

# 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 to maximise 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 2016, 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 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; and
- (e) Supervising Knight Frank Property Management 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, promotion, operations coordination and other property management activities) for CMMT's properties namely Gurney Plaza, Sungei Wang<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 57 to 64.

The Manager administers the enterprise risk management and ensures that internal controls are in place to mitigate and manage the risks as set out on pages 52 to 54.

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.

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

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 to CMMT, amongst others;

- (a) a stable pipeline of property assets through CapitaLand's development activities;
- (b) wider and better access to banking and capital markets;
- (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.

#### **INTENDED OUTCOME 1.0**

***Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.***

***Practice 1.1: The board should set the company's strategic aims, ensures that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.***

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. 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 requirements under the Listing Requirements, REITs Guidelines as well as any other applicable guidelines prescribed by Bursa Malaysia, SC or other relevant authorities and such 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 goals and achievements of CMMT are set in the Balance Scorecard approved by the Board and measured at the end of each financial year. The Board also receives periodic reports on the risks, compliance, conflicts of interest and internal controls managed and applied by Management for CMMT and the Manager.

The Board has established various committees to assist in the discharge of its functions. These Committees are the Audit Committee (AC), the Corporate Disclosure Committee (CDC) and the Executive Committee (EXCO)(Committees). The composition of the various committees are 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.

# CORPORATE GOVERNANCE

The Board has adopted a set of internal controls which establishes approval limits for operational and capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to the respective Committees and Management. Approval sub-limits are also provided at Management level to optimize operational efficiency.

The Board meets at least once every quarter, and as and when required by business imperatives. The Board and the Committee meetings are scheduled prior to the start of each financial year, to facilitate the deliberation of 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. Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the Manager permits the Director to participate via audio conferencing or video conferencing. The Board and the Committees may also make decisions by way of resolutions in writing. In each meeting which discusses matters requiring the Board's approval, all members of the Board participate in the discussions and deliberations; resolutions in writing are circulated to all Directors and are subject to the approval of the Directors. This principle of collective decisions adopted by the Board ensures that no individual unduly influences or dominates the decision making process.

A total of five Board meetings were held in FY 2017. A table showing the attendance record of the Directors at meetings of the Board and Committees in FY 2017 is set out on page 46 of this Annual Report. The Manager believes in the manifest contribution of its Directors beyond attendance at formal Board and Committee meetings. To judge a Director's contributions based on his attendance at formal meetings alone would not do justice to his overall contributions, which include being accessible to Management for guidance or exchange of views outside the formal environment of Board and Committee meetings. In addition to the formal meetings held in FY 2017, Management has received and benefitted from the strategic guidance of the Board through the Directors having had many interactive sessions with Management in person and also through electronic means.

In view of the increasingly demanding, complex and multi-dimensional roles of a director, the Board recognises the importance of continuous training and development for its Directors to maintain their professional standards. The Manager also maintains a training record to track the Directors' professional development. The costs of training are borne by the Manager. Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Directors' Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director). All Directors, upon appointment, also undergo an induction programme which focuses on orientating the Director to CMMT's business, operations, strategy, organisational structure, responsibilities of key management personnel, and financial and governance practices.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards and industry-related matters, to enable them being updated on matters that affect or which may enhance their performance as Directors or Committee members. Directors are also encouraged to undertake self-learning by reading relevant reports and journals.

All Directors attended the Mandatory Accreditation Programme (MAP) and as prescribed by Bursa Securities, within four months of their appointments. Mr Ronald Tay Boon Hwee was appointed on 1 January 2018 and has until 30 April 2018 to attend the MAP. Training programmes, seminars and conferences attended by the Directors during FY 2017 are set out on page 47 of this Annual Report.

***Practice 1.2: A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.***

The Board presently comprises nine Directors, five of whom are independent directors. The Chairman of the Board is an independent director. Profiles of the Chairman and the Directors are provided on pages 17 to 21 of this Annual Report.

During FY 2017, the non-executive independent Chairman, Mr David Wong Chin Huat, has been responsible for:

- (a) Providing leadership to the Board so that the Board can perform its responsibilities effectively;
- (b) Overseeing the Board agenda and interfacing between Management and Board members for delivery of information required at each Board meeting;
- (c) Leading all five Board meetings and discussions;
- (d) Encouraging active participation and allowing dissenting views to be freely expressed by the Directors;
- (e) Managing the interface between Board and Management on all other matters;
- (f) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board; and
- (g) Leading the Board in establishing and monitoring good corporate governance practices in the Company. To that end, the Company has endorsed the latest amendments to the Code in FY 2017 which was supported by the Chairman and the Board.

***Practice 1.3: The positions of Chairman and CEO are held by different individuals.***

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 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 directions and operational decisions of CMMT and is responsible for implementing CMMT's strategies and policies in the conduct of CMMT's business.

The Chairman and the CEO are not 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 CMMT's strategic process.

