounting principles that were applied. Based on the review and discussions with Management and the external auditors, the AC is of the view that the financial statements are fairly presented, and conform to generally accepted accounting principles in all material aspects. The AC has also conducted a review of all non-audit services provided by the external auditors during the financial year and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid and payable to the external auditors for FY 2016 was RM200,000 of which audit fees amounted to RM191,000 and non-audit fees amounted to RM9,000.

Management closely monitors changes to accounting standards and other similar issues which may potentially have an impact on financial statements, and provides the AC with relevant briefings and updates during quarterly AC meetings and/or at specially convened sessions conducted by professionals or via circulation of AC papers.

AC meetings are generally held after the end of every quarter in every financial year. During FY 2016, the AC met a total of four times.

The CDC pursues best practices concerning transparency and reviews corporate disclosure matters relating to CMMT including announcements made to Bursa Malaysia.

The EXCO which may comprise of directors and/or individuals who are not directors of the Manager, oversees the day-to-day activities of the Manager on behalf of the Board. The principal responsibilities of the EXCO under its terms of reference include the following:

- (a) Approving or making recommendations to the Board on write-offs of investments;
- (b) Approving or making recommendations to the Board on new investments and acquisitions;
- (c) Approving specific budgets for capital expenditure involving development projects, acquisitions and enhancements/upgrading of properties;
- (d) Reviewing management reports and operating budgets;
- (e) Awarding contracts for development projects;
- (f) Reviewing the adequacy and completeness of the overall risk management framework of CMMT;
- (g) Evaluating and making recommendations for the Board's approval of the risk guidelines and limits for CMMT;
- (h) Reviewing CMMT's risk portfolio mix and risk levels as and when required;
- (i) Reporting to the Board on decisions made by the EXCO; and
- (j) Performing such other functions as delegated by the Board.

During FY 2016, the EXCO met formally for a total of four times. The members of the EXCO also meet informally during the course of the year.

The Board has adopted a set of internal controls which sets out approval limits for, among other things, capital expenditure, new investments and divestments, bank borrowings and minimum signatory requirements for cheques at the Board level. Apart from matters that specifically require the Board's approval such as the issue of new Units and income distribution, the Board, while approving certain transactions exceeding certain threshold limits, delegates authority for transactions below those limits to its committees and Management. Appropriate delegation of authority and approval of sub-limits are also provided at the management level to facilitate operational efficiency.

### *Supply and Access to Information*

Management provides the Board with complete and adequate information in a timely manner. This is done through regular updates on financial results, market trends and business developments. Changes to regulations, policies and accounting standards are also monitored closely.

To keep pace with regulatory changes, where these changes have an important and significant bearing on CMMT and its disclosure obligations, the Directors are briefed by Management during Board meetings, at specially convened sessions or via circulation of Board papers. Information provided to the Board includes explanatory background information relating to matters to be brought before the Board, budgets, forecasts and management accounts. In relation to budgets, any material variance between projections and actual results are disclosed and explained.

The Board is supported by a suitably qualified and competent Secretary. The Secretary of the Manager works with the Chairman and Management to ensure that Board papers and agendas are provided to each Director in advance of the Board meetings so that they can familiarise themselves with the matters prior to the Board meetings. Senior executives who can provide additional insights into matters to be discussed are requested to also attend the Board meetings so as to be at hand to provide clarifications and/or additional information. Board meetings are usually half-day affairs and include presentations by senior executives, external consultants and experts on strategic issues relating to specific business areas. The Board is entitled to have separate and independent access to the Management and the Secretary, and vice versa. The Secretary provides the Board with necessary assistance and is also responsible for assisting the Chairman in ensuring adherence to Board procedures and compliance with applicable laws and regulations. Under the direction of the Chairman, the Secretary's responsibilities include ensuring good information flow within the Board and its committees and between Management and Independent Directors, as well as facilitating orientation of new directors and assisting with the professional development of the Directors as and when required. The Secretary attends Board meetings and committee meetings to take minutes.

Where necessary, the Manager will, upon request of the Directors (whether as a group or individually), provide them with independent professional advice, at the Manager's expense, to enable them to discharge their duties. The Secretary assists the Directors in obtaining such advice.

### **PRINCIPLE 2: STRENGTHEN COMPOSITION**

The Manager is led by the Board which presently comprises a majority of Independent Directors. This exceeds the requirement of the Code. Currently, the Board consists of nine Directors of whom five are Non-Executive Independent Directors. The Board determines that Mr David Wong Chin Huat, Tuan Haji Rosli bin Abdullah, Ms Tan Siew Bee, Dr Peter Tay Buan Huat and Mr Ng Chih Kaye are considered to be Independent Directors under the Listing Requirements and REITs Guidelines.

Non-Executive Directors actively participate in setting and developing strategies and goals for Management, reviewing and assessing Management's performance. This enables Management to benefit from their external and diverse perspectives on issues that are brought before the Board.

It also enables the Board to interact and work with Management through a healthy exchange of ideas and views to help shape the strategic process. A clear separation of the roles between the Chairman and CEO is further described on page 36.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate size and mix of expertise and experience. The Board comprises persons who, as a group, provide the necessary core competencies and the current Board size is appropriate, taking into consideration the nature and scope of CMMT's operations. The profiles of the Directors are set out on pages 20 to 24.