# CORPORATE GOVERNANCE

***Practice 1.4: The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.***

The Board is supported by a suitably qualified and competent Company Secretary (the Secretary). The Secretary of the Manager works with the Chairman and Management to ensure that Board papers and agendas are provided to each Director at least five working days in advance of the Board meetings so that they can familiarise themselves with the matters prior to the Board meetings. The Board is entitled to have separate and independent access to the Management and the Secretary, and vice versa at all times. The Secretary provides the Board with the 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 all Board meetings and Committee meetings to take minutes. She is the corporate governance advisor on corporate matters to the Board and Management and will also attend to corporate secretarial administration matters.

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.

During FY 2017, the Secretary has provided updates on amendments to the Companies Act 2016, the Code, Listing Requirements and other related laws for the Company's and Board's information.

***Practice 1.5: Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.***

The Manager recognises the importance of providing the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities.

The Board meets regularly and Board meetings, in general, last up to half a day. At each Board meeting, the CEO provides updates on CMMT's business and operations as well as its financial performance. Presentations in relation to specific business areas are also made by key executives and external consultants or experts; which allows the Board to develop a good understanding of CMMT's business and also promotes active engagement between the Board and the key executives of the Manager.

As the Manager's practice, Board papers are sent to Board members at least five working days prior to each Board meeting, to allow members of the Board to prepare for the Board meetings and to enable discussions to focus on any questions that they may have.

In line with the Manager's commitment to limit paper wastage and reduce its carbon footprint, the Manager no longer provides printed copies of Board papers and Directors are instead provided with tablet devices to enable them to access and read Board and Committee papers electronically prior to and at meetings. This initiative also enhances data security as the papers are downloaded to the tablet devices through an encrypted channel. This initiative was launched by the Manager in 3Q 2017.

The Manager practices timely circulation of the minutes of the Board and Committee meetings within one week after meetings to the Directors and then to the Chairman of the Board and Committees for final approval within two weeks after each meeting. Minutes are complete and accurately reflect the deliberations and decisions of the Board and Committees, including whether any Director abstained from voting or deliberating on any matter.

## INTENDED OUTCOME 2.0

*There is demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.*

**Practice 2.1: The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies: -**

- ▼ **The respective roles and responsibilities of the board, board committees, individual directors and management; and**
- ▼ **Issues and decisions reserved for the board.**

The Board's duties and responsibilities have been guided by a Board Charter and in FY 2017 include:

- (a) approving CMMT'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 which relate to CMMT and the Manager;
- (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 the Board's compensation.

The Board Charter is periodically reviewed to reflect changes to the Board's policies, procedures and processes as well as any development in statutes and regulations that may have an impact on the discharge of the Board's duties and responsibilities.

## INTENDED OUTCOME 3.0

**The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.**

**The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.**

**Practice 3.1: The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering. The Code of Conduct and Ethics is published on the company's website.**

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.

The policies and guidelines are published on CapitalLand's Intranet which is accessible by all employees of the Manager. The policies that the Manager has implemented aim to help to detect and prevent occupational fraud mainly in three ways.

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

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.

# CORPORATE GOVERNANCE

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. This is achieved through orientation training of new employees and periodic training updates for existing employees.

The Manager has also established a policy that its Directors recuse themselves from voting on or participating in any discussions concerning a transaction in which they may be in a conflict of interest situation. The Directors have complied with this policy and recused himself/herself from voting on or participating in any Board deliberations on any transaction which might potentially give rise to a conflict of interest.

### ***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 the Manager's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings.

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

### ***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 on the prevention of money laundering and terrorism financing and is alert at all times to suspicious transactions. As part of its business operational practices, the Manager performs due diligence checks on its counterparties in order to ensure that it is able to detect any suspicious money laundering and terrorist financing activities and it does not enter into business transactions with terrorist suspects or other high risk persons or entities.

Under this policy, the Manager must retain all relevant records or documents relating to business relations with its customers or transactions entered into for a period of at least seven years following the termination of such business relations or the completion of such transactions.

All prospective employees, officers and representatives of the Manager are also screened against various lists of terrorist suspects issued by SC. Periodic training has been provided by the Manager to its Directors, employees and representatives to ensure that they are updated and aware of applicable anti-money laundering and terrorist financing regulations and amendments thereto, the prevailing techniques and trends in money laundering and terrorist financing and the measures adopted by the Manager to combat money laundering and terrorist financing.

### ***Practice 3.2: The board establishes, reviews and together with management implements policies and procedures on whistleblowing.***

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 improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action.

The objective of the Whistle-Blowing Policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly, and to the fullest extent possible, be protected from reprisal. The Whistle-Blowing Policy facilitates complaints which can be raised to the AC Chairman through the Internal Auditor who reports quarterly to the AC.