## Corporate Governance

### *Board Membership*

The Board undertakes the function of a nominating committee and therefore, the Manager does not have a nominating committee. The Board performs the functions that such a committee would otherwise perform, namely, it administers nominations to the Board, reviews the structure, size and composition of the Board, and reviews the performance and independence of Board members. The Board seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to CMMT's business. The current Board comprises individuals who are business leaders and professionals with financial, banking, legal, engineering and accounting backgrounds. The varied backgrounds of the Directors enable Management to benefit from their respective expertise and diverse background.

As part of its commitment towards improving its corporate governance, the Board recently undertook a review of the matter and has determined that it shall continue to undertake the functions of a nominating committee. The following considerations were taken into account:

- (a) The Manager is a dedicated manager to only CMMT and has 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 CMMT 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) That Independent Directors form a majority of the Board and the Chairman as an Independent Director demonstrates that the Independent Directors play a substantive role and assures 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.

In view of the criteria and process put in place for selecting, appointing and reappointing Directors and for reviewing the performance of Directors, the Board has adopted the following for FY 2016 and thereafter:

- (a) The Board will at least annually carry out a review of the Board composition as well as on each occasion when an existing Independent Director gives notice of his intention to retire or resign. This is to assess the collective skills, knowledge and experience of the Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for CMMT.
- (b) The Board will review the suitability of any candidates put forward by any director for appointment, having regard to the skills required and the skills represented on the Board as to whether a candidate's skills, knowledge and experience will complement the existing Board and whether he has sufficient time available to commit to his responsibilities as a Director, and if he is fit and proper person for the office in accordance with the Licensing Handbook issued by the SC and the CMSA (which require the candidate to be, among other things, competent, honest and with integrity).
- (c) External consultants may be engaged from time to time to access a wide base of potential directors.
- (d) No member of the Board will be involved in any decision of the Board relating to his own appointment, reappointment or assessment of independence.
- (e) A newly appointed Director will receive a formal appointment letter and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director).
- (f) All Directors on appointment will undergo an induction programme to help familiarize them with matters relating to CMMT's business and the Manager's strategy for CMMT.
- (g) The performance of the Board, the various committees and Directors will be reviewed annually.
- (h) The Board will proactively address any issues identified in the board performance evaluation.

The adopted process takes into account the requirements in the Code that the composition of the Board, including the selection of candidates for new appointments to the Board is part of the Board's renewal process and will be determined using the following principles:

- (a) The Board should comprise Directors with a broad range of commercial experience, including expertise in fund management, the property industry, banking and legal fields; and
- (b) At least one-third of the Board should comprise of Independent Directors. Where, among other things, the Chairman of the Board is not an Independent Director, at least half of the Board should comprise of Independent Directors.

Presently a majority of the Board comprises Independent Directors and the Chairman of the Board is presently an Independent Director. The Board intends to continue with the Principle that at least half of the Board shall comprise Independent Directors.

### *Board Evaluation*

The Manager believes that oversight from a strong and effective board goes a long way in guiding a company to achieving success.

The Board strives to ensure that there is an optimal blend in the Board of background, experience and knowledge in business, finance and management skills critical to CMMT's business, 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 CMMT.

Whilst board performance is ultimately reflected in the long-term performance of CMMT, the Board believes that engaging in a regular process of self-assessment and evaluation of board performance in order to identify key strengths and areas for improvement is essential towards effective stewardship and attaining success for CMMT.

As part of the Manager's commitment towards improving corporate governance, the Board has implemented a process to evaluate the effectiveness of the Board as a whole and the committees on an annual basis. As part of the process, questionnaires were sent to the Directors, and the results were aggregated and reported to the Chairman of the Board. The areas of evaluation covered in the survey questionnaire included Board composition, Board processes, strategy, performance and governance, access to information and committees effectiveness. The results of the survey were deliberated upon by the Board, and the necessary follow up action will be taken with a view to enhancing its effectiveness of the Board in the discharge of its duties and responsibilities.

In respect of individual Directors, their contributions 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/or committee meetings.

The Manager also believes that the collective board performance and the contributions of individual Board members are also reflected in, and evidenced by, the collective and 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 CMMT in the appropriate direction, as well as the long-term performance of CMMT whether under favourable or challenging market conditions.

Pursuant to the Listing Requirements, the limit on the number of directorships in listed issuers is five. A Director with multiple directorships is expected to ensure that sufficient attention is given to the affairs of the Manager and CMMT.

## Corporate Governance

### *Remuneration*

The Manager believes that a framework of remuneration for the Board and the Management should not be taken in isolation. It should be linked to the building of management bench strength and the development of key executives. This is to ensure continual development of talent and renewal of strong and sound leadership for a sustainable business and a lasting company in the best interest of CMMT. The other additional factors considered were:

- (a) By tapping on the compensation framework of CapitaLand, the Manager is placed in a better position to attract better qualified management talent, who may otherwise not be attracted to a standalone REIT manager; and
- (b) The association with CapitaLand provides an intangible benefit of allowing its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and career horizon and this enables the Manager to attract and retain qualified individuals.

As part of its commitment towards improving its corporate governance, the Board recently undertook a review of the matter and has determined that it shall undertake the functions of a remuneration committee. The Board will take into consideration the same criteria as considered earlier in undertaking the function of a nominating committee, which are (a) the Manager is a dedicated manager for CMMT only; and (b) the independence of the Board which consists of a majority of Independent Directors together with the Chairman mitigate concerns of conflict.

During FY 2016, the Board undertook the functions of a remuneration committee and the Manager will continue not to have a separate remuneration committee. The Board performs the functions that such a committee would otherwise perform, namely, overseeing the design and implementation of the remuneration policy and the specific remuneration packages for each Director and key executives including the CEO. No member of the Board will be involved in any decision of the Board relating to its own remuneration.

In terms of the process to be put in place by the Manager for developing policies on remuneration and determining the remuneration packages for Directors and executive officers, the Manager will, through an independent remuneration consultant, take into account benchmarking within the industry, as appropriate. It may also consider the compensation framework of CapitaLand as a point of reference.

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

#### **Business Alignment**

- Focus on generating rental income and enhancing asset value over time so as to maximize returns from investments and ultimately the distribution and total return to Unitholders.
- Provide sound, structured funding to ensure affordability and cost-effectiveness in line with performance goals
- Enhance retention of key talent 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 by linking rewards with performance goals

#### **Fair & Appropriate**

- Ensure competitive remuneration relative to the appropriate external talent markets
- Manage internal equity such that the remuneration systems are viewed as fair
- Significant and appropriate portion of pay-at-risk, taking into account risk policies for CMMT, 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 undertakings to maximize the value of the remuneration programmes

The remuneration of Directors for FY 2016 is shown in the following table. The CEO does not receive Directors' fees. Non-Executive Directors have no service contracts with the Manager. They receive Directors' fees which comprise a basic retainer fee as a Director, an additional fee for serving on any of the various committees and an attendance fee for participation in meetings of the Board and any of the various committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities undertaken by directors are considered. The Chairman and members of the AC receive additional fees to take into account the nature of their responsibilities and the increased frequency of these meetings.

Ultimately, the Directors' fees of CMRM is subject to approval of the shareholders of the Manager.

### Directors' Remuneration for FY 2016

Board Members	FY 2016 <sup>1</sup> (RM)	FY 2015 <sup>2</sup> (RM)
David Wong Chin Huat	205,000	205,000
Tuan Haji Rosli Bin Abdullah	150,000	152,000
Foo Wei Hoong <sup>3</sup>	80,000	85,000
Jason Leow Juan Thong <sup>4</sup>	145,000	139,000
Ng Chih Kaye	130,000	126,000
Ng Kok Siong <sup>4</sup>	200,000	182,000
Tan Siew Bee	130,000	130,000
Dr Peter Tay Buan Huat	89,000	97,000
Low Peck Chen	–	–

1 Inclusive of attendance fees of (a) RM5,000 (local director) and RM8,000 (foreign director) per meeting attendance in person, (b) RM2,000 per meeting attendance via tele-conference or video conference, and (c) RM2,000 per project or verification meeting subject to a maximum of RM20,000 per Director per annum. Directors' fees are subject to the approval of the Manager's shareholders.

2 Inclusive of attendance fees of (a) RM4,000 (local director) and RM6,000 (foreign director) per meeting attendance in person, (b) RM2,000 per meeting attendance via tele-conference or video conference, and (c) RM2,000 per project or verification meeting subject to a maximum of RM20,000 per Director per annum. Directors' fees are subject to the approval of the Manager's shareholders.

3 The Director's fees (excluding attendance fees) to Foo Wei Hoong are payable to Malaysian Industrial Development Finance Berhad (MIDF).

4 In respect of Directors who are nominees of CapitalLand or CapitalLand Mall Asia Limited (CMA), the Directors' fees are payable to CapitalLand and CMA.

### PRINCIPLE 3: REINFORCE INDEPENDENCE

#### *Annual Assessment of Independence*

The independence of each Director is reviewed by the Board upon appointment, and thereafter annually as and when circumstances require. An Independent Director is one who has no relationship with the Manager, its related parties, its shareholders who hold 10% or more of the voting shares in the Manager or Unitholders who hold 10% or more units in issue of CMMT or its officers that could interfere, or be reasonably perceived to interfere with the exercise of independent judgement or the ability to act in the best interest of CMMT.

The Manager applies the Listing Requirements, the REITs Guidelines and the Code in determining if a Director is independent. In making the determination, a questionnaire (that contains, amongst others, disclosures of interest by the Director) completed by the director before his/her appointment is taken into consideration. Each year all Directors are asked to reaffirm their status as an Independent Director.

#### *Tenure of Independent Directors*

Recommendation 3.2 of the Code states that the tenure of an independent director should not exceed a cumulative term of nine years. None of the Independent Directors has served on the Board beyond nine years.

## Corporate Governance

### *Chairman and CEO*

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities of Chairman and CEO are held by separate individuals. The division of responsibilities between the Chairman and the CEO facilitates effective oversight and a clear segregation of duties. The Chairman and the CEO are not related to each other and the Chairman is a Non-Executive Independent Director.

The Chairman plays a significant leadership role by providing clear oversight, advice and guidance to the CEO and Management on strategies and business operations.

The Chairman leads the Board to ensure the effectiveness on all aspects of its role and sets its agenda. He ensures that members of the Board receive accurate, clear and timely information, facilitates the contribution of Non-Executive Directors, encourages constructive relationships between Executive Directors, Non-Executive Directors and Management, ensures effective communication with Unitholders and promotes a high standard of corporate governance.

The Chairman also ensures that the Board works together with Management with integrity, competency and moral authority, and that the Board constructively engages Management in deliberations on strategy, business operations and enterprise risks.

The CEO is a Board member and has full executive responsibilities over the business direction and operational decisions in managing CMMT.