## INTENDED OUTCOME 4.0

**Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.**

***Practice 4.1: At least half of the board comprises independent directors. For Large Companies<sup>2</sup>, the board comprises a majority independent directors***

The Board reviews from time to time the size and composition of the Board with a view of ensuring that the size of the Board is appropriate in facilitating effective decision making, taking into account the scope and nature of the operations of CMMT and its subsidiaries (CMMT Group), and that the Board has a strong independent element.

The Board presently comprises nine Directors, five of whom are independent directors. The Chairman of the Board is an independent Director. Profiles of the Directors are provided on pages 17 to 21 of this Annual Report reflecting that there is a majority of independent directors on the Board of the Manager being manager of CMMT.

***Practice 4.2: The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process***

***Practice 4.3: The board has a policy which limits the tenure of its independent directors to nine years (Step Up)***

The independence of each Director is reviewed by the Board upon appointment, and thereafter annually through a Board performance evaluation exercise carried out by the Secretary on behalf of the Manager and by the Board 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; and has not served on the Board for a continuous period of nine years or longer.

The Manager applies the Listing Requirements, the REITs Guidelines and the Code in determining if a Director is independent. The relevant non-executive Directors, namely Mr David Wong Chin Huat, Ms Tan Siew Bee, Dr Peter Tay Buan Huat, Tuan Haji Rosli bin Abdullah and Mr Ng Chih Kaye, have in FY 2017 provided declarations of their independence and which have been accepted by the Board.

The Board has considered whether each of Mr David Wong Chin Huat, Ms Tan Siew Bee, Dr Peter Tay Buan Huat, Tuan Haji Rosli bin Abdullah and Mr Ng Chih Kaye had demonstrated independence of character and judgement in the discharge of his/her responsibilities as a Director of the Manager in FY 2017, and is satisfied that each of them acted with independent judgement.

On the basis of the declarations of independence provided by the Directors and the guidance in the Code, REITs Guidelines and the Listing Requirements, the Board has determined that Mr David Wong Chin Huat, Ms Tan Siew Bee, Dr Peter Tay Buan Huat, Tuan Haji Rosli bin Abdullah and Mr Ng Chih Kaye are independent directors. Each member of the Board had recused himself/herself from deliberations on his/her own independence.

The Manager believes that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of CMMT's business; renewal or replacement of a Director therefore does not necessarily reflect his/her performance or contributions to date. The Board has established the guideline that an Independent Director will serve for an initial two three-years term and any extension of term up to a maximum period of nine years (inclusive of the initial two terms served) will be individually considered by the Board.

<sup>2</sup> Large Companies refers to (1) Companies on the FTSE Bursa Malaysia Top 100 Index; or (2) Companies with market capitalisation of RM2 billion and above, at the start of the companies' financial year.

# CORPORATE GOVERNANCE

**Practice 4.4: Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.**

**Practice 4.5: The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.**

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, real estate, legal, investment and accounting backgrounds.

The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable Management to benefit from their respective expertise and diverse backgrounds. The Board also considers gender an important aspect of diversity alongside factors such as the age, ethnicity and educational background of its members. The Board is committed to diversity and will continue to consider the differences in the skillsets, gender, age, ethnicity and educational background in determining the optimal composition of the Board in its Board renewal process. Currently, the Board has two (2) female Directors.

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

- (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) The 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.

**Practice 4.6: In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilizes independent sources to identify suitably qualified candidates.**

**Practice 4.7: The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.**

The Board has adopted the following criteria and process for selecting, appointing and reappointing Directors and for reviewing the performance of Directors:

- (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, on the 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, whether a candidate's skills, knowledge and experience will complement the existing Board is, 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 both internally and as mandated by Bursa Malaysia 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 using a board performance evaluation process which can either be an internal one or through engagement of independent and external consultants; and
- (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 as part of the Board's renewal process, is 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 half of the Board should comprise Independent Directors and for Large Companies, the Board comprises presently of a majority of Independent Directors.

### **INTENDED OUTCOME 5.0**

***Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.***

***Practice 5.1: The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome. For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.***

The Manager believes that oversight from a strong and effective Board goes a long way in guiding a business enterprise 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 can identify key strengths and areas for improvement which are essential for effective stewardship and to achieve success for CMMT.

As part of the Manager's commitment towards improving corporate governance, the Board has approved and 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 effectiveness of the Committees. The Board also evaluates whether the creation of value for unitholders has been considered in the decision-making process. The results of the survey were deliberated upon by the Board and the necessary follow up action taken with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities. Based on the survey findings, almost all the attributes in the survey areas received positive ratings with proposals to improve the performance and function of the Board in the future.

# CORPORATE GOVERNANCE

The Board was also able to assess the Committees through their regular reports to the Board on their activities. 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, also by 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.

## **INTENDED OUTCOME 6.0**

***The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long term objectives. Remuneration policies and decisions are made through a transparent and independent process.***

***Practice 6.1: The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. Remuneration policies and decisions are made through a transparent and independent process.***

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.