The Chairman and the CEO are not immediate family members. The separation of roles of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the business activities of CMMT and the exchange of ideas and views to help shape the strategic process.

### **PRINCIPLE 4: FOSTER COMMITMENT**

#### *Time Commitment*

Currently, the directorships held by each Board member are disclosed to the Secretary in accordance with the law and regulations. All Directors are aware that they should devote sufficient time to carry out their responsibilities to the Manager and CMMT. Policies and procedures are in place and strictly complied by the Board before acceptance of any new directorships by any member of the Board.

#### *Board and Committee Attendance*

The matrix of Board members' participation and attendance records at meetings of the Board and the various committees during the year are provided below. The participation and attendance records also reflect each Board member's additional responsibilities and special focus on the respective committees.

Four Board meetings were held during FY 2016. The table contains the attendance record of Directors at Board and various committee meetings during the year, and details of their memberships in the Board and various committees.

## Composition and Meeting Attendance

Board Members	Composition			Meeting Attendance		
	Audit Committee	Executive Committee	Corporate Disclosure Committee	Board Number of Meetings Held: 4	Audit Committee Number of Meetings Held: 4	Executive Committee Number of Meetings Held: 4
David Wong Chin Huat	–	–	Chairman	4	N.A.	N.A.
Tuan Haji Rosli Bin Abdullah	Chairman	–	–	4	4	N.A.
Foo Wei Hoong	–	–	–	3	N.A.	N.A.
Jason Leow Juan Thong	–	Chairman	Member	4	N.A.	4
Ng Chih Kaye	Member	–	–	4	4	N.A.
Ng Kok Siong	Member	Member	Member	4	4	4
Tan Siew Bee	Member	–	–	4	4	N.A.
Dr Peter Tay Buan Huat	–	–	–	3	N.A.	N.A.
Low Peck Chen	–	Member	–	4	N.A.	4

N.A. – Not applicable

### Directors' Training

All Directors attended the Mandatory Accreditation Programme (MAP) and as prescribed by Bursa Securities, within four months of their appointments. Mr Lee Hui Yeow was appointed as alternate director to Mr Ng Kok Siong on 1 January 2017 and has until 30 April 2017 to attend the MAP.

The Manager provides suitable training for Directors. Upon appointment each Director is provided with a formal letter of appointment and is also given a copy of the Directors' Manual (which includes information on a broad range of matters relating to the role of a director). All Directors on appointment are required to undertake an induction programme to familiarise themselves with matters relating to the business activities of CMMT, its strategic directions and policies, the regulatory environment in which CMMT operates and the Manager's corporate governance practices. The Manager also provides appropriate training for first time Directors including industry-specific knowledge.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, risk management and corporate governance matters, 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 the various committee members.

During the year under review, the Directors attended various conferences/programmes to enhance their knowledge and expertise and to keep abreast with the relevant changes in law, regulations and the business environment. In this regard, the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

## Corporate Governance

All Directors had undergone training programmes during FY 2016. Directors had attended/participated individually or collectively in one or more of the following training programmes, conferences and workshops:

### Training Programmes, Seminars and Workshops attended by Directors:

- EMTech Asia – Emerging Technology Singapore Conference (MIT Technology)
- FIDE Forum on Directors’ Remuneration (Financial Institutions Directors’ Education, Bank Negara Malaysia (FIDE))
- Corporate Governance Breakfast Series entitled “Improving Board Risk Oversight Effectiveness” (Bursa Securities)
- Event on “Ring the Bell for Gender Equality” (Bursa Securities)
- FIDE Forum on Cyber Risk Oversight (FIDE)
- 8th Annual Corporate Governance Summit – Decoding Uncertainties, Delivering Value (Asian World Summit)
- Audit Committee Conference 2016: Setting the Right Tone (Malaysian Institute of Accountants (MIA))
- FIDE Forum on Directors And Officers Liability Insurance (FIDE)
- Seminar on Managing the Value of Assets under IFRS/MFRS (MIA)
- FIDE Forum on Avoiding Financial Myopia (FIDE)
- Seminar on GLC Litigation (Lee Hishammuddin Allen & Gledhill)
- FST’s Future of Banking and Financial Services Conference (FST Media)
- Workshop on Managing the Media in Emergencies (WorldComm Training & Consultancy)
- Sustainability Engagement Series for Directors/Chief Executive Officer (Bursa Securities)
- Singapore Institute of Directors (SID): The Secrets and Art of Cyber Security (SID)
- Seminar on Latest Updates on Directors’ Remuneration Sectors 2016 (Federation of Public Listed Companies Bhd)
- Workshop on Trans Pacific Partnership Agreement (TPPA) (Khazanah Research Institute)
- Seminar on “Strategy & Risks – Managing Uncertainties” (MINDA)
- Seminar on “Fintech – Business Opportunity or Disruptor” (FIDE)
- In-house Talk on Financial Technology and Crowd Funding in Malaysia for Directors and Senior Management (MIDF)
- Conference on “The Future of Digital Finance 2016” (Thomvell International)
- Advocacy Sessions on Management Discussion & Analysis for CEO and CFO of Listed Issuers (Bursa Securities)
- Conference on “Talent, Technology and Tomorrow’s Workplace” (Asian Institute of Finance)
- In-house training on Anti Money Laundering Act (iVCAP)
- Global Symposium on Innovative Financial Inclusion (BNM)
- Khazanah Megatrend (Khazanah Nasional Berhad)
- Capital Market Directors Programme for Fund Management (Securities Industry Development Corporation)
  - Module 1: Directors as Gatekeepers of Market Participants
  - Module 2B: Business Challenges and Regulatory Expectations – What Directors Need to Know (Fund Management)
  - Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors
  - Module 4: Emerging and Current Regulatory Issues in the Capital Market
- Examiners Seminar on Bloom’s Taxonomy (Asian Institute of Chartered Bankers)
- 2016 National Conference – Navigate Waves of the Digital Revolution (The Institute of Internal Auditors Malaysia)
- Empowering Women Series - For Women Leaders in Senior Management (Bursa Securities)
- Seminar on “Strategy To Leverage Technology for Business Solutions” (FIDE)
- MIA International Accountants Conference 2016 (MIA)
- CG Breakfast Series: Cybersecurity Threat and How Boards Should Mitigate the Risks (Bursa Securities)

## **PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING**

### *Financial Reporting*

The Manager has implemented quarterly financial reporting for CMMT since inception. Financial results and other price sensitive public announcements are presented in a balanced and understandable format for the assessment of CMMT's performance, position and prospects.

As reported on page 29, the AC has ensured that the financial statements comply with applicable financial reporting standards and assessed the suitability and independence of the external auditors.

### *Suitability and Independence of External Auditors*

The Manager adopted the External Auditor's Independence Guidelines to enable the AC to assess the suitability and independence of the external auditor.

The AC meets CMMT's external auditors, without the presence of Management at least twice annually in order to have unfettered access to any information it may require.

## **PRINCIPLE 6: RECOGNISE AND MANAGE RISKS**

The Manager has put in place an adequate and effective system of internal controls addressing material financial, operational, compliance and information technology risks to safeguard the assets of CMMT and the interest of Unitholders.

The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of enterprise risk management and internal control systems. The EXCO and AC assist the Board in strengthening the Manager's risk management capabilities for CMMT and its subsidiary (CMMT Group).

The EXCO and AC are guided by their respective Terms of Reference, in particular, they:

- (a) make recommendations to the Board on the risk appetite and associated risk parameters including risk limits for CMMT Group;
- (b) review and assess compliance with and the adequacy of the risk management framework, policies and strategies to identify, measure, manage and report risks;
- (c) oversee Management in the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with CMMT Group's approved risk appetite and parameters and report to the Board on their decisions on any material matters concerning the aforementioned;
- (d) make the necessary recommendations to the Board such that an opinion and comment regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report of CMMT in accordance with the Listing Requirements and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; and
- (e) consider and advise on risk matters referred to them by Management or the Board including reviewing and reporting to the Board on any material breaches of approved risk limits, any material non-compliance with the approved framework and policies and the adequacy of any proposed action.

## Corporate Governance

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

The Manager consistently seeks to improve and strengthen the ERM Framework. As part of the ERM Framework, the Manager, amongst other things, undertakes and performs on an annual basis a Risk and Control Self-Assessment (RCSA) process. As a result of the RCSA process, the Manager produces and maintains a risk register which identifies the material risks CMMT Group faces and the corresponding internal controls it has in place to manage or mitigate those risks. The material risks are reviewed annually by EXCO, AC and the Board. The EXCO and AC also review the approach in identifying and assessing risks and internal controls in the RCSA. The system of risk management and internal controls is reviewed and where appropriate, refined regularly by the Manager, EXCO, AC and the Board.

The Manager has established an approach on how risk appetite is defined, monitored and reviewed for CMMT Group. Approved by the Board, CMMT Group's Risk Appetite Statement (RAS), which incorporates the risk limits, addresses the management of material risks faced by CMMT Group. Alignment of CMMT Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms (including key performance indicators set for Management) put in place across the various functions within the Manager.

More information on CMMT's ERM Framework can be found in the Enterprise Risk Management section on pages 51 to 53.

Internal auditors and external auditors conduct reviews that involve testing the effectiveness of the material internal controls for CMMT Group addressing financial, operational, compliance and information technology risks. 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 auditors is reported to and reviewed by the AC. The adequacy and effectiveness of the measures taken by the Manager in response to the recommendations made by the internal auditors are also reviewed by the AC.

The Board has received assurance from the CEO and Head of Finance of the Manager that the system of risk management and internal controls in place for CMMT Group is adequate and effective in addressing the material risks faced by CMMT Group in its current business environment including material financial, operational, compliance and information technology risks. The CEO and Head of Finance of the Manager have obtained similar assurances from the respective risk and control owners.

Based on the ERM Framework established and the reviews conducted by the Management and both the internal auditors and external auditors, as well as the assurance from the CEO and Head of Finance of the Manager, the Board concurs with the recommendation of the EXCO and AC and is of the opinion, that the system of risk management and internal controls addressing material financial, operational, compliance and information technology risks established by the Manager is adequate and effective to meet the needs of the CMMT Group in its current business environment as at 31 December 2016.

The Board notes that the system of risk management and internal controls established by the Manager provides reasonable, but not absolute, assurance, that CMMT 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 judgment in decision making, human error, losses, fraud or other irregularities.

## ***PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE***

The Listing Requirements require that a listed entity discloses to the market matters that could, or might be expected to have a material impact on the price of the entity's securities. In line with CMMT's disclosure obligations, the Board's policy is to inform Unitholders, on a timely manner, of all major developments that impact CMMT. During the year, a continuous disclosure process was in place to ensure that compliance with such obligations was constantly adhered to.