In terms of the process adopted by the Manager for developing policies on remuneration and determining the remuneration packages for Directors and executive officers, the Manager, through an independent remuneration consultant, takes into account relevant industry benchmarks. It also considers the compensation framework of CapitaLand as a point of reference. The Manager is a subsidiary of CapitaLand, which also holds a significant stake in CMMT. The association with the CapitaLand Group puts the Manager in a better position to attract and retain better qualified management talent; provides the Manager with an intangible benefit such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and a career horizon. In FY 2017, an independent remuneration consultant, Mercer (Singapore) Pte Ltd (Mercer), was appointed to provide professional advice on Board and executive remuneration.

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

### ***Business Goals***

- ▼ Generating rental income and enhancing asset value of CMMT over time to maximise returns from investments and ultimately, the distribution and total return to Unitholders.
- ▼ Secure 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 business goals performance.
- ▼ Strengthen line-of-sight by linking rewards with business goals.

### ***Fair & Appropriate***

- ▼ Ensure competitive remuneration relative to the appropriate external talent markets.
- ▼ Manage internal equity such that the remuneration systems are being viewed as fair.

### *Effective Implementation*

- ▼ Exercise appropriate flexibility to meet strategic business needs and practical implementation considerations.
- ▼ Facilitate employee undertakings to maximise the value of the remuneration programmes.

The fixed component for key executives comprises the base salary, fixed allowances and compulsory employer contribution to the employees' Employees Provident Fund. The variable cash component comprises an annual bonus plan which is linked to the achievement of annual performance targets for each key executive. Annual performance targets are in the form of both quantitative and qualitative measures that are aligned to the business strategy for CMMT Group and linked both to individual performance and the performance of CMMT. The market-related benefits provided are comparable with local market practices.

For FY 2017, remuneration for key management personnel comprises a fixed component, a performance-based variable cash component, a performance-based variable equity-based component or cash-based component and market related benefits. For the equity-based or cash-based component, for FY 2017, either shares of CapitalLand or cash were awarded pursuant to the share plan of CapitalLand.

***Practice 6.2: The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management. The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.***

The Board undertakes the functions of a remuneration committee based on the following:

- (a) the Manager is a dedicated manager to only CMMT and in general, REITs (including CMMT) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched when undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration matters; and
- (b) the independent directors form at least half of the Board and the Chairman is an independent director, which demonstrates that the independent directors play a substantive role and ensures the objectivity and independence of the decision making process concerning remuneration. This also mitigates any concerns of conflict which can be managed by having the conflicted Directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of remuneration. Moreover, there is an independent external consulting firm which provides guidance to the Board prior to approving the recommended remuneration based on market demands and norms.

In undertaking this function, the Board oversees the design and implementation of the remuneration policy and the specific remuneration packages for each Director and the CEO. No member of the Board, however, will be involved in any decision of the Board relating to his own remuneration.

### **INTENDED OUTCOME 7.0**

***Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.***

***Practice 7.1: There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.***

The Directors' fees for FY 2017 are shown in the table on the following page. The CEO as an executive director does not receive any fees for serving as a Director. Instead, she is remunerated as part of the key management personnel of the Manager. Directors' fees are a fixed sum and generally comprise a basic retainer fee as a Director, an additional fee for serving on any of the Committees and an attendance fee for participation in meetings of the Board and any of the Committees, project meetings and verification meetings. The remuneration framework for the non-executive Directors remains unchanged from that of the previous financial year.

# CORPORATE GOVERNANCE

## ▼ Directors' Fees<sup>1</sup>

Board Members	FY 2017 (RM)	FY 2016 (RM)
David Wong Chin Huat	207,000	205,000
Low Peck Chen	–	–
Tan Siew Bee	135,000	130,000
Dr Peter Tay Buan Huat	99,000	89,000
Foo Wei Hoong <sup>2</sup>	90,000	80,000
Tuan Haji Rosli Bin Abdullah	155,000	150,000
Ng Chih Kaye	135,000	130,000
Jason Leow Juan Thong <sup>3,4</sup>	155,000	145,000
Ng Kok Siong <sup>3</sup>	180,000	200,000
Lee Hui Yeow [Alternate Director to Ng Kok Siong] <sup>3</sup>	10,000	–
Ronald Tay Boon Hwee <sup>5</sup>	–	–

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.

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

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

4 Resigned as a Director, Chairman of the Executive Committee and a Member of the Corporate Disclosure Committee with effect from 1 January 2018.

5 Appointed as a Director, Chairman of the Executive Committee and a Member of the Corporate Disclosure Committee with effect from 1 January 2018.

**Practice 7.2: The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.**

**Practice 7.3: Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis. (Step Up)**

The remuneration for the CEO in bands of RM50,000, and a breakdown of the remuneration of the CEO and the top 5 senior management personnel of the Manager in percentage terms, are provided in the Key Management Personnel's Remuneration Table on page 48 of this Annual Report.