The Board observes and performs its disclosure and reporting obligations by making timely announcements to the relevant authorities as and when required by the Listing Requirements.

Unitholders and potential stakeholders have 24-hour access to CMMT's website for information on CMMT's major developments, property descriptions, announcements and other corporate information.

CMMT's unit price information (15 minutes lag-time) is also made available on the website. In addition, the public can pose questions via a dedicated 'Ask Us' email address, and have their queries addressed accordingly. Also available on the website is an archive of CMMT's announcements, press releases, annual reports and operational details. The latest information is posted on the website as soon as it is released to Bursa Securities and the media.

## ***PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS***

The Manager is committed to treating all Unitholders fairly and equitably and keeping all Unitholders, other stakeholders and analysts informed of the performance and changes in CMMT or its business which would be likely to materially affect the price or value of Units, on a timely and consistent basis so as to assist Unitholders and investors in their investment decisions.

CMMT believes in regular, effective, unbiased and transparent communication with Unitholders. The Manager communicates information on CMMT to Unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly and full-year results, material transactions, and other developments relating to CMMT Group requiring disclosure under the corporate disclosure policy of Bursa Securities.

The Investor Relations and Communications teams actively engage Unitholders, analysts, fund managers and the media via:

- (a) Media and analysts' briefings;
- (b) One-on-one/group meetings or conference calls, local/overseas roadshows and conferences;
- (c) Annual reports;
- (d) Press releases on major developments of CMMT;
- (e) Notices of, and explanatory memoranda for, annual general meetings (AGMs) and extraordinary general meetings (EGMs); and
- (f) CMMT's website at [www.cmmt.com.my](http://www.cmmt.com.my) (an email alerts option is available to subscribers who wish to be notified of newly posted announcements, presentations, publications and press releases).

## Corporate Governance

With a majority of units in CMMT held by institutional investors, the Manager considers meetings with local and foreign fund managers an integral part of investor relations. CMMT also participates in various local conferences as part of its efforts to build interest in Malaysia REIT market. During the year under review, the Manager met with institutional investors from Malaysia, Singapore, Hong Kong, Japan, USA and Australia. These meetings and roadshows with investors enabled the Manager to update potential and current Unitholders on CMMT's significant developments and its medium to long-term strategies. The Manager will continue to pursue opportunities to educate and keep retail investors informed of the latest developments in the Malaysia REIT industry, through relevant seminars and conferences.

As part of the Manager's proactive corporate governance approach, the Manager has adopted a formal investor relations policy to ensure that Unitholders and the investment community are provided with pertinent and timely information about the CMMT Group, to enable Unitholders to exercise their rights in an informed manner and to allow Unitholders and the investment community to engage actively with CMMT and the Manager.

During the year under review, CMMT's AGM was held on 31 March 2016 which allowed Unitholders a forum to communicate their views and interact with members of the Board and the Management.

The Manager supports the principle of encouraging effective Unitholder participation and voting at general meetings. All Unitholders are entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings. All Unitholders are also informed of the rules including voting procedures, governing such meetings. All Unitholders are sent a copy of CMMT's annual report prior to the AGM. As and when an EGM is to be held, each Unitholder will be sent a copy of a circular which contains details of the matters to be proposed for Unitholders' consideration and approval. Notices for the general meetings of Unitholders setting out all items of business to be transacted at the general meeting are served within the minimum notice period, are announced on Bursa LINK and advertised in the newspapers. Members of the Board, the Manager's senior management and the external auditors of CMMT are in attendance at such general meetings, and Unitholders are given the opportunity to air their views and ask questions regarding the matters to be tabled at the general meetings. Resolutions put to the general meeting are separate unless they are interdependent and linked, and the reasons and material implications are explained. Voting at general meetings is conducted by way of a poll. The chairman of the meeting, with assistance of the Manager's staff and service providers, will brief Unitholders to familiarise them with the detailed procedures involved in conducting a poll, and the result of the poll will be announced after the general meeting via Bursa LINK. Minutes of general meeting will be made available to Unitholders at their request. Moving forward, a summary of the key matters discussed at the annual general meetings will be uploaded on CMMT's website at [www.cmmt.com.my](http://www.cmmt.com.my) in accordance with the provisions of the Listing Requirements. A Unitholder is entitled to appoint one proxy, and for certain categories of Unitholders, two proxies, to attend and vote at the general meetings in his/her stead.

### OTHERS

#### Dealing with Related Parties

##### *Review Procedures for Related Party Transactions*

In general, the Manager has established internal control procedures to ensure that all future transactions involving the Trustee and a related party of CMMT (Related Party 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. In respect of such transactions, the Manager would have to demonstrate to the AC that the transactions are undertaken on normal commercial terms which may include obtaining (where applicable) quotations from parties unrelated to the Manager, or obtaining valuations from independent valuers (in accordance with the REITs Guidelines).