The Manager has decided (a) to disclose the CEO's remuneration in bands of RM50,000 (instead of on a quantum basis), and (b) not to disclose the remuneration of the key management personnel of the Manager (whether in bands of RM50,000 or otherwise). In arriving at its decision, it has taken into account the commercial sensitivity and confidential nature of remuneration matters. The Manager is of the view that disclosure in such a manner is not prejudicial to the interests of Unitholders as the indicative range for the CEO's remuneration, as well as the total remuneration for the CEO and key management personnel of the Manager, is made known to Unitholders, and sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between CMMT's performance and the remuneration of the CEO and key management personnel. In addition, the remuneration of the CEO and key management personnel of the Manager is paid out of the fees that the Manager receives (of which the quantum and basis have been disclosed), rather than the assets of CMMT.

## **INTENDED OUTCOME 8.0**

*There is an effective and independent Audit Committee. The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.*

**Practice 8.1: The Chairman of the Audit Committee is not the Chairman of the board.**

**Practice 8.2: The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.**

**Practice 8.4: The Audit Committee should comprise solely of Independent Directors (Step Up)**

The Chairman of the AC is not the Chairman of the Board. At present, the AC comprises four members, all non-executive, a majority of whom (including the Chairman of the AC) are independent. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting, legal and related financial management domains. None of the AC members was previously a partner of the incumbent external auditors, KPMG LLP (KPMG), within the previous two years, nor do any of the AC members hold any financial interest in KPMG.

The AC has explicit authority to investigate any matter within its terms of reference. Management is required to provide the fullest cooperation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the AC.

**Practice 8.3: The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.**

The AC has established an External Auditors' Independence Guideline that considers among others:

- (a) The competence, audit quality and resource capacity of the external auditor in relation to the audit;
- (b) The nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- (c) The written assurance obtained from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The AC has reviewed the nature and extent of non-audit services provided by the external auditors during FY 2017 and the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC. The aggregate amount of fees paid and payable to the external auditors for FY 2017 was approximately RM215,000 of which audit fees and audit related fees amounted to approximately RM206,000 and non-audit fees amounted to approximately RM9,000.

**Practice 8.5: Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.**

**All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.**

At present, there is a level of financial literacy amongst the AC members who have sufficient understanding of the company's business.

# CORPORATE GOVERNANCE

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and considered the clarity of key disclosures in the financial statements. The AC reviewed, amongst other matters, the following key audit matter identified by external auditors for the financial year ended 31 December 2017.

Key Audit Matter	How the AC reviewed the matter and what decisions were made
<b>Valuation of investment properties</b>	<p>The AC considered the valuation methodologies applied by the valuers for investment properties including evaluation of the valuers' objectivity and competency.</p> <p>The valuers are rotated annually to provide fresh and independent perspectives to the valuation process. This practice has been consistently adhered to over time.</p> <p>The AC held discussions with the Management and external auditors to review the valuation methodologies including the reasonableness of the capitalisation rates adopted by the valuers.</p> <p>The valuation of investment properties was also an area of focus for the external auditors.</p> <p>No significant matter came to the attention of the AC during the review.</p>

In FY 2017, the AC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors.

In FY 2017, changes to accounting standards, accounting systems and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC at its meetings.

## **INTENDED OUTCOME 9.0**

***Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.***

***The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.***

***Practice 9.1: The board should establish an effective risk management and internal control framework.***

The Manager has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard Unitholders' interests and CMMT's assets.

The Board has overall responsibility for the governance of risk, including determining the risk strategy, risk appetite and risk limits, as well as risk policies. The EXCO and AC assist the Board in carrying out the Board's responsibility of overseeing the risk management framework and policies of CMMT Group.

The EXCO and AC, guided by their respective terms of reference, and in particular, during FY 2017:

- (a) made recommendations to the Board on CMMT Group's risk strategy, risk appetite and risk limits;
- (b) reviewed the risk management framework, including the processes and resources to identify and manage material risks;
- (c) oversaw Management in the design, implementation and monitoring of the system of risk management and internal controls;
- (d) reviewed the material risks faced by CMMT Group and the management thereof;
- (e) reviewed the adequacy and effectiveness of the system of risk management and internal controls covering material risks and the assurance given by Management, as well as the disclosures in the annual report; and
- (f) considered and advised on risk matters referred to it by Management or the Board.

***Practice 9.2: The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.***

The Manager adopts an Enterprise Risk Management (ERM) Framework which sets out the required legal, 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 its ERM Framework. As part of the ERM Framework, the Manager, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) exercise at least annually. As a result of the RCSA, 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 mitigate those risks. The EXCO and AC also review the approach of identifying and assessing risks and internal controls in the risk register. The material risks, including the mitigating measures, are reviewed regularly by the EXCO and AC, who then report to 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), incorporates the risk limits and 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 the Manager's ERM Framework can be found in the Enterprise Risk Management section on pages 52 to 54 of this Annual Report.