In addition, the following procedures are generally followed:

- (a) Save and except for transactions for appointment or renewal of service providers related to the Manager, all non-real estate transactions less than RM250,000 shall be approved by the CEO followed by the advice of internal auditor and review by the AC.
- (b) Save and except for transactions for appointment or renewal of service providers related to the Manager, all non-real estate transactions greater than or equal to RM250,000 shall be approved by the Board upon the advice of internal auditor and review/recommendation by the AC. The same principles apply to real estate transactions less than 5% of the total asset value (TAV) of CMMT and are additionally subject to the Trustee's written confirmation based on the Board's approval.
- (c) Real estate transactions greater than or equal to 5% of TAV shall be approved by the Unitholders based on the Board's approval after internal auditor's advice and the AC's review/recommendation.
- (d) Save and except for transactions which fall within the ambit of Paragraph 10.08(11)(e) and (g)<sup>1</sup> of the Listing Requirements and such transactions highlighted to the SC and confirmed in their letters dated 19 September 2012 and 21 June 2016 (Exempted Related Party Transaction), the appointment or renewal of service providers related to the Manager shall be approved by the Independent Directors upon the advice of internal auditor and review/ recommendation by the AC.
- (e) Exempted Related Party Transactions shall be approved by the CEO followed by approval/ratification of the Independent Directors.

In dealing with any Related Party Transactions, it is the Manager's policy that all related party transactions carried out by or on behalf of CMMT should be:

- (a) Carried out on an arm's length basis and on normal commercial terms;
- (b) In the best interest of Unitholders of CMMT;
- (c) Adequately disclosed to the Unitholders of CMMT;
- (d) In relation to a real estate transaction:
  - (i) consented by the Trustee;
  - (ii) consistent with the investment objective and strategy of CMMT; and
  - (iii) transacted at a price that is equivalent to the value stated in the valuation report.

The acquisition/disposal may be transacted at a price other than as per the valuation report PROVIDED THAT

- (a) the acquisition price is not more than 110% of the value assessed in the valuation report;
- (b) the disposal price is not less than 90% of the value assessed in the valuation report; and
- (c) the Trustee provides written confirmation that the transaction is based on normal commercial terms, at arm's length, and is not prejudicial to Unitholders' interest.

<sup>1</sup> Paragraph 10.08(11)(e) of the Listing Requirements refers to the provision or receipt of financial assistance or services, upon normal commercial terms and in the ordinary course of business, from a corporation whose activities are regulated by any written law relating to banking, finance corporations or insurance and are subject to supervision by Bank Negara Malaysia.

Paragraph 10.08(11)(g) of the Listing Requirements refers to a transaction between a listed issuer or any of its subsidiaries and another person for the provision or receipt of goods or services which are Exempted Transactions where (i) the goods or services are purchased, sold or rendered based on a non-negotiable fixed price or rate which is published or publicly quoted; and (ii) all material terms including the prices or charges are applied consistently to all customers or classes of customers. Exempted Transactions are further defined to mean (aa) provision or usage of public utility services such as water, electricity, telecommunications, postal or courier services, insurance, unit trusts, stockbroking services, public transport, education, medical services, provision or usage of tolled highways, hotel facilities and recreational services, provision or consumption of fuel on retail or food and beverage at eateries, provision or purchase of goods at retail outlets such as supermarkets, hypermarkets or departmental stores; and (bb) such other types of transactions that may be prescribed by Bursa Securities from time to time.

## Corporate Governance

### *Role of the Audit Committee for Related Party Transactions*

The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted at arm's length and on normal commercial terms, and are not prejudicial to Unitholders' interests. The Manager maintains a register to record all Related Parties of CMMT and Related Party Transactions which are entered into by CMMT (and the basis, including the quotations obtained to support such basis upon which they are entered into). All Related Party Transactions are subject to regular periodic reviews by the AC, with advice from the internal auditor to ascertain that the guidelines and procedures established to monitor Related Party Transactions, including the relevant provisions of the Listing Requirements and the REITs Guidelines, as well as any other guidelines which may from time to time be prescribed by Bursa Securities, the SC or other relevant authority, 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.

Details of all Related Party Transactions entered into by CMMT during the financial year are disclosed on pages 141 to 144 of this 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, executive officers and employees) may encounter in managing CMMT:

- (a) The Manager will be a dedicated manager to CMMT and will not manage any other REITs or be involved in any other real property business;
- (b) All executive officers of the Manager will be employed by the Manager;
- (c) All resolutions at meetings of the Board of the Manager in relation to matters concerning CMMT must be decided by a majority vote of the Directors, including at least one Independent Director;
- (d) In respect of matters in which CapitaLand and/or its subsidiaries (including CMA) have an interest, whether direct or indirect, any nominees appointed by CapitaLand and/or its subsidiaries (including CMA) to the Board will abstain from voting;
- (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 CMMT with an affiliate 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 CMMT, has a prima facie case against the party allegedly in breach under such agreements, the Manager is obliged to pursue the appropriate remedies under such agreements. The Directors of the Manager have a duty to ensure that the Manager complies with the aforesaid. 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 with an affiliate 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 an affiliate of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such affiliate.
- (f) The Board shall comprise at least one-third of Independent Directors. Currently the Board comprises majority Independent Directors.

In addition, the Directors and executive officers of the Manager are expected to act with integrity and honesty at all times.