The internal and external auditors conduct reviews on the adequacy and effectiveness of the material internal controls for CMMT Group addressing financial, operational, compliance and IT 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 and external auditors are reported to and reviewed by the EXCO and AC. The adequacy and effectiveness of the measures taken by the Manager in response to the recommendations made by the internal and external auditors are also reviewed by the AC.

The Board has received assurance from the CEO and the Head, 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 IT risks. The CEO and the Head, Finance of the Manager have obtained similar assurance from the respective risk and control owners.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and the Head, Finance of the Manager that the Board concurs with the recommendation of the Exco and AC and is of the opinion, that CMMT Group's system of risk management and internal controls are adequate and effective to address the financial, operational, compliance and IT risks which CMMT Group considers relevant and material to its current business environment as at 31 December 2017.

# CORPORATE GOVERNANCE

The Board notes that the system of risk management and internal controls established by the Management 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 judgement in decision making, human error, losses, fraud or other irregularities.

## **INTENDED OUTCOME 10.0**

---

***Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.***

***Practice 10.1: The Audit Committee should ensure that the internal audit function is effective and able to function independently.***

The Manager has in place an internal audit function supported by CapitaLand's Internal Audit Department (CL IA) which reports directly to the AC. CL IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each year. The AC also meets with CL IA at least twice a year without the presence of Management. CL IA has unfettered access to the Manager's documents, records, properties and employees, including access to the AC. During FY 2017, CL IA has completed five audit assignments pursuant to the 2017 annual internal audit plan as agreed by AC and has also on a quarterly basis reported to AC a summary of the RPTs entered into by CMMT.

***Practice 10.2: The board should disclose:***

- ▼ ***whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;***
- ▼ ***the number of resources in the internal audit department;***
- ▼ ***name and qualification of the person responsible for internal audit; and***
- ▼ ***whether the internal audit function is carried out in accordance with a recognised framework.***

CL IA is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), with its headquarters in the United States of America. CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA and has incorporated these Standards into its audit practices. With respect to FY 2017, the AC has reviewed and is satisfied as to the adequacy and effectiveness of the IA function and the resources of CL IA.

None of the CL IA team members is related to the CEO nor Management. To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience. For instance, CL IA staff who are involved in IT audits are Certified Information System Auditors and members of the Information System Audit and Control Association (ISACA) in the USA. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits. As of 31 December 2017, there are 24 professional and experienced staff that can service CMMT's portfolio, including Head, Group Internal Audit.

CL IA is headed by Dr. Monica Chia Fook Lan. She has more than 20 years of professional auditing and accounting practices in the banking industry and auditing sector in Singapore and Australia. Dr. Chia is a Chartered Accountant with the Institute of Singapore Chartered Accountants. She has a Bachelor in Commerce, Accounting and Information System (Merit) and Master in Commerce, Accounting (Auditing) from The University of New South Wales, Sydney, Australia. She was awarded the scholarship to undertake PhD in Accounting from The University of Western Australia and her dissertation was an empirical research on the determinants of the timing and size of discretionary write-offs.

CL IA identifies and provides training and development opportunities for its staff to ensure that their technical knowledge and skill sets remain current and relevant.

**INTENDED OUTCOME 11.0**

*There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.*

*Stakeholders can make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.*

**Practice 11.1: The board ensures there is effective, transparent and regular communication with its stakeholders.**

The Manager is committed to keeping all Unitholders and 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 the Units, on a timely and consistent basis, to facilitate the investment decisions of Unitholders and investors.

The Manager has in place an Investor Relations and Corporate Communications team which facilitates effective communication with Unitholders, analysts, fund managers and the media.

The Manager actively engages with Unitholders and has put in place a Unitholders' Communication and Investor Relations Policy (Policy) to promote regular, effective and fair communication with Unitholders.

The Board has established the CDC which assists the Board in the discharge of its function to meet the obligations arising under the laws and regulations of Malaysia relating to and to conform to best practices in the corporate disclosure and compliance process. The views and approval of the CDC were sought in FY 2017 through emails on various announcements and news releases. In FY 2017, CMMT disclosed not only transactions involving related parties but also CMMT's asset enhancement initiatives, projects in the pipeline and relevant updates on its environment and corporate social responsibilities.

More information on the Manager's investor and media relations with Unitholders can be found in the Investor & Media Relations section on page 55 of this Annual Report.

CMMT's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties by CMMT which are determined to be trading gains), with the actual level of distribution to be determined at the Manager's discretion. FY 2017 saw distributions of approximately 100.0% of CMMT's distributable income to Unitholders.

**INTENDED OUTCOME 12.0**

*Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.*

**Practice 12.1: Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.**

The Manager is committed to treating all Unitholders fairly and equitably.

All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through proxies, if they are unable to attend in person, or if their Units are held through corporations).

All Unitholders were given at least 28 days' notice prior to Annual General Meetings which is beyond the minimum requirement of 21 days. The notice includes details of the resolutions proposed along with any background information and reports or recommendations that are relevant. The Annual General Meeting of CMMT for 2018 will take place on 29 March 2018. Full details and the notification can be found on pages 159 to 162 of this Annual Report.

# CORPORATE GOVERNANCE

**Practice 12.2: All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.**

**Practice 12.3: Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–**

- ▼ **voting including voting in absentia; and**
- ▼ **remote shareholders' participation at General Meetings**

The Manager supports the principle of encouraging Unitholders' participation and voting at general meetings. Unitholders receive copies of CMMT annual report (abridged version) and notice of the annual general meeting. Full copies of the annual report will be provided upon request. As and when an extraordinary general meeting is to be held, Unitholders will receive a copy of the circular which contains details of the matters to be proposed for Unitholders' consideration and approval. Notices of the general meetings are also advertised in the press and issued via Bursa Link. All Unitholders are given the opportunity to participate effectively in and to vote at general meetings.

At general meetings, Unitholders are encouraged to communicate their views and discuss with the Board and Management matters affecting CMMT. Representatives of the Trustee, Directors (including the chairpersons of the Board and the AC), the Manager's senior management and the external auditors of CMMT, would usually be present at general meetings to address any queries from Unitholders.

To safeguard Unitholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. To ensure transparency in the voting process and better reflect Unitholders' interest, the Manager conducts electronic poll voting for Unitholders/proxies present at the general meetings for all the resolutions proposed at the general meetings. Voting results and vote tabulation procedures are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes cast for or against each resolution, and the respective percentages thereof, are tallied and displayed 'live on-screen' to Unitholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are announced on Bursa Link after the general meetings. Voting in absentia and by email may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Unitholders through the web are not compromised, and legislative changes are in place and effective to recognise remote voting.

Minutes of the general meetings recording the substantive and relevant comments made and questions raised by Unitholders are taken and are available to Unitholders for their inspection upon request. Minutes of annual general meetings have been made available since FY 2017 on CMMT's website at [www.cmmt.com.my](http://www.cmmt.com.my).

Unitholders also have the opportunity to meet with and communicate their views with the Board and Management, who are in attendance at the general meeting on matters affecting CMMT after the general meetings.

## **OTHERS**

### **Dealing with Related Parties**

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

In general, the Manager has established internal control procedures to ensure that all 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 Transactions), 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; and
- (e) Exempted Related Party Transactions shall be approved by the CEO followed by approval/ratification of the Independent Directors and considered adequately disclosed periodically through the Annual Report.

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.

1 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 144 to 145 of this Annual Report.

## **Dealing with Conflicts of Interest**

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, 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 CapitalLand and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by CapitalLand and/or its subsidiaries 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; and
- (f) The Board shall comprise at least one-third of Independent Directors. Currently the Board comprises a majority of Independent Directors.

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

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. The Management Fees are fees earned by the Manager for the management of CMMT's portfolio. 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.

In addition, the Manager is also paid an Acquisition Fee or a Divestment Fee upon the successful completion of an acquisition or divestment respectively. Further details on the Acquisition Fee and Divestment Fee are provided below:

## 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.

## ▼ Composition and Meeting Attendance in 2017

Board Members	Composition			Meeting Attendance		
	Audit Committee	Executive Committee	Corporate Disclosure Committee	Board Number of Meetings Held: 5	Audit Committee Number of Meetings Held: 4	Executive Committee Number of Meetings Held: 5
David Wong Chin Huat	–	–	Chairman	5	N.A.	N.A.
Low Peck Chen	–	Member	–	5	N.A.	5
Tan Siew Bee	Member	–	–	5	4	N.A.
Dr Peter Tay Buan Huat	–	–	–	5	N.A.	N.A.
Foo Wei Hoong	–	–	–	5	N.A.	N.A.
Tuan Haji Rosli Bin Abdullah	Chairman	–	–	5	4	N.A.
Ng Chih Kaye	Member	–	–	5	4	N.A.
Jason Leow Juan Thong <sup>1</sup>	–	Chairman	Member	5	N.A.	5
Ng Kok Siong	Member	Member	Member	3	3	5
Ronald Tay Boon Hwee <sup>2</sup>	–	Chairman	Member	N.A.	N.A.	N.A.

N.A. – Not applicable

<sup>1</sup> Resigned as a Director, Chairman of the Executive Committee and a Member of the Corporate Disclosure Committee with effect from 1 January 2018.

<sup>2</sup> Appointed as a Director, Chairman of the Executive Committee and a Member of the Corporate Disclosure Committee with effect from 1 January 2018.