In addition, the Manager and the Trustee have been granted a right of first refusal (ROFR) by CMA where:

- (a) For so long as the Manager shall remain the manager of CMMT and a subsidiary of CMA, neither CMA nor any subsidiary of CMA, will (a) purchase any relevant retail property which CMA and/or its subsidiaries may identify and target for acquisition in the future without granting the ROFR to CMMT to purchase such relevant retail property at the offer price and based on the terms and conditions as proposed to the relevant member of CMA and its subsidiaries, subject to various procedural requirements, including notice provisions, as set out in the letters of undertakings; or (b) sponsor or act as the manager of another REIT or any listed company in Malaysia that competes or will compete for the acquisition of relevant retail property, save that (a) and (b) shall not be applicable to any relevant retail property which is the subject matter of any of the following:
- (i) Joint venture or proposed joint venture with CMA and/or its subsidiaries and any third party or parties; or
  - (ii) A proposal made exclusively available to CMA and/or its subsidiaries; or
  - (iii) A fund or proposed fund managed by CMA and/or its subsidiaries.
- (b) In the event CMA should sponsor a Malaysian retail property fund for the acquisition and/or development of relevant retail property, CMA shall endeavour to procure that such fund shall grant to CMMT a ROFR in relation to any relevant retail properties of which the fund wishes to dispose.

This undertaking has the effect of limiting the ability of CMA from undertaking or participating in certain business opportunities, as described above.

### **Dealing in Securities**

The Manager has issued guidelines to its Directors and employees which prohibit them from dealing in CMMT's units while in possession of material unpublished price-sensitive information and during the periods commencing 30 calendar days before the release of CMMT's quarterly results to one full market day after the release of the relevant results to Bursa Securities via Bursa LINK pursuant to the Listing Requirements. In addition, if any of such affected persons deal in CMMT's units during the closed periods or outside closed periods under the Listing Requirements, they are required to comply with the conditions as set out in Paragraphs 14.08 and 14.09 of the Listing Requirements respectively. They are also made aware of the applicability of the insider trading laws at all times.

### **Fees payable to the Manager**

The methodology for computing the fees payable to the Manager is contained in Clause 18 of the Trust Deed, details of which are disclosed under Notes to Financial Statements.

The Management Fees, which are contained in Clause 18 of the Trust Deed, are fees earned by the Manager for the management of CMMT's portfolio. Pursuant to Clause 18.5 (d) of the Trust Deed, the Management Fees (save for the Acquisition Fee and Divestment Fee as referred below) in cash are payable quarterly in arrears and payment of Management Fee in Units will be payable quarterly or semi-annually after the payment of Distributable Income to Unitholders. The Management Fee should be viewed holistically as a whole which comprise two components, namely the Base Fee and Performance Fee, which are elaborated further below:

### **Base Fee**

The Base Fee enables the Manager to cover operational and administrative overheads incurred in the management of the portfolio. The Base Fee is calculated at a percentage of assets value as the asset value provides an appropriate metric to determine the resources for managing the assets.

## Corporate Governance

### Performance Fee

The Performance Fee is calculated in reference to the net property income before payment of the Management Fee, for each Distribution Period based on the unaudited or as the case may be, the audited accounts of the Trust determined for the relevant Distribution Period but subject to reconciliation to the amount calculated by reference to the audited account of the Trust for the relevant Financial Year.

### Acquisition Fee

The Acquisition Fee is contained in Clause 18.3 of the Trust Deed, is earned by the Manager upon the successful completion of an acquisition. This fee seeks to motivate and compensate the Manager for its efforts expended to continually seek out and acquire Distribution Per Unit accretive assets to increase longer term returns for Unitholders. In addition, the Acquisition Fee allows the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking out new acquisition opportunities, including but not limited to, due diligence efforts and man hours spent in evaluating the transaction.

### Divestment Fee

The Divestment Fee, which is contained in Clause 18.3 of the Trust Deed, is earned by the Manager upon the completion of a divestment. This fee seeks to motivate and compensate the Manager for its efforts expended to maximise value received by CMMT in the event of a divestment. In addition, the Divestment Fee allows the Manager to recover additional costs and resources incurred by the Manager for the divestment, including but not limited to due diligence efforts and man hours spent in marketing and maximising the divestment price.

### 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 work place harassment and grievances are also in place.

All employees of the Manager have each been given a printed employee handbook which sets out these policies clearly.

The Manager believes that the policies it has implemented help to detect and prevent occupational fraud mainly in three ways.

First, the Manager offers fair compensation packages to its employees, based on practices of pay-for-performance and promotion based on merit.

Secondly, 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. The Manager's zero tolerance stance against all types of fraud is also regularly communicated at staff communication sessions.

### **Bribery and Corruption Prevention Policy**

The Manager adopts a strong stance against corruption and bribery. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Manager are required to make a declaration on an annual basis where they pledge to uphold CapitalLand's core values and not to indulge in any corrupt or unethical practices.

The Manager's zero tolerance policy towards corruption and bribery extends to its dealings with third party service providers and vendors. Pursuant to such policy, the Manager requires that all agreements with third party service providers and vendors incorporate a robust anti-corruption clause.

### **Whistle-Blowing Policy**

A whistle-blowing policy and other procedures are put in place to provide employees of the Manager and parties having official dealings with CMMT with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other impropriety at the workplace to facilitate independent investigation of any reported incidents and appropriate follow up action.

The aim of the whistle-blowing policy is to encourage the reporting of such matters whereby 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. On an ongoing basis, the whistle-blowing policy is covered during periodic communications to employees to promote fraud awareness.

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

The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 lays down various activities which the said Act views as unlawful activities and which the Manager must be aware of. The Manager has applied a policy to comply with the Act for prevention of money laundering and terrorism financing and is alert at all times to suspicious transactions. The Manager performs due diligence checks on its counterparties, where appropriate, in order to ensure that it does not enter into business transactions with terrorist suspects or other high risk persons or entities.