Training programmes, seminar and conferences attended by the Directors during FY 2017 were:

- ▼ Sustainability Forum for Directors/CEO – The Velocity of Global Change and Sustainability (Bursa Securities)
- ▼ Briefing on the new Companies Act 2016 (Messrs Arianti Dipendra Jeremiah)
- ▼ Conference on EMTechAsia “Emerging Technology Singapore” (MIT Technology)
- ▼ Assessor Certification Program for FAA Individual Accreditation (FAA)
- ▼ Seminar on Ecosystems Matter on Asian Corporate Governance Association (MINDA & ICLIF)
- ▼ Seminar on Understanding Liquidity Risk Management in Banking (FIDE & BNM)
- ▼ Audit Committee Conference (MIA & IIAM)
- ▼ MFRS 9: What the Board of Directors Need to Know About MFRS 9
- ▼ Advanced Business Management Programme on Managing Business Transformation in Uncertain Times (SIDC & IMB)
- ▼ Seminar on Corporate Governance for Development Financial Institutions (FIDE & ICLIF)
- ▼ Cyber Security Risk Management for the Boardroom and C-Suites (MINDA)
- ▼ Efficient Inefficiency on Making Board Effective in a Changing World – Professor Jeffrey Sampler (FIDE & BNM)
- ▼ Fintech on Opportunities for the Financial Services Industries in Malaysia (FIDE & BNM)
- ▼ Update on New Companies Act 2016 (Skrine & Co)
- ▼ Talent to Value Workshop by PNB Training Institute and Sandy Ogg of CEO Works
- ▼ Banks in the Digital Economy (Securities Commission)
- ▼ Crisis Proofing on Tackling Challenges Ahead with Practical Legal Measures (LHAG)
- ▼ Talk on Paying the Price for Fraudulent Trading (LHAG)
- ▼ Talk on Protecting Your Trade Mark – How Not Lose It (LHAG)
- ▼ Seminar on Fraud Risk Management Workshop (PWC)
- ▼ Arbitration Tips and Traps for Corporate Counsel (LHAG)
- ▼ In-house training on “CapitaLand Leaders Summit 2017” by CapitaLand Limited (CL)
- ▼ Seminar on Valuation on Mergers and Acquisitions by Malaysia Institute of Accountants (MIA)
- ▼ Seminar on Companies Act 2016: Practical Insights on Compliance by Malaysian Institute of Accountants (MIA)
- ▼ In-house training on “21st Century Corporate Governance” (MINDA)
- ▼ Malaysian Institute of Accountants 50th Anniversary Commemorative Lecture – Integrity: The Game Changer (MIA)
- ▼ 2nd Annual Aerotropolis Asia on Successful City of the Future (Trueventus)
- ▼ ProcureCon Asia 2017 on IT Spend Focus Day (ProcureCon Asia)
- ▼ AMLATFPUAA 2001 for Directors – Risks, Challenges and Vulnerabilities Towards Regulatory Compliance (Vision Business Solutions Sdn. Bhd.)
- ▼ Kuala Lumpur International Airport on Long Term Traffic Forecast Review, Terminal Capacity and Level of Service Assessment (IATA)
- ▼ Seminar on Equity Crowdfunding (ACCA)
- ▼ Leveraging Technology for Growth (FIDE BNM & Securities Commission)
- ▼ INSOL International (INSOL)
- ▼ Seminar on Leading Change @ The Brain Dr Thun Thamrongnawasawat (ICLIF & Bursa Securities)
- ▼ Seminar on Cyber Risk Management : A Primer for Directors (SIDC)
- ▼ 2017 Biz+ Seminar: “How to Win the Digital Minds & Analogue Hearts & Even Stomachs of Tomorrow’s Customer” (CL)
- ▼ Seminar on Shape Malaysia’s Future of Work (Talent Corporation Malaysia Berhad)
- ▼ Malaysian Institute of Accountants International Accountants Conference 2017 (MIA)

# CORPORATE GOVERNANCE

## ▼ Key Management Personnel's Remuneration Table for the Financial Year Ended 31 December 2017

Total Remuneration Bands	Salary Inclusive of AWS and Employer's EPF	Bonus and other Benefits inclusive of Employer's EPF <sup>1</sup>	Award of Units <sup>2</sup>	Total
<b>Above RM1,800,000 – RM1,850,000</b>				
<b>Low Peck Chen</b>	38%	29%	33%	100%
<b>Key Officers</b>				
<b>Lawrence Teh Cheng Poh</b>				
<b>Tan Feng Ching Fern</b>	55%	27%	18%	100%
<b>Yap Mei Wan Grace</b>				
<b>Yue Pei San</b>				
<b>Total for CEO and Key Officers</b>		<b>RM5,288,156</b>		

1 The amounts disclosed include bonuses earned and the other incentive plans which have been accrued for in FY 2017.

2 The unit awards are based on the fair value of the units comprised in the contingent awards under the CapitaLand Restricted Share Plan 2017 (RSP) and Performance Share Plan 2017 (PSP) at the time of grant. The final number of units released under the contingent awards of units for RSP and PSP will depend on the achievement of pre-determined targets and subject to the respective vesting period under RSP and PSP.